Project No. 1
Town of Philipsburg – Wastewater System Improvements

This application received 4,188 points out of a possible 4,900 points and ranked 1st out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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
RD	Grant	$1,223,943	Application submitted May 2008
RD	Loan	$3,882,951	Application submitted May 2008
Town	Cash	$ 96,928	Committed by resolution, partially expended on PER
Project Total		**$6,053,822**	

Median Household Income:	$24,559	Total Population:	951
Percent Non-TSEP Matching Funds:	88%	Number of Households:	465

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$31.36	-	Target Rate:	$47.07	
Existing Wastewater Rate:	$37.50	-	Rate with Proposed TSEP Assistance:	$93.89	199%
Existing Combined Rate:	$68.86	146%	Rate without TSEP Assistance:	$100.76	214%

Project Summary

History – Philipsburg's wastewater system consists of a gravity collection system, an outfall main, and a two-cell facultative lagoon. The lagoons discharge to Flint Creek, a tributary of the Clark Fork River. New stringent effluent standards are proposed based on total maximum daily loads (TMDL) and in-stream standards being developed by the Montana Department of Environmental Quality (DEQ). The majority of the collection system consists of four and six-inch vitrified clay pipe, most of which has been in place for almost 100 years. The storm water system was separated from the sanitary sewer system in 1993. The town is expecting to have water meters installed by the end of 2008.

Problem – The town's wastewater system has the following deficiencies:
- excessive leakage of wastewater to groundwater at lagoons,
- accumulated sludge at lagoons,
- inadequate lagoon capacity,
- multiple violations of permit limits for biochemical oxygen demand,
- lack of disinfection resulting in excessive fecal coliform discharges,
- groundwater infiltration into the outfall sewer line,
- undersized sewer mains throughout the collection system, and
- inability to meet future, proposed, stringent nutrient standards.

Proposed Solution – The proposed project would:
- construct a new wastewater treatment facility using a "Bio Lac" system,
- remove accumulated sludge,
- install ultraviolet light disinfection system, and
- rehabilitate approximately 1,600 feet of outfall line.

Note: The proposed solution does not address the inability to meet future, proposed, stringent nutrient standards, nor does it address the undersized sewer mains, which are proposed to be addressed in the next phase of improvements. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is inadequately treated wastewater being discharged into Flint Creek. The undersized facultative lagoons provide inadequate treatment, violate permit conditions and design standards, and leak appreciable sewage volumes to the groundwater. The existing wastewater facility does not have the capability to disinfect effluent, resulting in elevated fecal coliform levels released to Flint Creek. The town is required to submit a plan and schedule for meeting *E.coli* limits by December of 2009. Anticipated future effluent limits for nitrogen and phosphorous are unattainable with facultative lagoon technology, as shown by the town's testing and nationwide experience with similar facilities. The existing lagoons would not be able to meet future limits for total nitrogen and phosphorous required by 2012. Excessive sludge and storm water sediments have accumulated in the existing lagoons, further reducing already deficient treatment capacity. DEQ is requiring the town to submit a biosolids removal plan by December of 2009, and removal must be accomplished by June of 2012. Infiltration into the outfall line to the lagoons contributes excessive flows and unnecessarily dilutes sewage, further impairing treatment. The town is required to submit an infiltration and inflow reduction plan by December of 2009. Leakage is estimated at over six times the regulatory limit.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 49.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 16th highest of the 65 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 14th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the town implemented a $25 per month (200%) rate increase in 2006 to build financial capacity for the first and second phases of the proposed project. Revenue from the increase is being used until 2010 to fund the town's loan portion of the metering costs. In 2011 and beyond, revenues from the increase would be applied to new debt incurred for the proposed project, along with another rate increase at that time. Revenues from the rate increase are also allowing the town to purchase the site for the new treatment plant, while a reasonable land cost and a willing seller are both available. After a one-year baseline reading period following the water meter installation, a water and sewer cost of service rate analysis would be prepared, and new user rates would be implemented, based on equivalent dwelling units and metered water consumption; hook-up charges and impact fee schedules would also be updated. The town has always maintained reserve accounts as surplus rate revenues were available, and beginning in early 1990s, reserves were augmented in anticipation of lagoon sludge removal that was later deferred. The town maintained those reserves, which allows for a $147,400 local cash contribution to the metering project. Another portion of those reserves in the amount of $84,604 would be used to purchase private land south of the existing lagoons on which the new wastewater treatment plant would be sited.

The applicant stated that a wastewater facilities plan prepared in 1989 laid the groundwork for a subsequent upgrade to the existing facultative lagoon. The town obtained a bid in 1993 to remove sludge from the lagoon, but it was cancelled because convenient farmland was not available and the cost was higher than the funds that were available. The town subsequently established reserves to complete this work. The town completed a new wastewater PER in 2006. The town also established a citizens (engineering) advisory group in 2006 at the residents' request to review and actively participate in wastewater planning. The advisory group consists of nine members; two are retired engineers. As recommended by the advisory group, the town is expecting to have water meters installed by the end of 2008, as part of the first phase of the wastewater improvements. The advisory group determined that meters would help to reduce sewage flows, and subsequently, to determine if a smaller treatment plant

would work. The applicant stated that due to rapidly evolving proprietary technology and rising construction costs, the PER was amended in 2008 in order to provide the final cost basis for the proposed project.

The applicant stated that while Philipsburg derives only a fraction of its municipal water supply from groundwater, its sources do have suitable protection plans in accordance with DEQ's source water protection requirements. These source water protection measures are regularly monitored by the town and by DEQ in its sanitary survey inspections; but this statement could not be verified.

The applicant stated that the existing lagoons, despite having only one-third of the required capacity (detention time), are operated carefully and monitored closely. Sewer collection lines are regularly flushed and inspected, and separated from storm inlets when found. This has enabled an old undersized clay pipe system to maintain service for the community. The applicant further stated that the lagoons have been well maintained, but have simply exceeded their useful life. The original design and facultative technology also no longer meet recent regulatory requirements. The MDOC review team concluded that operation and maintenance practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that the town prepared a CIP and garnered 290 responses on a needs assessment survey in 1989; the sewer system was reported as being either an important or very important problem in need of a project by 102 responders. A new, comprehensive CIP was adopted in September 2007. The CIP contains an evaluation and prioritization of all municipal needs, which was obtained from input at multiple public meetings and a 2002 county needs survey to which 154 Philipsburg residents responded. The proposed wastewater project, the installation of water meters, and the disinfection of the unfiltered Fred Burr water supply are the top priorities in the CIP that remain unfinished. The CIP is now used for annual municipal budgeting, and is subsequently updated at the same time; however, no documentation was provided demonstrating that it has previously been used this way on an annual basis.

The applicant stated that the town participated in preparing a draft growth policy for Granite County in 2004. The town is committed to preparing its own municipal growth policy as part of the proposed project given the recent development pressures in the area.

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 is proposing a funding package consisting of TSEP, RRGL and RD grants in combination with an RD loan and local reserves. The town conducted an income survey in 2006 that established CDBG eligibility by documenting that 54.4% of the households are LMI; however, the applicant stated that the LMI was not high enough to assure competitiveness, so the funding was not pursued. An RD grant and loan package is being pursued over SRF financing due to lower annual repayment costs and eligibility for a grant component. The town also continues to pursue federal appropriations through State Tribal Assistance Grants (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA. It is also evaluating grants provided through Montana's Department of Justice Natural Resource Damage Program. However, the town did not think that these sources of funding are likely to be available; therefore, they were not included in the proposed funding package. In the event that any of these funds do materialize, other funding contributions could be adjusted accordingly in consultation with respective agencies.

The applicant stated that if TSEP or RRGL funds are not awarded, the town would attempt to renegotiate with RD to request a larger grant. With the TSEP grant, the combined water and wastewater

rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 no specific business plans have been submitted relating to the proposed project. Given the town's current wastewater system limitations, attracting any new businesses is unlikely. Unfortunately, the lack of adequate sewage treatment facilities already caused the forfeiture of a substantial residential and business expansion opportunity for Philipsburg. In 2006, Whiskey Flats Development requested to be connected to the town's wastewater system, but the town had to deny the proposal due to limitations of its existing lagoons. The Whiskey Flats venture initially proposed 450 residential units, but was later revised to approximately 100 units plus a commercial strip mall-type development, all of which will now be served by on-site septic tanks and drainfield systems.

The applicant stated that growth pressures remain. The application included a 2006 newspaper article from the *Philipsburg Mail*, entitled, "Today Show Makes a Big Impact on Philipsburg", which highlighted Philipsburg as a small town community that can accomplish such great things. The televised publicity resulted in hundreds of inquiries from around the country over the following weeks to the local chamber of commerce about real estate opportunities and the general community; however, no documentation was included to verify the actual number of inquiries. The town has been identified as a desirable destination for immigrants from elsewhere in Montana and out of state. The town is currently unable to accommodate any significant development proposals that require wastewater service due to limitations of its existing treatment facility.

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 at 7:00 p.m. in February 2006 at the county museum to discuss the community needs, income survey, wastewater deficiencies and possible solutions, and the draft CIP. Twelve residents, along with local officials and consultants, attended the meeting. Minutes, a handout, and the sign-in sheet were included in the application. The applicant held another public meeting in April 2006 at 7:00 p.m. in the county museum in which growth issues, needs, metering and the wastewater system were discussed. In addition to local officials and consultants, 39 residents, three DEQ representatives, and a reporter attended the meeting. The published notice, minutes, handout, and sign-in sheet were included in the application. A work session was conducted in July 2007 to discuss forecasts for permit limits, the proposed project, and funding strategies. In addition to local officials, consultants, and eight members of the citizen advisory committee, 38 residents attended the meeting. The published notice, minutes, presentation, and sign-in sheet were included in the application. The applicant stated that the public was invited to another work session held at 7:05 p.m. on March 5, 2008. The minutes and handout show that the alternatives and costs for

wastewater treatment, grant and loan options, and approximate post-project user rates were discussed: however, according to the abbreviated minutes it does not appear that any residents attended. The applicant stated that WRDA representatives attended a publicly advertised meeting on April 7, 2008 to review the needs for additional WRDA funds and to discuss the use of the already awarded funds for the metering project; however, no documentation was included to confirm the statement or to show if any residents attended. The final meeting was held on April 24, 2008 at 7:00 p.m. in the museum. In addition to local officials and consultants, 28 residents attended the meeting to discuss the final scope of work and the projected user rates. The published notice, minutes, presentation, and sign-in sheet were included in the application. Also included in the application were 11 news articles related to the wastewater system that were published in the *Philipsburg Mail* between January 2006 and April 2008.

The application included 249 form letters of support that were mailed to Montana's congressional delegation in Washington D.C.; 35 of the letters were sent to Representative Rehberg and Senators Baucus and Tester, an additional 100 letters went to both Senators Baucus and Tester, seven letters went only to Senator Baucus, and another eight letters went only to Senator Tester for a total of 149 non-duplicated letters.

The sewer system was reported as being either an important or very important problem in need of a project by 102 responders in the 1989 needs assessment. The proposed project is one of three highest priorities in the CIP.

Project No. 2
Ravalli County – Bridge System Improvements

This application received 4,100 points out of a possible 4,900 points and ranked 2nd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $137,193 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$137,193	Awaiting decision of the Legislature
County	Cash	$106,209	Committed by resolution
County	In-kind	$ 30,984	Committed by resolution
Project Total		**$274,386**	

Median Household Income:	$31,992	Total Population:	30,070
Percent Non-TSEP Matching Funds:	50%	Number of Households:	14,289

Project Summary

History – Ravalli County has identified one bridge that is in critical condition and in need of replacement. The Sweathouse Creek Crossing is located approximately one mile west of Victor. This 36-foot long structure crosses Warm Spring Creek on Pleasant View Drive. It consists of four parallel, corrugated steel pipe arches, installed in the early 1970s. The crossing serves approximately 150 vehicles per day, including residential and business users as well as rock quarry and ranching operations. The bridge is posted for an eight-ton load limit, and serves as a mail and school bus route. Closure of the bridge would result in a three-mile detour.

Problem – The bridge has the following deficiencies:
- deteriorated pipe inverts and headwall,
- pipe settlement,
- erosion of backfill,
- poor channel alignment,
- history of overtopping road, and
- limited load carrying capacity.

Proposed Solution – The proposed project would replace the bridge with a precast concrete tri-deck superstructure founded on a grade beam, 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 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 review team noted that the Sweathouse Creek Crossing had a sufficiency rating of 33%. The structure rating was a two. There were no element condition ratings applicable to this structure. TSEP scoring levels for this priority indicate a level five score. The score was not reduced due to any concerns with low volume usage or minimal detour distances related to the structure.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 39.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 45th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 13.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 26th highest of 65 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 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.	60
The number of bridges over 20 feet that the county is responsible for maintaining.	43
Total available funds per county maintained bridge.	$28,749

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the county is currently levying the maximum number of mills allowed by state law. The county does assess new developments for their use of county roads. These assessments are placed in a capital reserve account to be utilized for capital improvement projects, including bridge replacements. While the dollar amount of this source of revenue is not consistent, past growth trends in the county have provided a funding source for improvements. In the absence of this capital improvement account, department budgets would be adjusted as necessary to adequately provide monies for improvements, repair and maintenance.

The applicant stated that maintenance repairs have been made by the county, including concrete patching of the inlet headwall and adding riprap to the road embankment to prevent erosion. In addition, maintenance to remove drift and debris at the crossing has prevented the overtopping of Arrowhead Lane on many occasions.

The applicant stated the deficiencies of the Sweathouse Creek Crossing are not the result of inadequate maintenance. The structure is approximately 35 years old and is nearing the end of its service life. The deterioration of the pipe inverts has been accelerated due to the abrasive bed load of Sweathouse Creek. The deterioration of the headwalls is due to the marginal construction method of building the headwalls with burlap bags filled with sand and cement. The MDOC review team concluded that the county's operation and maintenance practices appear to be reasonably adequate.

The applicant stated that in 2002, the county adopted a growth policy, which has undergone several updates in 2003, 2004 and 2006. The applicant stated the county has also established a CIP for roads and bridges, although the application did not state when this plan was first adopted. The applicant stated this plan would be updated every year.

The applicant stated the bridge inventory confirmed priorities for bridges in the county. Of the 20 bridges identified as priorities, six of them are structurally sound but require guardrails or other mitigation. Four are already proposed for replacement in the near future utilizing county or Montana Department of Transportation funding. Of the remaining 10 bridges, five were identified as being appropriate for TSEP funding. Of these five, the Sweathouse Creek Crossing ranked the highest in terms of public health and safety, environmental, functional obsolescence, and structural deficiency.

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 and in-kind services. The county is levying the maximum amount of bridge mills allowed by state law. The county does assess new developments for their use of county roads. These assessments are placed in a capital reserve account to be utilized for capital improvement projects, including bridge replacements. 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 the county's bridge budget.

The applicant stated that if a TSEP grant is not obtained, monies currently allocated to other priority projects in the county would be reallocated to assure the replacement of this structure in 2009. Because there is only one bridge involved in the proposed project and other funding is not available, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 this bridge would assist in retaining current long-term 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 Sweathouse Creek Crossing on Pleasant View Drive is classified as a major local access road. It is currently used by more than 100 residential households and businesses including a cattle ranch, a diary farm, a rock quarry, and a guesthouse. The bridge, while not a sole access, serves as a key link in the area transportation and is on a mail and school bus route. It is also utilized by emergency service responders, septic service, and propane delivery services, and is also used for hay and grain delivery.

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: A public hearing was held at the county commissioner's meeting on March 17, 2008, to discuss the proposed project. The minutes from the hearing show the proposed project was discussed very briefly. The minutes do not indicate the number of residents who attended the hearing and it does not appear there was any public discussion regarding the proposed project. An informational letter was sent to local area residents and businesses informing them of the proposed project, and advising of a public meeting to be held on April 9. The meeting was also advertised in the *Victor News,* the local newsletter. A public meeting was held in Victor on April 9, 2008, at 7:00 p.m. at Farmers State Bank to discuss the proposed project. The sign-in sheet indicates four residents attended the meeting, along with local officials. There were no objections expressed at the hearings or in writing. Minutes from the March meeting, a flyer type notice of the April meeting, and a newspaper article from the *Ravalli Republic* discussing the proposed project, were included with the application.

There were 12 letters of support that were included with the application: four from area residents, two businesses, the county sheriff, the county planner, two fire departments, the road and bridge department, and State Representative Gary Malaren. There were also notes from 10 phone calls made by area residents to support the project.

The proposed project is listed as a high priority in the CIP.

Project No. 3
Sweet Grass County – Bridge System Improvements

This application received 4,044 points out of a possible 4,900 points and ranked 3rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $93,360 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 93,360	Awaiting decision of the Legislature
County	Cash	$ 15,000	Expended on PER
County	Cash	$ 54,411	Committed by resolution
County	In-kind	$ 23,949	Not yet committed
Project Total		**$186,720**	

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 one bridge that is in critical condition and in need of replacement. The Lower Sweet Grass Road Bridge is located 14 miles northeast of Big Timber**.** This single lane structure crosses the East Fork of Sweet Grass Creek on Lower Sweet Grass Road. The 30-foot long timber structure was originally constructed in 1957, with reconstruction in 1975. The bridge serves approximately 50 vehicles per day, including 10 to 12 full-time ranch operations, and is on a mail route. Closure of the bridge would result in a 22-mile detour.

Problem – The county's bridge has a sufficiency rating of 43. Deficiencies include:
- timber piles and pile cap has rotated, and
- a 48-inch deep scour hole has developed below the north backwall.

Proposed Solution – The proposed project would replace the bridge with a concrete box 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 review team noted that the Lower Sweet Grass Road Bridge had a sufficiency rating of 43%. The structure rating was a four and the lowest element condition rating was a four. TSEP scoring levels for this priority would have the bridge at a level four score. The score was not reduced due to any concerns with low volume usage or minimal detour distances related to the structure. A level four score was awarded for the 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 65th 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 65 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 47th highest of the 65 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 39th highest of 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 5th level and received 540 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 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.	$7,513

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 the lack of a comprehensive CIP.

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 county has a history of levying the maximum number of mills it can afford; thus, demonstrating the county's willingness to generate the greatest amount of resources to fund operation and maintenance (O&M) budgets. However, budget restrictions imposed by law have made it difficult for the county to build sufficient reserves to finance major infrastructure replacement and rehabilitation projects.

The applicant stated that it has repaired or replaced 300 bridges and culverts since 1997. The approximate cost of all the replacements/repairs is nearly $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: Montana 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 13 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 U.S. Forest Service (USFS) has been heavily involved in the reconstruction of roads and bridges in the Fiddler Creek drainage above the West Fork Bridger Creek Road that were damaged during the 2005 flooding. Two county bridges have been replaced utilizing MDT's off-system bridge program, and a third bridge is scheduled for replacement in the summer of 2008; five more have been nominated for replacement.

The applicant stated that the deterioration of the bridge is primarily due to the advanced age of the structure and could not have been prevented by O&M activities. The county formed a citizens road advisory group in 2004 to solicit additional public input into the operation of the county road and bridge department and to advise the county commissioners in regard to the construction, repair, and maintenance of county roads. The MDOC review team concluded that the county's O&M practices related to the bridge system appear to be reasonably adequate.

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 improvements plan (CIP) in 2002; the most recent revision of the bridge CIP was adopted in March 2008. 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 planning department completed the process of rating all of its roads using the pavement surface evaluation and reporting system in December 2007. Even though the county has a bridge CIP, it has not yet completed a CIP for its roadways; the county anticipates completing it by July 2008. The applicant was awarded a CDBG grant in 2006 to assist with the preparation of a road inventory and evaluation to serve as the foundation for a county-wide CIP. The bridge proposed for replacement is listed as the fourth highest priority of 20 bridges prioritized in the bridge CIP; the applicant stated that the proposed improvements for the other three higher-ranking priorities fit better into other financing scenarios. The proposed project is consistent with all of the planning documents.

The applicant stated that it has also been active in dealing with deficiencies in other areas of its infrastructure. The county completed various projects in Big Timber using funds from the Community Transportation Enhancement Program, including: handicap access to the courthouse, sidewalks, improvements to the airport facilities, and constructing 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 county participated in the preparation of an area plan/comprehensive economic development strategy (CEDS) in 2001, which includes the proposed project. The county completed a growth policy in 2003, which served as an update to its master plan adopted in 1993.

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 reserves and in-kind services. The county passed a resolution that commits $54,411 from the bridge budget to fund the proposed project. There was no documentation in the application that the $23,949 of in-kind services would be obligated as match; however, the MDOC review team noted that those funds can be committed at a later date, if the grantee is successful in obtaining the TSEP grant.

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 has been heavily involved in the reconstruction of roads and bridges in the Fiddler Creek drainage above the West Fork Bridger Creek Road that were damaged during the 2005 flooding. The proposed project would not qualify for FEMA funds under the current situation. However, the county is pursuing a FEMA flood hazard mitigation grant to replace the highest priority bridge in the bridge CIP

The applicant stated that the TSEP grant is crucial to the replacement of the bridge, and without the TSEP grant, the proposed project would not move forward as proposed. Because there is only one bridge involved in the proposed project and other funding is not available, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 specific business expansion projects cannot be identified at this time, the replacement of the Lower Sweet Grass Road Bridge would assist in retaining current long-term, full-time jobs. The bridge serves as the primary access to 12 permanently inhabited residences associated with ranching operations. The structure also provides the primary access to Big Timber for 10 to 15 residents and ranching operations located on the Rapelje Road. The replacement of the structure would enable businesses to continue accessing the area. The replacement of the structure would allow ranchers to access neighboring pastures and hayfields, as well as travel to Big Timber. This route is critical to several hauling contractors in the area. Additionally, the bridge is crucial to service oriented business such as mail carriers, concrete and gravel suppliers, propane delivery, trash haulers, and septic tank services. Use of the bridge 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 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 a public hearing in Big Timber in the commission chambers on March 25, 2008 at 4:00 p.m. to discuss the proposed project and to solicit comments from citizens. The time and place of the hearing was selected in a manner to be convenient to the public and to encourage attendance from employees of the Stillwater Mine and agricultural operations that typically work an early shift. A copy of the notice published in the *Big Timber Pioneer* was included in the application. Emergency service providers, planning office personnel, and five 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 January 2006 and March 2008 that relate to the bridge project were also included in the application.

Since there was low public turnout at the March 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 11 letters of support (representing six public and emergency service providers, one area business owner, the area certified regional development corporation, and three property owners) were included in the application. The county sent sample letters to individuals with the idea that educating them on the project and giving them the ideas for a response would help the return (five of the 11 respondents utilized the sample)

The proposed project is a high priority in the bridge CIP.

Project No. 4
Town of Melstone – Water System Improvements

This application received 3,888 points out of a possible 4,900 points and ranked 4th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 377,876	Awarded in 2004
RD	Grant	$ 272,864	Awarded in 2005
RD	Grant	$ 545,000	Application expected to be submitted November 2008
RD	Loan	$ 285,634	Application expected to be submitted November 2008
Project Total		**$2,307,372**	

Median Household Income:	$31,250	Total Population:	142
Percent Non-TSEP Matching Funds:	73%	Number of Households:	59

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$57.00	-	Target Rate:	$59.90	
Existing Wastewater Rate:	$12.75	-	Rate with Proposed TSEP Assistance:	$78.26	131%
Existing Combined Rate:	$69.75	116%	Rate without TSEP Assistance:	$124.04	207%

Project Summary

History – The Town of Melstone derives its drinking water from the Musselshell River and from ground water using one well. River water is collected through an intake on the riverbank, pumped through a treatment plant and is chlorinated prior to being pumped into the distribution system. The well is five miles south of town and provides an additional 18 gallons per minute of capacity to the system. An above-ground steel storage tank provides 170,000 gallons of storage.

Problem – The town's water system has the following deficiencies:
- lack of adequate water supply to meet average day demand if the largest source runs dry,
- undesirable aesthetic water quality,
- failing water treatment plant components,
- violation of filter backwash recycle rule,
- lack of redundancy in critical treatment plant components, and
- failed automated controls in treatment plant.

Proposed Solution – The proposed project would:
- install two new wells, with new wellhouse for chlorination facility and well controls,
- construct 12-mile pipeline to connect wells to existing distribution system, and
- connect well # 2 to the five-mile pipeline, modify well control vault for monitoring and ventilation of carbon dioxide, and install new air relief valves along the five-mile pipeline.

Note: The water treatment plant deficiencies would not be addressed if adequate sources of ground water can be developed; if sufficient well capacity is developed, the treatment plant would be de-commissioned. Upgrading/replacing the treatment plant, with the continued use of surface water, is the least desirable alternative, but it would continue to be utilized if ground water alone cannot provide sufficient capacity.

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 water system have occurred or are imminent.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are related to the documented periods of the Musselshell River going dry. During periods of drought, which have occurred at least one month out of four of the last seven years, residents have been forced to rely on stored water and ground water obtained from one well. In addition, the water treatment plant is in poor condition, with failing treatment plant components, failed automated controls, and other deficiencies. If the water treatment plant were to fail, or if the system were to run out of stored water during an extended drought when the river was dry, the remaining well does not produce sufficient water to meet average day demands; therefore, the residents' basic sanitary needs such as toilet flushing, drinking water and laundry would be unmet. The likelihood of not being able to meet basic sanitary needs is an imminent 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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 39.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 42nd highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 5.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 61st highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated the town raised rates in 2002, for the emergency construction of water storage ponds. In 2004, the town further increased water rates to cover the installation of meters, drilling new test wells, and construction of a five-mile pipeline, which was the first phase of the system improvements; the application did not include any details on past rates. Effective June 2008, rates are based on actual meter readings; previously, a flat rate was charged and meters were only used to monitor usage. A wellhead protection plan was prepared for wells one and two in 2004. The applicant stated that two preliminary engineering reports have been completed, one in 2002 and one in 2008.

The applicant stated that the problems at the water treatment plant are due to the plant's original design and it does not meet current standards. The automated controls have been inoperable for many years as they failed within two years of construction of the plant. The MDOC review team concluded that the town's operation and maintenance practices related to the water system appear to be reasonably adequate.

The applicant stated the town prepared a community needs assessment in 2002, which showed water capacity as the top priority. The town adopted a comprehensive, nine-year CIP in 2002, which has not been officially updated. The proposed project is the highest priority improvement listed of projects that have not been completed. In 2007, Snowy Mountain Development Corporation updated its comprehensive economic development strategy (CEDS). The applicant stated the town was included in the CEDS update and the proposed project clearly meets the second goal, which is to enhance the economic stability of a community by ensuring the infrastructure is adequate to meet community needs. However, the proposed project was not specifically listed in the CEDS.

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, CDBG, and RD grants in combination with an RD loan. It should be noted that the CDGB grant and one of the RD grants have already been approved. The applicant stated the town intends to submit a new application to RD in November 2008 for an additional grant/loan package. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used. The applicant stated the town applied for a U.S. Army Corps of Engineers Section 595 Water Resources Development Act (WRDA) grant in February 2008 but because of the difficulty in obtaining these funds, WRDA is not included in the funding package. If these funds are awarded to the town, the amount of the RD loan/grant package would be lowered accordingly.

The applicant stated the TSEP grant is not essential to obtaining other funding, but not receiving a TSEP grant would cause a hardship for the overall project. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic public infrastructure necessary to support population growth, and possible economic and business 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 a needs assessment survey was sent out in 2002. The survey stated that water capacity and reliable source of water was the highest priority under public facilities. The quality of water ranked as the second priority under this section. The applicant held two public hearings in 2002 at the community center to discuss the proposed project and give alternative solutions and possible user rates. The sign-in sheets, hearing minutes, and presentations for both hearings were included in the application. The applicant held a public hearing at 7:30 p.m. on April 7, 2008 at the community center to discuss the progress of the proposed project. The minutes show that five residents attended the hearing along with local officials and consultants. The minutes are very brief; however the presentation shows that the recommended funding strategy and the resultant user rates were discussed. Minutes from the hearing, the sign-in sheet, and hearing presentation were included with the application.

There were three letters of support included with the application: one from the school district and two from businesses. There was one petition with 29 signatures; the petition noted the project costs and estimated rate increase at the top of the form. The application also included eight letters of support; however, the letters were dated 2003 and they were originally submitted in a CDBG application.

The proposed project is listed as a high priority in the CIP.

Project No. 5
Fergus County – Bridge System Improvements

This application received 3,868 points out of a possible 4,900 points and ranked 5th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $167,200 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$167,200	Awaiting decision of the Legislature
County	Cash	$167,809	Committed by resolution, partially expended on PER
Project Total		**$335,009**	

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 Warm Spring Creek Bridge is located approximately four miles northeast of Danvers, and crosses Warm Spring Creek on Sandrock Road. The 41-foot single-lane steel pony truss structure was built in 1915 and serves approximately 30 to 90 vehicles per day, depending on the season, including one year round resident and approximately 10 additional ranching properties in the area. The bridge is posted for a 13-ton load limit. Closure of the bridge would result in an 11-mile detour.

Problem – The bridge has a sufficiency rating of 24 and has the following deficiencies:
- concrete deck has deteriorated away from the steel stringers,
- heavy corrosion, pitting and section loss on top flange of stringers,
- truss-top connection plates are bowed, and
- limited load carrying capacity.

Proposed Solution – The proposed project would replace the bridge with a precast concrete bulb tee superstructure on steel piles.

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 review team noted that the Warm Spring Creek Bridge had a sufficiency rating of 24%. The structure rating was a two, and the lowest element condition rating was a four. TSEP scoring levels for this priority would normally have the bridge at a level five score. However, the score was reduced due to the apparent minimal detour length for the permanent residents in the area if the bridge were to fail, along with the low volume usage of 30 to 90 vehicles per day. A level four score was awarded for the project.

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 65th 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 65 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 40th highest of the 65 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 22nd highest of 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 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 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.	20
The number of bridges over 20 feet that the county is responsible for maintaining.	94
Total available funds per county maintained bridge.	$9,662

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 relatively recent.

Rationale: The applicant stated that taxes have not been raised in the county over the last several years. However, revenues from taxes have increased due to a slight increase in population resulting in more licensing and property tax revenue. The county has expended nearly $80,000 from its funds for operation and maintenance (O&M) on bridge work between 2005 and 2008. The county has several reserve funds for capital improvement projects and those funds are analyzed each year to account for upcoming projects and money is allocated as they are prioritized.

The applicant stated that the deficiencies associated with the bridge are due to the age of the structure, and the increased size and weight of farm tractors and commercial trucks. The county has a long-term bridge (O&M) plan and county bridge standards. The proposed project design is consistent with the standards. The MDOC review team concluded that the O&M practices related to the bridge system appear to be reasonably adequate.

The county is using a five-year bridge capital improvements plan (CIP) written in 2004 and adopted in 2006. The county has both an overall CIP that serves to prioritize needs of all projects within the county and a separate bridge CIP that specifically outlines priorities for maintaining and improving bridge infrastructure. A new inventory and inspections of all bridges under 20 feet will be completed and the bridge CIP updated in 2009. According to public meeting minutes dated March 24, 2008, the consultant reminded those in attendance of the importance of updating the plan annually, and that the CIP is an important tool for the county in terms of budgeting and planning for bridge maintenance and improvements; however, the MDOC review team noted that it appears the CIP has not been reviewed annually, since the current CIP shows 2003 to 2008 as the time period that it covers. The proposed project was not one of the original seven bridge priorities listed in the CIP. However, after reassessing the county bridge inventory and reprioritizing all off-system structures within the county, the Warm Spring Creek Bridge ranked the lowest overall of all the bridges in the county based on the sufficiency rating and appraisal rating.

The applicant stated that the county is developing a growth policy that would address the development of infrastructure to support future development including basic transportation infrastructure (roads and bridges), water and wastewater treatment facilities, and housing development. The draft included in the application does not include the existing information related to bridges, but information regarding the bridges is within the bridge inventory report and bridge CIP. The county established a land use policy in 1991 and the applicant declared that it was readdressed in October 2007. This policy guides the county in the use of its lands and resources. The applicant stated that the proposed project supports the goals of the draft growth policy and also encourages land use that is consistent with the land use policy.

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 MDT's off-system bridge program, as well as private lending institutions.

The applicant stated that several unexpected expenditures have arisen that will significantly affect the county's road and bridge budget. These include a PENTA waste cleanup order received from DEQ in 2007, which is estimated to cost the county $350,000 over the next three years. The county shop has recently been ordered to connect to the city's wastewater system, which is estimated to cost $30,000. Therefore, if the county does not receive a TSEP grant, limited use of the bridge would continue, and the

proposed project would not move forward until such time that it can be placed on the list for MDT's off-system bridge program. Because there is only one bridge involved in the proposed project, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 new jobs. However, it would maintain and encourage expansion of the private property tax base in the vicinity by allowing the residential, agricultural and commercial operations to continue and grow; applications have been submitted to the county for several new subdivisions.

The applicant stated that the bridge is critical during the planting and harvesting of crops. Sandrock Road is a farm to market route serving farming and ranching businesses. It is also used for access to recreation including hunting and fishing, which is identified by draft growth policy as being important to local residents, as well as for the visitors drawn to the area for quality outdoor experiences.

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 on February 22, 2008 a publicly advertised meeting was held at the commissioners' office at 1:00 p.m., in which one resident and a news reporter attended, along with the local officials and consultants. The purpose of the meeting was to select the bridge that would be considered for replacement using TSEP funds. Some discussion occurred regarding the fact that because of advanced deterioration of the Warm Springs Creek Bridge, it would take the place of two other prioritized bridges in the CIP. Minutes from that meeting were included in the application, along with the sign-in sheet. One resident, along with the local officials and consultants, attended a second public meeting at 1:00 p.m. on March 24, 2008 in the commissioners' office. Alternative bridge types and the estimated costs of the proposed project were discussed. A copy of the presentation and the minutes were included in the application. Two articles were also included in the application from the *Lewistown News-Argus* regarding the meetings.

Letters from five landowners and the county disaster and emergency service's coordinator in support of the proposed project were included in the application. The proposed project is a high priority in the bridge CIP.

Project No. 6
Rudyard County Water and Sewer District – Wastewater System Improvements

This application received 3,820 points out of a possible 4,900 points and ranked 6th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $319,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$319,000	Awaiting decision of the Legislature
CDBG	Grant	$255,200	Application submitted May 2008
District	Cash	$ 63,800	Committed by resolution
District	Cash	$ 10,000	Expended on PER
Project Total		**$648,000**	

Median Household Income:	$28,393	Total Population:	275
Percent Non-TSEP Matching Funds:	51%	Number of Households:	126

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$67.00	-	Target Rate:	$54.42	
Existing Wastewater Rate:	$12.50	-	Rate with Proposed TSEP Assistance:	$79.50	146%
Existing Combined Rate:	$79.50	146%	Rate without TSEP Assistance:	$98.40	181%

Project Summary

History – Rudyard's original central sewer collection and treatment system was constructed in the 1950s. The system included approximately 18,000 feet of gravity collection system main with the majority being six-inch diameter tile mains. Sewage generated by the district is collected by the gravity collection system to a new lift station near the treatment site. The treatment facility is a four-cell total retention lagoon. In 2006, 6,500 feet of failing pipe was replaced with eight-inch pipe and 22 manholes were replaced with 48-inch diameter concrete manholes. The project also replaced an outdated lift station and the force main between the lift station and lagoon, and installed a bypass control manhole.

Problem – The district's wastewater system has the following deficiencies:
- sewage backing up into homes,
- clay sewer lines have numerous plugging problems caused by heavy root intrusion, cracks, offset joints, sags and minimal slopes, and
- sludge accumulation in the total retention ponds.

Proposed Solution – The proposed project would:
- install approximately 3,900 feet of sewer pipe,
- install nine new manholes,
- reconnect 41 existing sewer services to the new sewer main, and
- install lift station auto dialer.

Note: The proposed solution does not intend to address the sludge accumulation in the total retention ponds. Therefore, that deficiency was 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 review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is backups of wastewater into basements of homes. The original collection system consisting of clay tile pipe has outlived its useful life and needs to be replaced. The original pipes have been documented to have numerous plugging problems, cracks, sags, heavy root intrusions, and offset joints. In addition to these problems, over 30% of the collection system is made of undersized six-inch pipe. The district continues to experience numerous sewer backups each year. The preliminary engineering report estimated 15 to 20 sewer backups per year. Existing pipe sections causing the most problems to the collection system would be given top priority and replaced as part of the proposed project. Sewage backing up into basements that frequently represents an imminent and serious health and safety hazard.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 43.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 29th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 9.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 47th highest of 65 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 800 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 to its public facility needs. The

preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 inadequate documentation.

Rationale: The applicant stated that until 2003, when the district was created, the Rudyard Service and Improvement Association was responsible for operation and maintenance (O&M) of the wastewater system. The district has not raised sewer rates in several years. However, the district is generating adequate revenue to cover expenses and has built a reserve of approximately $105,000.

The applicant stated that prior to becoming a water and sewer district, the association attempted to address sewer main replacement on a block-by-block basis over a period of several years. In 2003, the district, through its reserve account, replaced one block of sewer main. Soon after, the district realized the scope of the problem was greater than its resources. A PER was completed in 2004, which resulted in improvements to the collection system, lift station, and forcemain piping at the wastewater treatment site in 2006. The improvements did not eliminate all of the deficiencies identified in the PER, and an addendum to the PER was adopted April 25, 2008.

The applicant stated that the problems associated with the sewer mains are associated with pipe material, pipe size, and gradient and not due to unsatisfactory O&M. The MDOC review team concluded that the district's O&M practices related to the wastewater system are reasonably adequate.

The applicant stated that a resource team assessment was conducted for Havre/Hill County in 2003, in which the Rudyard sewer system was noted as a challenge. In 2004, a needs assessment and income survey were conducted, which showed that the wastewater system was the most needed improvement and the community's top priority. The revised PER also provided the district with the information to update its capital improvements plan (CIP), which was first prepared in 2004. The CIP was adopted on the same date as the PER addendum, which covers 20 years and will be updated annually as part of the district's annual budgetary process.

Hill County is in the process of preparing a countywide growth policy. The process will include input from each of the county's rural water and sewer districts. Although the district is not a member of the Bear Paw Development Corporation, the proposed project is included in its annual work plan and is identified in its comprehensive economic development strategy (CEDS).

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP and CDBG grants in combination with local reserves. The applicant stated that it evaluated all grant and loan programs before selecting its funding package, and provided reasonable explanations as to why the other funding sources were not being sought. The applicant conducted an income survey in 2004 that confirmed eligibility for

CDBG funds. The applicant is aware of the limited amount funds typically available from CDBG. Therefore, if the district is unsuccessful in the 2008 CDBG grant competition, the district would reapply in 2009.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that the TSEP grant is vital to the affordability of this project and that its commitment is essential to securing funding from the CDBG Program. Rudyard has applied to be included on the SRF priority list and is currently listed at #28, should a loan be necessary. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 business expansion in Rudyard. However, the proposed project would improve the community's infrastructure, which is a prerequisite to attracting 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 of the lack of multiple opportunities for public comment.

Rationale: Along with meetings held for the prior application submitted in 2004, the county held a hearing on July 12, 2007 at 11:00 a.m. in the Hill County courthouse for the purpose of eliciting comments on the needs of the community. The MDOC review team could not determine if anyone other than consultants were at the meeting to represent the district; however, the project was discussed. Minutes from the meeting and two articles from the *Havre Daily News* were included. The county, on behalf of the district, held a second public hearing specifically for the proposed project on March 20, 2008 at 7:00 p.m. at the senior citizens center in Rudyard. Along with consultants, local, and county officials, 16 residents were in attendance. The project description and need, funding, and the impact of the project on rates were discussed. According to the minutes, each of the people attending the hearing agreed that the improvements to the wastewater system should remain as the district's top priority until all of the issues have been resolved. Minutes, agenda, sign-in sheet, notices and articles from the *Havre Daily News* and the *Great Falls Tribune* were included for the March meeting.

Seven letters from residents were provided in the 2004 PER detailing the backups and offering support for the improvements, and six additional letters were provided in the current application

expressing concern and support for the proposed second phase of the project. The applicant stated that the district has not received a single complaint or expressed opposition to the proposed project. The MDOC review team noted that the proposed funding package would not increase user rates, because reserves would be used instead of incurring debt. The CIP lists the proposed project as its top priority, as does the needs assessment conducted in 2004.

Project No. 7 (Tied)
Town of Cascade – Water System Improvements

This application received 3,780 points out of a possible 4,900 points and ranked 7th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
SRF	Loan	$ 168,000	On the priority list, but has not applied
Town	Cash	$ 50,000	Committed by resolution
DNRC	Grant	$ 10,000	Expended on PER
Project Total		**$1,403,000**	

Median Household Income:	$30,602	Total Population:	852
Percent Non-TSEP Matching Funds:	55%	Number of Households:	357

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$33.76	-	Target Rate:	$58.65	
Existing Wastewater Rate:	$44.32	-	Rate with Proposed TSEP Assistance:	$80.69	138%
Existing Combined Rate:	$78.08	133%	Rate without TSEP Assistance:	$93.98	160%

Project Summary

History – The water system in Cascade was constructed in 1915, but has experienced numerous upgrades within the last ten years including the addition of a new well, individual water meters, new storage tank, auxiliary power, telemetry controls and fire hydrant replacement. The current ground-water supply consists of two wells, six springs, chlorination for both wells and springs, and three storage tanks.

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

- leakage problems with an average of 45% unaccounted-for water,
- over 50% of the water distribution system is comprised of four-inch steel and cast iron water mains that are 93 years old and electrolysis of steel pipes has caused corrosion that subsequently allows entry of contaminants and increases the amount of unaccounted-for water,
- undetected leaks, the leak repair process, and possible low or negative pressures, especially during periods of high demand, increase the potential for backflow/backsiphonage and contamination of the public water supply from outside sources,
- iron deposits from tuberculation decrease the effective pipe diameter and create additional pressure losses in the system,
- some water mains are not looped, which results in stagnant water,
- no auxiliary power is available to provide well pump operation and supply water in case of an extended power outage or failure, and
- old and undersized water mains flow as much as 10 times less than the recommended fire flow requirements,

Proposed Solution – The proposed project would:
- ❑ replace approximately 8,000 feet of distribution main, and
- ❑ install a generator to provide auxiliary power to existing well pumps.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of gross deterioration from corrosion of 93 year-old steel and cast iron water mains. The water main deterioration increases the likelihood of contamination from ground-water inflow, soil contamination, and backflow/backsiphonage from cross-connections, further exacerbated by low or negative pressures that can occur during periods of high demand. The holes in the water main allow over 45% leakage in the system and there is a high potential for contaminants to enter the water supply in the near-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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 45.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 25th highest of the 65 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 35th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirements related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that water rates have been raised four times since 1997, going from a flat rate of $27.79 per month in 1997 to a metered rate in 2007 that averages $33.76 per residential user per month; the proposed project would require an additional increase. The town charges for water based on water usage and water service size. The water system budget has increased 8.5% over the last three years and is expected to cover yearly operation and maintenance (O&M) costs and supplement the reserve fund.

The applicant stated that various planning documents have been prepared for the water system since 1985, when a PER was prepared for the distribution system. In 1988, the water reservoirs were evaluated for structural integrity, and an addendum to the PER was completed in 1989. A new PER was prepared in 1999 with addendums to it in 2004 and 2008. In addition, a report was prepared in 2000 that described the source water protection considerations for a new well that was later drilled.

The applicant stated that the town began making substantial improvements to the water system in 1990, with the installation of a 6,000-foot of transmission main, renovation of a spring, and a new well drilled; funded entirely with the town's own funds. In 2002, meters were installed and a second well was drilled. Additional improvements during this time period included new roofs on the two storage reservoirs, new fencing at the storage site, and replacement of several blocks of mains. Further improvements that would be completed in 2008 include 2,700 feet of 12-inch main, a 273,000-gallon reservoir, and 19 new fire hydrants. The town has budgeted $25,000 per year for main replacement. A major wastewater project was completed in 1999, which included relocating and replacing the existing lagoons with facultative lagoons and spray irrigation for disposal, and constructing a new lift station, storm drain lines and inlets.

The applicant stated that the current water system deficiencies are due to the aging of the system. A sanitary survey of the town's water system, completed by the Montana Department of Environmental Quality (DEQ) in 2005, found no significant problems with the water system. The MDOC review team concluded that the town's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that a needs assessment was completed in 1996, 1999, 2004 and 2007, and water system improvements continue to be a high ranking need of the community; the application included a survey from 2004 and hearing minutes from 2007. The town prepared a five-year, limited facilities (streets, wastewater and water systems) CIP in 1997, which was updated in 2000 and 2004. A comprehensive, five-year CIP was created and adopted in March 2008. The proposed improvements are a high priority in the CIP. The applicant listed several other types of infrastructure projects that have been completed since 1997, which further demonstrates the community's commitment to providing adequate public facilities.

The applicant stated that the town and the Montana State University Community Design Center produced a design and planning tool in 1998 to help the town move into the future. It presents a plan for controlled growth, protecting history, creating new economic opportunities and services, and enhancing the visual character of the community. The town participated on the county planning board until 2007, when Cascade's seat on the board was not reappointed. As a result, the town made a motion in March 2008 to create its own planning board. The applicant included pertinent excerpts from a growth policy adopted by Cascade County in 2006, which covers various towns in the county including Cascade. The town was awarded a CDBG planning grant in April 2008, for creating its own growth policy.

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and CDBG grants in combination with an SRF loan and local funds. The project is ranked 105th on the SRF priority list; therefore, the town is eligible to apply for the loan. The applicant discussed RD funding, but commented that it was unlikely to receive a grant; however, RD funding would be re-considered if the town is unsuccessful in obtaining a CDBG grant. In order to be eligible for a CDBG grant, the applicant conducted an income survey that demonstrated that the town is 57% LMI, and therefore, eligible for a CDBG grant. However, 17 of the 21 applicants seeking CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that if the TSEP grant is not received the town would need to pursue other funding avenues, and ultimately, may not proceed with the project. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 did not discuss any specific job creation or business expansion resulting directly from the proposed project. The applicant did discuss how the proposed improvements would 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 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 described two public hearings held to discuss the proposed project. The first hearing was held on November 15, 2007, at 7:00 p.m. in the town hall with six residents in attendance along with town council, staff and consultants. The needs assessment from 2004 was discussed, along with the need for a growth policy. It appeared from the minutes that water system improvements were still a high priority. The application included a copy of the meeting notice published in the *Cascade Courier*, a notice posted throughout town, an agenda, minutes, sign-in sheet, and handouts (a summary of needs from 2004 and growth policy elements).

The second hearing was held on March 11, 2008 at 6:30 p.m. in the town hall, followed by a council meeting. In addition to the town council, staff and consultants, seven residents attended the hearing. A handout was provided about the proposed project and expected water user rate increase. The applicant stated that all present voiced support for the proposed project; however, the minutes do not reflect support for or against. The application included a copy of the meeting notice published in the *Courier*, a notice posted throughout town, a notice sent out with water bills, minutes, sign-in sheet, and a handout about the proposed project.

The application included several articles about both hearings and the proposed project from the *Courier* and the *Great Falls Tribune*. The applicant included 19 letters of support from: five residents, the local certified regional development corporation, the area chamber of commerce, U.S. Representative Rehberg, the *Courier*, Stockmen's Bank, Montana Rural Water Systems, the local volunteer fire department and library board, and various county offices including the board of commissioners, disaster and emergency services, sheriff's office, planning board, school superintendent, and the conservation district.

Improvements to the water system, including the proposed project, have been a high priority in the needs assessments and the CIP.

Project No. 7 (Tied)
Powell County – Bridge System Improvements

This application received 3,780 points out of a possible 4,900 points and ranked 7th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $304,248 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$304,248	Awaiting decision of the Legislature
County	Cash	$ 15,000	Expended on PER
County	Cash	$243,325	Committed by resolution
County	In-kind	$ 13,790	Committed by resolution
City of Deer Lodge	Cash	$ 32,133	Letter of commitment
Project Total		**$608,496**	

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 three bridges that are in critical condition and in need of replacement.

- The Racetrack Creek Road Bridge is located approximately three miles west of Galen. This structure crosses Racetrack Creek on Racetrack Creek Road. The 19-foot long timber and steel structure was probably constructed in the 1970s. The bridge serves approximately 100 vehicles per day, including approximately 12 ranches and residents in the nearby vicinity. The bridge serves school bus and mail routes. Closure of the bridge would result in a five-mile detour.
- The Dempsey Lake Road Bridge is located approximately eight miles southwest of Deer Lodge. This structure spans Dempsey Creek on Dempsey Lake Road. The 11-foot long timber structure on concrete abutments was built in the 1950s. The bridge serves approximately 110 vehicles per day, including 12 permanent residences, seven of which are agricultural or ranching operations. The bridge is posted for a 10-ton weight limit. The bridge serves school bus and mail routes. Closure of the bridge would result in a 10-mile detour.
- The Second Street Bridge is located in Deer Lodge. This single-lane structure crosses Cottonwood Creek on Second Street. The 26-foot long bridge is constructed of timber stringers on concrete abutments and was built in 1952. The bridge was closed for approximately five months in 2007 due to a failed deck; the bridge was reopened in March of 2008 after temporary planking was put in place. The bridge serves approximately 100 vehicles per day, is on a mail route and is an alternate truck route through Deer Lodge. Closure of the bridge would result in a one-block detour.

Problem – The county's three bridges have the following deficiencies.

- The Racetrack Creek Road Bridge has a sufficiency rating of 35. Deficiencies include:
  - large cracks and a bow in the concrete abutment,
  - large cracks in the rubble wall abutment,
  - rotten deck with holes in it, and
  - stringers in poor condition.
- The Dempsey Lake Road Bridge has a sufficiency rating of 39. Deficiencies include:
  - cracked and spalled abutments,
  - abutments leaning toward channel by eight inches and 12 inches, respectively,
  - failed wingwall,
  - limited load carrying capacity, and
  - rotted decking.

- The Second Street Bridge has a sufficiency rating of 32. Deficiencies include:
  - cracked, spalled and chipped abutments,
  - splitting of one of the girders,
  - sharp elevation change at southern approach,
  - limited load carrying capacity, and
  - makeshift piers, installed under bridge, by concerned citizens.

Proposed Solution – The proposed project would:
- replace the Racetrack Creek Bridge with an aluminum box culvert,
- replace the Dempsey Lake Road Bridge with an aluminum box culvert, utilizing county crews, and
- replace the Second Street Bridge with a precast trideck superstructure founded on driven piles.

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 review team noted that the three bridges had sufficiency ratings ranging from 32% to 39%. The structure ratings ranged from zero to three, and the lowest element conditions ratings for each bridge was a two. TSEP scoring levels for this priority had the Second Street Bridge at a level four score, and the Dempsey Lake and Racetrack Road Bridges at level five scores. The score for the Second Street Bridge was reduced due to the short detour distance of three blocks and relatively low average daily traffic of 100 vehicles per day. 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 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 65th 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 65 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 35th highest of the 65 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 31st highest of 65 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

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.	36
The number of bridges over 20 feet that the county is responsible for maintaining.	31
Total available funds per county maintained bridge.	$15,016

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the county is limited in the number of mills that can be charged through property tax assessments, and instead, relies on monies from the payment in lieu of tax (PILT) allotment to fund bridge improvements. 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 applicant stated the county voted for a special five-mill bridge levy for a period of 10 years in 2004. 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 the county replaced or rehabilitated 33 bridges since 1998. In addition, four more bridge replacement projects are currently in design or nearing construction. Of the 33 projects, five were replaced with funding assistance from the Montana Department of Transportation (MDT) off-system bridge replacement program and the Federal Emergency Management Agency (FEMA) hazard mitigation funds.

The applicant stated the county has adopted a standard for repair and replacement of all bridges. Replacement of smaller bridges with culverts is the preferred method. The county has three road crews consisting of three members each. Normal duties include routine maintenance such as replacing decking, replacing tread planks, repairing guard rails, and patching holes in decks.

The applicant stated that the deterioration of the three 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 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 reasonably adequate.

The applicant stated the county adopted its first comprehensive plan in 1996, and updated it in 2004 with the adoption of a county comprehensive plan and growth policy, which included the road and bridge reports. The county is currently updating their bridge inventory and evaluation, and capital improvements plan (CIP) to cover a five-year period. The applicant stated this update should be completed within a few months, however there was no documentation included in the application. The proposed project is consistent with the CIP, as the three bridges represent three of the top six critical structures. The Second Street Bridge and Dempsey Lake Road Bridge are the number one and two priorities. The number three priority only serves one residence so historical and private funding would be sought for this bridge. The number four priority is being considered for the next funding cycle, while the number five priority is being repaired through FEMA funds.

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.

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 and major projects. They do not currently have a CIP fund. However, the county does collect PILT monies and has utilized a 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 states that the proposed project would not occur without the TSEP grant. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridges.

The proposed funding package appears viable to the MDOC review team.

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 three bridges would assist in retaining current, long-term 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 the Racetrack Creek Road Bridge and the Dempsey Lake Road Bridge are critical to the southwest area of Powell County. Members of the work force who live in the area use them

to travel into Deer Lodge and beyond for their jobs. The replacement of these two structures would enable businesses currently serving the area to maintain continued access and would 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. The Montana State Prison is a major beneficiary of these two bridges as Racetrack Creek Road and Dempsey Lake Road both serve as access to Prison Ranch #2 operations.

The applicant stated the Second Street Bridge serves as a vital link in Deer Lodge and has historically been used as a staging ground for parade floats and other entries into cultural events. The Second Street Bridge has served as an alternate truck route through Deer Lodge when the Main Street Bridge has been closed. The closure of both Main Street and the Second Street Bridges would require trucks heading west out of Deer Lodge to detour 20 miles. Other crossings of Cottonwood Creek in Deer Lodge are currently hampered by restrictive intersection corners unable to handle the turning movements required of truck traffic. Second Street Bridge is also located on a garbage route, a mail route, and other service deliveries.

The applicant stated all three of the bridges are crucial to service oriented business such as mail carriers, propane delivery, trash haulers, and septic services.

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 three public hearings were held. The first hearing was at the commissioner's office on March 18, 2008 at 4:00 p.m. to discuss the proposed project and TSEP application. The sign-in sheet indicates six residents attended the hearing, along with local officials and consultants. The second hearing was held at the Racetrack Community Center at 6:00 p.m. on March 18, 2008, to discuss the proposed project and TSEP application. The sign-in sheet indicates four residents attended the hearing, along with local officials and consultants. The third hearing was held at the commissioner's office on April 21, 2008 at 1:30 p.m. to discuss the proposed project, and specifically how it would affect the street replacement for the Second Street Bridge. The sign-in sheet indicates 13 residents attended the hearing, along with local officials and consultants. All three hearings were advertised in *The Silver State Post,* the local newspaper. No objections were expressed at any of the hearings or in writing. Minutes from the hearings, the hearing hand out, the public hearing notices, and three newspaper articles discussing the proposed project were included with the application.

There were 19 letters of support included with the application; eight from area residents, two businesses, the county sheriff, the county planner, the conservation district, two fire departments, two emergency service providers, the school district, and State Senator Dave Lewis. The MDOC review team noted that six of the letters from residents were signed form letters.

The CIP is currently being revised and the proposed project is consistent with it, as the three bridges represent three of the top six critical structures.

Project No. 9
Wolf Creek County Water/Sewer District – New Centralized Wastewater System

This application received 3,708 points out of a possible 4,900 points and ranked 9th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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
RD	Grant	$ 606,774	Application submitted May 2008
RD	Loan	$ 778,046	Application submitted May 2008
District	Cash	$ 20,000	Expended on PER
Project Total		**$2,254,820**	

Median Household Income:	$29,342	Total Population:	68
Percent Non-TSEP Matching Funds:	67%	Number of Households:	23

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA		Target Rate:	$22.01	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$95.71	435%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$159.50	725%

Project Summary

History – The unincorporated community of Wolf Creek is located approximately 36 miles north of Helena. The community includes 23 permanent residences, 10 seasonal homes, local businesses, and a school. All residences and businesses rely on individual wells and septic systems. The Wolf Creek County Water/Sewer District was created in September 2007 in response to chronic problems with septic systems and the resulting degradation of groundwater. New or replacement septic system permits are no longer being issued by the county.

Problem – The lack of a centralized wastewater system in Wolf Creek has resulted in the following deficiencies:
- elevated levels of nitrates in groundwater,
- close proximity of septic systems to local wells,
- failure of septic systems, and
- unavailability of drainfield replacement areas.

Proposed Solution – The proposed project would:
- install conventional gravity sewers,
- construct a central lift station, and
- construct a moving bed bioreactor treatment process.

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 review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are potentially contaminated groundwater, failing septic systems, and the inability to site replacement septic systems. Wolf Creek is currently on individual septic systems. The project provides a new wastewater system where none previously existed. Lot sizes do not allow for replacement drainfields. Some residents have resorted to the use of holding tanks or cesspools. Separation of existing wells and septic systems is inadequate, including several instances where only 15 to 50 feet of separation is provided. Existing individual water supply wells are threatened by septic system pollution. Groundwater contamination has the potential to adversely affect Little Prickly Pear Creek, which flows through Wolf Creek. Nitrate levels detected in groundwater are slightly elevated, but below maximum contaminant levels for drinking water. There are three transient public water systems in Wolf Creek. Two of these systems have had recurring incidences of failed bacteriological tests. Failing septic systems and poor soil conditions for these septic systems also represents a threat for groundwater contamination, and potentially for surface water contamination. These conditions represent an imminent and serious public health or safety problem.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 56.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 7th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 12.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 32nd highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including lack of a selection matrix, or documented decision process, in selecting the alternative. The decision process and explanation to the community becomes doubly important for a proposed discharging facility because of the uncertainty of future permitting requirements. Additionally, the discharge location was not clear and the cost estimate included force main piping that is not part of the selected alternative.

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 applicant stated that the community's residents petitioned Lewis and Clark County in February 2007 to form a water and sewer district in response to the known need for centralized wastewater infrastructure. The fundamental cause of problems in town is simply the hydrogeologic conditions that make small lots unsuitable for drainfields, and residents have few options available to correct failing or failed sewer septic systems since new drain fields cannot meet the space requirements for distance from wells and property lines. As a result, the county board of health has declined to permit new septic systems for the community.

The applicant stated wellhead protection plans are only applicable to the three public water supplies within the district, and they are subject to regular sanitary survey inspections by the Montana Department of Environmental Quality.

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.

The applicant stated that the proposed project is responsive to problems identified in the 2004 county growth policy, which included analysis of the Wolf Creek area and the problems with failing septic systems. Although the growth policy does not specifically cite central wastewater service for Wolf Creek as a priority, the applicant stated that this is likely a result of timing, in that the plan predates the formation of a sewer district by almost three years.

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 has concerns about the district's ability to pass a bond election.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and RD grants in combination with an RD loan and local reserves. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used. The district is unable to apply for a CDBG grant at this time as the county would have to apply on behalf of the district and they already have a CDBG grant in progress, but anticipate being done with this project in time to apply on behalf of the district in 2009. The applicant stated the district intends to consider going through the process of creating a rural improvement district so the county can apply to CDBG on behalf of the district in 2009. The applicant also stated the district intends to apply for U.S. Army Corp of Engineers Section 595 Water Resources Development Act (WRDA) and State and Tribal Assistance Grant (STAG) monies in the spring of 2009.

This application would need to be viewed as a hardship grant. The district currently consists of 23 single-family homes, 10 seasonal homes, 10 local businesses, and a school. By using 23 households in the calculation of the amount per household, each household would be receiving a benefit of $32,600. Therefore, the applicant must meet the three tests for a hardship grant.

In cases of demonstrated hardship, MDOC may allow an amount greater than $20,000 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 MDOC review team determined that the applicant met all three tests for a hardship grant.

Without the TSEP grant, the wastewater rate would at or above 150% of the applicant's wastewater target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the proposed funding package generally appears viable to the MDOC review team, the team has concerns about the district's ability to pass a bond election.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The applicant stated the proposed improvements would provide the basic infrastructure necessary to support population growth, and possible economic 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 the applicant did not adequately demonstrate that the proposed project is a high local priority.

Rationale: The applicant held four public meetings. The first public meeting was held August 9, 2006 at 7:00 p.m. to discuss the PER, collection system alternatives, treatment alternatives, cost estimates for the project and estimated user rates, and formation of a district. Nine residents attended the meeting, in addition to local officials and consultants. The minutes state that a breakdown showing how the rates were determined was attached to the meeting agenda, but it was not included in the application; however, the minutes did state that the total monthly payment would be $63.84. The second public meeting was held October 30, 2006 at 7:00 p.m. to discuss progress on the PER and the process needed to form a sewer district. Seventeen residents attended the meeting, in addition to local officials and consultants. A notice of the meeting was attached, but it is unclear if it is a newspaper notice or flyer type notice. A public hearing was held January 3, 2008, at 6:30 p.m. to discuss the fee resolution for the proposed project. The hearing was advertised in the *Independent Record*, and the notice stated that the proposed user rate would be $92.59. Nineteen residents attended the meeting in addition to local officials and consultants. The minutes for this meeting are extremely brief and do not provide much information. A brief newspaper article regarding the meeting was included, but it does not mention user rates. A public hearing was held April 2, 2008 at 6:00 p.m. to discuss the PER, treatment alternatives, the proposed project budget and funding availability. The hearing was advertised in the *Independent Record*. Nine residents attended the meeting, in addition to local officials and consultants. The agenda shows that the estimated cost per household was suppose to be discussed and referenced an attachment; however, the attachment was not included in the application. The minutes do not state if user rates were discussed. The minutes also state a pamphlet was distributed to the residents, but it was not included with the application. Minutes and sign-in sheets for all four meetings, which were held at the Wolf Creek School, were included in the application.

There were 32 letters of support included with the application; 26 from residents (19 of them were form letters), one business, the county commissioners, the city-county board of health, U.S. Senator Baucus, U.S. Representative Rehberg, and State Senator Dave Lewis.

Project No. 10
Town of Judith Gap – Water and Wastewater System Improvements

This application received 3,692 points out of a possible 4,900 points and ranked 10th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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
CDBG	Grant	$ 242,965	Awarded in 2008
CDBG	Grant	$ 207,035	Application submitted in May 2008
MDT	In-kind	$ 258,000	Committed
RD	Grant	$ 50,000	Application expected to be submitted March 2009
RD	Loan	$ 60,000	Application expected to be submitted March 2009
Project Total		**$1,668,000**	

Median Household Income:	$16,979	Total Population:	145
Percent Non-TSEP Matching Funds:	55%	Number of Households:	61

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	Combined rate		Target Rate:	$32.54	
Existing Wastewater Rate:	Combined rate		Rate with Proposed TSEP Assistance:	$53.35	164%
Existing Combined Rate:	$50.32	155%	Rate without TSEP Assistance:	$102.51	315%

Project Summary

History – The water system in Judith Gap consists of an artesian well, treatment system, storage tower, and a distribution system. The original water system was constructed in the early 1950s with major well upgrades and water meter installations occurring in 1986 and additional water meter installations occurring in 2001. The well was installed in 1986, approximately five miles northwest of town. The town originally received its water from wells within the town limits until petroleum hydrocarbon contamination forced abandonment of those sources. The artesian well that supplies water now provides an adequate quantity and quality of water. The treatment process includes a chlorine injection system and an iron and manganese treatment system. The wastewater system was originally built around 1950. In 2001, the town constructed new sewer outfall piping, a lift station, facultative lagoons and spray irrigation disposal improvements. The Montana Department of Transportation (MDT) is scheduled to reconstruct U.S. Highway 191 through the center of town in 2010. As a result, the town has determined that all water and wastewater utilities within the construction limits are of the highest priority, since the proposed improvements are an MDT condition for having the highway through town reconstructed.

Problem – The town's water and wastewater systems have the following deficiencies:

- structural damage, plugging, sewage backup, and evidence of clay tile debris in the sewer system mains,
- access into manholes is inadequate and unsafe,
- exfiltration of raw sewage into the ground is likely,
- degraded cast iron water mains,
- existing four-inch cast iron pipe and many other small diameter water mains are incapable of supplying required domestic and fire flows,

- leaks in the distribution system, coupled with petroleum contamination within the highway corridor, create the potential for petroleum hydrocarbons to seep into the water system,
- water storage tank is in need of upgrades to address holes in the finial (vent) at the top of the tank along with tank ladder, rail and access safety issues, and
- six services are not metered.

Proposed Solution – The proposed project would:

- replace approximately 4,300 feet of cast iron water main, 1,500 feet of copper service line, 11 hydrants, 47 service connections, 10 water main connections,
- install six water meters,
- install a new riser pipe, frost jacket, expansion joints, over flow pipe, drain pipe, access ladders, anti-climb/vandal gate, safety climb device with harness, raised railings, ladder pass-through and frost proof vent at the water tower, and
- replace approximately 3,500 feet of sewer main, 13 manholes and 19 service connections.

Note: The proposed solution does not intend to resolve the fire flow, water main and wastewater collection deficiencies, since it is only addressing those deficiencies in the highway corridor. Therefore, those remaining 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 and wastewater system are likely to occur in the long-term if the deficiencies are not corrected.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is related to leaky water lines in underneath Highway 191. MDT intends to reconstruct Highway 191, which makes it important for the town to repair water and sewer lines before the new road is built.

The water source and distribution system deficiencies include undersized water mains, severely corroded water mains, low water pressure zones, lack of secondary source, dead-end mains, and inadequate domestic or fire flows. Not all of the distribution system is being replaced, so deficiencies would remain in parts of the town. Fire flows would continue to be inadequate in portions of the town due to prioritization of the main replacement and possibly storage capacity. Hydraulic modeling based on hydrant flow testing performed in the field indicates that water pressure is not only low for fire suppression conditions, but also for domestic use. Petroleum contamination has been recorded at fueling stations adjacent to Highway 191. The potential exists for migration into a severely corroded water main.

Deficiencies associated with the water storage tank include the holes in the finial (vent) at the top of the tank and the tank ladder, rail and access safety. The holes in the finial require patching or replacement to prevent rodents and birds from entering the tank. This is an immediate health concern and was noted in the town's most recent sanitary survey by the Montana Department of Environmental Quality. Additionally, the existing ladder does not have a ladder cage or any fall safety protection for the tank. The water tank railing needs to be raised, a ladder pass-through on the railing added and a second roof access installed to meet safety standards.

Deficiencies of the sewer system include damaged mains causing plugging and sewage exfiltration. The majority of the collection system is over 60 years old and constructed of vitrified clay pipe and brick manholes. An example of the health and safety concern associated with this deficiency was noted during a recent engineering inspection where two manholes were submerged with raw sewage. Manhole inspections and sewer main televising provide evidence of significant structural damage in certain areas of town.

Health and safety issues related to water system contamination, inadequate fire flow pressure and raw sewage backup into homes are possible in the long-term considering the condition of the systems.

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 65th 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 1st lowest of the 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 80.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 1st highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 37.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 3rd highest of 65 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 800 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team thought that the PER was reasonably complete. 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 were considered weak.

Rationale: The applicant stated that the town increased the water and wastewater user charges in 2001 due to higher operational and maintenance expenses and major utility improvements; however, no further information on its rate history was provided. The town plans annually for infrastructure maintenance and replacement. However, because main breaks must be repaired as they occur, nearly all available funds are exhausted repairing infrastructure as it fails.

The applicant stated that, in addition to the preparation of the recent water and wastewater PER, the town prepared a wastewater facility plan in 1997. A source water protection plan was prepared by Montana Rural Water Systems; date probably 1998. In recent years, infrastructure projects have included: pumps replaced at the sewer lift station and the source water well; cleaning and televising of sewer lines; installation of a new wastewater treatment facility including a spray irrigation system; completion of a new drinking water well; abandonment of original shallow groundwater wells; installation of new water system telemetry and treatment facility; and rehabilitation of the water storage tower including new paint, epoxy, frost jacket and welding repairs. The water system had meters installed during the latest wastewater treatment project, so that water use could be properly accounted for and equitable charges applied beyond a base rate. As part of the proposed project, the town is planning on installing meters on the remaining six taps that have not yet been metered.

The applicant stated that the existing infrastructure has been in place for well over the expected facility life and are in need of improvements to keep the systems working. The MDOC review team concluded that the town's operation and maintenance practices related to the water system appear to be reasonably adequate.

The applicant stated that there have been substantial past efforts to deal with overall community public facility problems through capital improvement planning and budgeting, but it is difficult due to the existing rate structure and economic status of the town's citizens. In 1997, both a needs assessment survey was conducted and a five-year, comprehensive capital improvements plan (CIP) was prepared. The applicant commented that the improvements listed in the CIP are still being planned for and carried out, and while the CIP identified the water system problems identified, it did not adequately address issues related to the sewer collection system that were identified in the recently completed PER. The applicant stated that the CIP is reviewed annually with the budget process; however, the CIP does not appear to have been updated since 1997, is only three pages long, and provides little information. The applicant commented that without a thorough appreciation of the existing system condition, replacement of the sewer mains was not considered a priority in 1997. Manhole materials had been described in the CIP as "concrete" when, in fact, they are brick and mortar. In March 2007, a needs assessment survey and a public hearing to determine the overall planning needs of the community were performed. The applicant commented that the conditions in the town change relatively slowly; therefore, no major upgrades to the CIP have been identified until the preparation of the PER which re-evaluated the existing water and wastewater facilities. The applicant stated that the information identified in the PER, along with the results of the needs assessment survey, would be utilized to modify the existing CIP.

The applicant stated that the town participated in the preparation of a comprehensive economic development strategy (CEDS) through the Snowy Mountain Development Corporation in 2007. The proposed improvements were considered to be a high priority in the CEDS document. The State has been planning improvements in the highway corridor for the past nine years, which requires the replacement of the water and wastewater mains. This project would complete the necessary upgrades to meet the requirements of the agreement the town entered into with MDT. The proposed plan is consistent with the existing capital improvements plan, recent needs assessment survey and the MDT transportation project.

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, and RD grants in combination with an RD loan and MDT funds. The applicant stated that the town is 80.3% LMI and therefore a good candidate for CDBG funds. A partial CDBG grant ($242,965) was awarded to the town in 2007, and another CDBG grant application was submitted in 2008 for the remaining $207,035. However, 17 of the 21 applicants seeking CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that MDT is providing a cost share by paying for surface removal and replacement during the Highway 191 reconstruction project. The MDT funding is committed, including the design portion that has already been dispersed. The town must still (at a minimum) finance costs associated with trenching, piping, backfill, manholes, service connections, fire hydrants and curb stops for the water and sewer lines within the highway corridor. MDT plans to bid the project in the spring of 2010. The town was unsuccessful in its attempt to secure grants in time to complete the project based on the original schedule of summer 2008. For this reason, MDT postponed the town portion of the project to allow the town an opportunity to obtain sufficient funding through the 2008 grant cycle.

The applicant stated that the town submitted an application in February 2007 to Senator Baucus' office for a State and Tribal Assistance Grant (STAG) and/or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant. The town applied again to all three members of Montana's congressional delegation in 2008. If a STAG or WRDA grant can be obtained it would not impact the proposed project scope; it would only increase the quantity of water and sewer main that can be replaced. The applicant also considered a Coal Board grant due to the potential traffic that may be created from future coal energy production, but it did not appear that the town meets the eligibility requirements of the program.

The applicant stated that if TSEP does not participate, much of the most critical health and safety improvements would no longer be affordable. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 and 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 assist with the retention of jobs in Judith Gap. The applicant also stated that a hydrogen production plant is proposed for the defunct lumber mill site, which would create a number of local jobs. However, the site would be served by one of the most deteriorated sewer collectors in town; the manhole wherein engineering inspections discovered six feet of raw sewage backed up is located directly adjacent to the proposed site. Without alleviating the main plugging, an industrial facility such as the proposed hydrogen plant could not operate. However, the applicant did not provide any documentation related to the hydrogen production plant, or that any other

job creation or business expansion would be dependent on the proposed project. Therefore, the MDOC review team could not determine if the proposal to build a hydrogen production plant is likely to occur.

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 held public hearings at 7:00 p.m. on both April 25, 2007 and April 17, 2008. In addition to local officials, staff, and consultants, nine residents attended the first hearing and six residents attended the second. Both hearings were advertised once in *The Times-Clarion* published in Harlowton. A handout was distributed to all attendees at both hearings that outlined the purpose of the project, alternative evaluations and projected monthly user rates. The applicant stated that a copy of the PER has been available at the town hall for public review since May 2007 and the public has been encouraged to review the document. The application included copies of the affidavit of publication of the meeting notice, minutes, handout, and a sign-in sheet for both hearings.

The applicant stated that MDT held a number of public meetings related to the U.S. Highway 191 reconstruction and utility replacement project over the past nine years. Nearly all of the local businesses and many of the residences lie adjacent to the project corridor, and therefore, direct dialogue has occurred between those property owners and MDT. As a result, local residents have had many opportunities to voice their concerns to both the town council and MDT. Copies of the public meeting documentation and letters of support followed this response.

The application included letters of support for the proposed project from: Governor Schweitzer and Lieutenant Governor Bohlinger, State Senators Jim Peterson and Dave Lewis, State Representative Harry Klock, the MDT district administrator, the local economic development corporation, three business owners, and one town resident. The town council also provided a letter in support of the proposed project that contained the signatures of 43 residents.

The CIP from 1997 only identified the water system problems; it did not adequately address issues related to the sewer collection system that were identified in the recently completed PER. The needs assessment and a CEDS completed in 2007 identified improved water quantity and quality as a high priority.

Project No. 11
Gardiner Park County Water and Sewer District – Wastewater System Improvements

This application received 3,688 points out of a possible 4,900 points and ranked 11th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $358,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$358,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
District	Cash	$ 15,000	Expended on PER
SRF	Loan	$248,145	On the priority list, but has not applied
Project Total		**$721,145**	

Median Household Income:	$30,125	Total Population:	806
Percent Non-TSEP Matching Funds:	50%	Number of Households:	313

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$44.94	-	Target Rate:	$57.74	
Existing Wastewater Rate:	$13.14	-	Rate with Proposed TSEP Assistance:	$70.07	121%
Existing Combined Rate:	$58.08	101%	Rate without TSEP Assistance:	$73.38	127%

Project Summary

History – The Gardiner wastewater system until recently had been operated by Park County. The wastewater system serves both Gardiner and the Yellowstone National Park operations in Mammoth. The treatment system consists of aerated lagoons and polishing ponds. Major improvements to the treatment system were completed in 1991, including lining the ponds and adding new infiltration/percolation ponds for use during peak flow periods. Much of the collection system was replaced in 1972 with PVC pipe. The main lift station was also installed in 1972. A combined water and sewer district was formed in February 2008, and took over operating the wastewater system from the county. The county received two administrative orders in 2007 for discharging raw untreated sewage into the Yellowstone River.

Problem – The district's wastewater system has the following deficiencies:
- multiple spills of raw sewage into the Yellowstone River,
- pump failures at the main lift station,
- unsafe working environment for the operator due to a confined space in the main lift station, and
- inadequate disinfection of wastewater effluent.

Proposed Solution – The project would:
- construct a new lift station,
- provide ultraviolet light disinfection,
- install an influent meter and an effluent meter at the lagoon, and
- install life-line ropes.

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 review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is direct discharge of raw sewage into the Yellowstone River. The main lift station is located on the south side of the Yellowstone and pumps wastewater under the river to the treatment facility. This main lift station has an overflow bypass that sometimes dumps raw sewage into the Yellowstone, especially during power outages. There were four documented raw sewage dumps into the river in 2007; two were due to electrical concerns and two were the result of pump failures. Access to these pumps is extremely difficult and dangerous because they are in a confined space subject to sewage flooding.

The discharges of untreated sewage in 2007 ranged from 2,800 to 60,000 gallons. These discharges are imminent public health and safety problems that are clearly attributable to a deficiency in the wastewater system. These discharges are likely to occur again within two years, according to the applicant. Electrical control improvements made in 2007 lessen the likelihood of additional discharges. However, the two discharges in March of 2007 were due to pump failures; the recent electrical control improvements do not prevent this type of failure.

Additionally, according to its new discharge permit, the district will be out of compliance for fecal coliform limits by August of 2009.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 35.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 55th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 8.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 59th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 the wastewater system had been operated by Park County, but in 2007, the Gardiner Park County Water District put together a petition to take over the wastewater system. In February of 2008, the residents in Gardiner passed a vote (204 to 23) to form a water and sewer district and take over the operation of the wastewater system from the county, despite being informed that it would mean a $10 increase in user rates. The applicant stated the county had some difficulties in collections for the operation and maintenance (O&M) of the wastewater system as debt was covered through tax assessments. In the future, the district would be able to shut off water supply for anyone who does not pay. A $10.67 per month rate increase took effect in June.

The applicant stated that much of the collection system was replaced with PVC pipe and the main lift station was installed in 1972. In 1991, the lagoons were lined and new infiltration/percolation ponds were added for use during peak flow periods. In 2007, the district completed a new eight-inch water main to bypass an existing line that was determined to be unsafe due to undercutting at a cost of just over $100,000. The district had planned to repaint the water storage tank, but the project is on hold in case there needs to be a transfer of funds (inter-governmental loan) from the water fund to the sewer fund until a reserve can be built up. The district has been metered for over 20 years.

The applicant stated that the problems are a result of poor lift station design, pump failures, and power outages. The MDOC review team concluded that the county's past O&M practices were inadequate; however the district's O&M practices related to the wastewater system could not be evaluated since it only recently took over the system.

The applicant stated the PER provides a capital improvements plan (CIP) that resolves the most immediate needs and a second phase is shown that the district expects to be completed within five years.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan and local reserves. The project is ranked 61st on the SRF priority list; therefore, the district is eligible to apply for the loan. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used.

The applicant stated that the proposed project depended on the TSEP grant. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic public infrastructure necessary to support population growth, and possible economic 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 the applicant did not adequately demonstrate that the proposed project is a high local priority.

Rationale: A public hearing was held by the county commissioners on August 14, 2007 at the commissioner's office to discuss the proposed project. Notice of the hearing was provided by a legal notice in *The Livingston Enterprise*, which listed the time of the meeting as 3:00 p.m.; however, the minutes state it was held at 6:30 p.m. The minutes are from a district meeting held at 6:19 p.m. the same day in Gardiner that refers to the hearing in Livingston; however, no minutes were provided for the public hearing. Other than the five board members and consultants, the minutes of the regular monthly district meeting in Gardiner do not show that any residents were present, and there is no record of the number of people, if any, at the public hearing in Livingston. A handout was provided that discussed the proposed project and the increase in user rates.

The second public hearing was held on October 9, 2007 at 7:00 p.m. Notice of the hearing was provided by a legal notice in *The Livingston Enterprise*, and a letter was sent to all residents and businesses in Gardiner. The letter discussed having a district take over the operation of the wastewater system and what the approximate increase in user rates would be as a result of the proposed project. Other than the five board members and the consultant, the minutes of the regular monthly district meeting (held at 6:00 p.m. in the district offices) do not show that any residents were present. The minutes refer to a public meeting on the proposed project to be held at 7:00 p.m. at the community center; however, no minutes were provided for the meeting at the community center. A handout was provided that discussed the proposed project and the increase in user rates. A letter was sent to all residents and businesses in

Gardiner in January 2008 that discussed having a district take over the operation of the wastewater system and what the approximate increase in user rates would be as a result of the proposed project.

The district held two public hearings in Gardiner on April 8, 2008 starting at 6:00 p.m., one of which was for the TSEP grant and the other was a rate hearing. Notice of the hearings was provided by legal notices in *The Livingston Enterprise*, and a notice was sent to all residents and businesses in Gardiner to notify them of the hearings and that the board had adopted a resolution of intention to increase rates. The notice mailed to them provided detailed information about the rates and charges proposed. The sign-in sheet for the rate hearing show that seven residents, in addition to the five board members, were present at the hearing. The minutes for the two hearings show that those present were informed about the proposed project and the increase in user rates. A handout was provided that discussed the proposed project and the increase in user rates. The application included copies of the affidavits of publication for all the hearing and meeting notices, meeting minutes as discussed above, handouts/slide presentations, and a sign-in sheet for the April 8 hearing.

There were 13 letters of support for the proposed project included with the application: four from residents, eight businesses, the ranger district, and one petition with 55 signatures; the petition noted the project costs and estimated rate increase at the top of the form. Support is also demonstrated by the fact that the people in Gardiner formed a water and sewer district (204 to 23) to take over the operation of the wastewater system from the county. The PER is the district's CIP.

Project No. 12
Town of Winifred – Wastewater System Improvements

This application received 3,684 points out of a possible 4,900 points and ranked 12th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
SRF	Loan	$ 302,500	On the priority list, but has not applied
Project Total		**$1,352,500**	

Median Household Income:	$25,000	Total Population:	156
Percent Non-TSEP Matching Funds:	63%	Number of Households:	69

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$20.00	-	Target Rate:	$47.92	
Existing Wastewater Rate:	$25.00	-	Rate with Proposed TSEP Assistance:	$49.36	103%
Existing Combined Rate:	$45.00	94%	Rate without TSEP Assistance:	$92.48	193%

Project Summary

History – Winifred's conventional gravity collection and single-cell lagoon treatment wastewater system is over 40 years old. Minor sewer main repairs have been performed over time, but no major replacement or rehabilitation projects have been completed. In December 2005, the Montana Department of Environmental Quality (DEQ) issued a violation letter because the facility had been discharging illegally to an unnamed tributary channel to Dog Creek. A discharge permit was subsequently issued in June 2006.

Problem – The town's wastewater system has the following deficiencies:
- infiltration into the collection system and outfall pipe feeding the lagoon creates a hydraulic overload,
- many of the manholes are buried, inaccessible and do not provide safe access,
- collection system has minimum grade and structural deficiencies resulting in the need for sewer flushing to remove debris and eliminate plugging,
- lagoon is leaking inadequately treated effluent to the ground water and surface water,
- lagoon has serious odor issues (during summer months),
- lagoon consistently discharges inadequately treated effluent through an outfall pipe to an adjacent slough, which then percolates into ground water or flows into Dog Creek (an area that allows unrestricted public access),
- DEQ inspection reports have noted a likelihood of excessive sludge buildup in the lagoon, probable leakage due to the age and condition of the facility and inadequate treatment capacity or detention time for a discharging system,
- system does not satisfy a number of current DEQ design standards, and
- existing system cannot adequately treat BOD_5, TSS, fecal coliform, ammonia or nutrients (TP and TN) to meet current and impending discharge permit limits.

Proposed Solution – The proposed project would
- rehabilitate approximately 11,920 feet of eight-inch sewer main with cured-in-place methods,

- replace approximately 2,400 feet of eight-inch sewer main with open cut methods, and
- rehabilitate 40 sewer manholes.

Note: The proposed solution does not intend to resolve the deficiencies related to the treatment 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 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is excessive infiltration and inflow in the collection system that could significantly and adversely affect the wastewater treatment process by causing a hydraulic overload of the lagoon. The public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

The deficiencies associated with the lagoon, such as inadequately treated wastewater discharge percolating into ground water and/or flowing into Dog Creek, would not be addressed by the proposed project. The proposed improvements need to be completed in order to properly design a new treatment system.

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 65th 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 9th lowest of the 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 41.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 37th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 23.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 8th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 has been preparing for a major upgrade since 2005 by raising base sewer rates from $5 a month to $25 a month over the course of two years. The operation and maintenance (O&M) of the wastewater system has been very inexpensive, since the collection and treatment system does not use electricity or chemicals. Occasional maintenance that required outside labor and/or equipment was funded through an ongoing reserve account.

The applicant stated that few repairs have been required for the water and sewer utilities over the past 20 plus years, and during that period, most improvement projects were either completed or assisted with local resources. Modifications to the lagoon outfall were required by DEQ in 2006. The town purchased and installed a plug device that allows for flow measuring and improved sampling accuracy.

The applicant stated that the collection system infiltration, lagoon overloading, treatment discharge without a permit, and pond leakage have likely been occurring for a number of years, but DEQ correspondence did not indicate a need for major capital improvements until the fall of 2005. The MDOC review team concluded that the town's O&M practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that a needs assessment survey was sent to the residents in 2006. The proposed project was ranked as the second highest priority related to public facilities, with improved cell phone service being the number one priority. Prior to 2005, the town did not consider capital improvements planning a priority as O&M of the sewer infrastructure was very inexpensive and most repairs were completed through town resources. In 2005, the town completed a five-year, comprehensive capital improvements plan (CIP). Each year a committee meets to review and revise the public needs addressed in the CIP, and the town uses the CIP as a tool when preparing their annual fiscal year budget; the application included an updated CIP for three consecutive years. The proposed project is a high priority in the CIP.

The applicant stated that the town assisted Snowy Mountain Development Corporation in the preparation of the 2007 comprehensive economic development strategy (CEDS). The proposed project is specifically mentioned in the CEDS as a high priority.

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. 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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and CDBG grants in combination with an SRF loan. The project is ranked 94th on the SRF priority list; therefore, the town is eligible to apply for the loan. The applicant conducted a needs assessment survey in 2006 that included an income survey indicating that 67.2% of the residents are LMI, which would make the town eligible to apply for CDBG funds. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used. The applicant stated the town applied for a U.S. Army Corps of Engineers Section 595 Water Resources Development Act (WRDA) grant and a State and Tribal Assistance (STAG) grant. However, since these funds are difficult to obtain, the budget strategy does not consider either of these funds; the applicant did not discuss how the grants would be used if awarded.

The applicant stated the TSEP grant is essential for the proposed project. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The MDOC review team has some concerns about the viability of the proposed funding package, because of the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide basic public infrastructure necessary to support population growth, and possible economic business 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 held four public meetings. The first public meeting was held on January 12, 2006 at 7:00 p.m. to discuss the current problems with the lagoon system, alternatives to resolve the deficiencies, and the need to increase rates to qualify for a grant. Ten residents attended the meeting, in addition to local officials and consultants. A handout, sign-in sheet, and a flyer type notice were included with the application. An informational letter was mailed to residents on March 9, 2006, informing them of the reason for the proposed project, target rate requirements, and the amount that user rates needed to be in order to qualify for grants. The second public meeting was held on April 11, 2006 at 8:00 p.m. to

discuss the proposed project and the need to raise user rates in the next two years to be at the required target rate by 2008. Eight residents attended the meeting, in addition to local officials. The minutes, sign-in sheet and two flyer type notices were included with the application. The third public meeting was held on April 25, 2007 at 7:00 p.m. to discuss the proposed project and the need to raise user rates. Six residents attended the meeting, in addition to local officials. A notice mailed to residents advising of the meeting and a flyer type notice, minutes, and the sign-in sheet were included with the application. The fourth public meeting was held on February 5, 2008 at 7:00 p.m. to discuss the proposed project, funding sources, and projected user rates. Thirty residents attended the meeting, in addition to local officials and consultants. The minutes, sign-in sheet, handout, two flyer type notices, and a letter mailed to all residents urging a strong turnout for the meeting were included with the application.

The application included 70 form letters signed by residents supporting the proposed project, 11 form letters signed by businesses, and a letter from State Senator Ed Butcher. The applicant demonstrated that the proposed project is a high priority, as shown in the town's needs assessment, CIP, and CEDS.

Project No. 13
Beaverhead County – Bridge System Improvements

This application received 3,660 points out of a possible 4,900 points and ranked 13th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $290,668 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$290,668	Awaiting decision of Legislature
County	Cash	$ 15,000	Expended on PER
County	Cash	$251,509	Committed by resolution
County	In-kind	$ 24,159	Committed by resolution
Project Total		**$581,336**	

Median Household Income:	$28,962	Total Population:	9,202
Percent Non-TSEP Matching Funds:	50%	Number of Households:	3,684

Project Summary

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

- The Nissen Lane Bridge is located approximately two miles northwest of Dillon. This structure crosses the Dillon Canal on Nissen Lane. The 25-foot long, steel structure was probably constructed in the 1970s. The bridge serves approximately 20 permanent and part-time residences, a golf course, a cattle feed lot and a talc mine. The bridge is on school bus, mail and garbage routes. Closure of the bridge would re-direct trucks from the mine and feed lot into Dillon and result in a nine-mile detour.
- The Carrigan Lane Bridge is located approximately five miles south of Dillon. This structure spans the Canyon Ditch on Carrigan Lane. The 22-foot long, two-span concrete structure was constructed in the 1960s. The bridge serves approximately 30 permanent and part-time residences, an equestrian center and two ranching operations. The bridge is on school bus, mail and garbage routes. Closure of the bridge would result in an eight-mile detour.
- The Frying Pan Road Bridge is located approximately 3.5 miles north of Dillon. This single-lane structure crosses the West Side Canal on Frying Pan Road. The 27-foot long, timber bridge failed in 1994 when a dump truck fell through the bridge and was rebuilt by county crews for temporary use. The bridge serves as sole access for 31 residences and two ranching operations. The bridge is on school bus, mail and garbage routes.

Problem – The county's three bridges have the following deficiencies.

- The Nissen Lane Bridge has a sufficiency rating of 32. Deficiencies include:
  - a foundation that has settled approximately 10 inches,
  - reduced hydraulic capacity causing adjacent flooding, and
  - twisted superstructure due to the settlement.
- The Carrigan Lane Bridge has a sufficiency rating of 28. Deficiencies include:
  - deteriorated foundation,
  - exposed reinforcing steel at the center pier,
  - cracking of concrete beams, and
  - badly spalled wing walls.
- The Frying Pan Road Bridge has a sufficiency rating of 49. Deficiencies include:
  - rotted and failing foundation, and
  - badly checked and cracked timber stringers.

Proposed Solution – The proposed project would replace each of the three existing bridges with three-sided concrete box culverts**.** The county intends to use their crews for the detour bridge installation and associated roadwork.

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 review team noted that the three bridges had sufficiency ratings ranging from 32% to 49%. The structure ratings ranged from three to five, and the lowest element conditions ratings ranged from three to five. TSEP scoring levels for this priority had the Nissan Lane and Carrigan Lane Bridges at a level four score and the Frying Pan Road Bridge at a level three score. A weighted score, based on construction costs, resulted in a level four score for the entire project. The scores were not reduced due to any concerns with low volume usage or minimal detour distances related to these structures.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low* and *Moderate-Income* (LMI) level is 43.0%. **The applicant's relative concentration of persons living at or below the LMI is the 29th highest of the 65 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 19th highest of the 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 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 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.	69
The number of bridges over 20 feet that the county is responsible for maintaining.	59
Total available funds per county maintained bridge.	$8,337

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 county only recently adopted a capital improvements plan (CIP).

Rationale: The applicant stated that the county is limited in the number of mills that can be charged through property tax assessments, and instead the county relies primarily on monies from the payment in lieu of tax (PILT) allotment to fund bridge improvements. 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 major projects.

The applicant stated that the county has replaced or rehabilitated 12 bridges since 1995. Of these bridges, four were replaced under the Montana Department of Transportation (MDT) off-system bridge replacement program at a cost of approximately $2,250,000. Eight bridges were repaired or replaced by the county at a cost of $166,750. The applicant stated the county intends to complete two other bridge replacements this summer at a cost of $225,000.

The applicant stated the county has adopted a standard for repair and replacement of all bridges and culverts. Normal bridge related duties include replacement of damaged bridge and approach rail sections, worn or damaged deck planks, damaged timber stringers, scheduled grading of approaches, and replacement of object markers.

The applicant stated that the deterioration of the three 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 reasonably adequate.

The applicant stated a bridge inventory and evaluation was first completed in 2001, which was then updated in 2007 and used to create a seven-year CIP for bridges in 2008. The applicant stated the plan would be revisited every year during the annual budget process. The replacement of the three bridges would be consistent with current plans as they represent three of the top 13 critical structures as indicated in the CIP. The remaining 10 bridges are scheduled to be repaired using county funds or later TSEP funding cycles.

The applicant stated that the county has cooperated in a process of economic development planning encompassing all residents, landowners and businesses throughout the county. 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. The applicant stated that a safe, functional road system, including quality bridges, is essential to meeting these goals. The applicant stated that the county drafted a revised growth policy plan which was adopted in 2005.

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.

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 if a TSEP grant is not awarded, the proposed project would not occur. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridges.

The proposed funding package appears viable to the MDOC review team.

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 three bridges would assist in retaining current long-term 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 Nissen Lane Bridge serves as a key link in the area transportation and emergency response network northwest of Dillon. The bridge is located on a road that, although not a sole access, serves as the main route to residential homes, a golf course, a cattle feed lot, and a talc mine. The road is designated as an official truck route for mine vehicles, and is used by the agricultural community and recreational traffic.

The applicant stated that the Carrigan Lane Bridge serves as a key link in the area transportation and emergency response network south of Dillon. The bridge is located on a road that, although not a sole

access, serves as the main route to residential homes and an equestrian facility used by college students. The road over this bridge is used by the agricultural community and recreational traffic.

The applicant stated that the Frying Pan Road Bridge is critical for residents and emergency responders accessing the area as the road serves as the sole access to the area west of the bridge. The bridge provides access to 31 year-round residences, an equestrian center, a county gravel pit, and two ranch operations.

The applicant stated that all three of the bridges are crucial to service oriented businesses such as mail carriers, concrete and gravel suppliers, freight haulers, propane suppliers and local septic tank services.

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 only one public hearing was held.

Rationale: The applicant stated a public hearing was held in Dillon on March 17, 2008, at 7:00 p.m. in the commissioner's room of the courthouse. The sign-in sheet shows four residents, along with local officials and consultants attended the meeting. The hearing was advertised in the *Dillon Tribune* for three weeks. The applicant stated residents were informed that they would not see an increase in property taxes as a result of this project. Minutes from the hearing, the sign-in sheet, a flyer type notice of the public hearing, and meeting handout were included with the application.

There were 55 letters of support included with the application; 48 from area residents, the county sheriff, the county planner, three businesses, one fire department, and State Senator Bill Tash. The MDOC review team noted that a template of a support letter was offered as a guide and that 45 of the resident letters and two of the business letters were signed form letters.

The CIP was revised in 2008, and the proposed project is consistent with it as the three bridges represent three of the top 13 critical structures.

Project No. 14
Sweet Grass Community County Water/Sewer District – Water System Improvements

This application received 3,632 points out of a possible 4,900 points and ranked 14th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
RD	Grant	$ 461,230	Application is expected to be submitted in 2009
RD	Loan	$ 228,510	Application is expected to be submitted in 2009
District	Cash	$ 6,000	Committed by resolution
Toole Co.	Cash	$ 10,000	Committed by resolution
Project Total		**$1,430,740**	

Median Household Income:	$26,875	Total Population:	100
Percent Non-TSEP Matching Funds:	56%	Number of Households:	52

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$28.85	-	Target Rate:	$51.51	
Existing Wastewater Rate:	$25.51	-	Rate with Proposed TSEP Assistance:	$64.41	125%
Existing Combined Rate:	$54.36	106%	Rate without TSEP Assistance:	$99.47	193%

Project Summary

History – The un-incorporated community of Sweet Grass is located 34 miles north of Shelby on Interstate 15 on the United States-Canada border. The distribution system and booster station, which were constructed in 1963, are connected to the public water system for Coutts which is a village in Alberta. The water source, treatment, and storage facilities for the system are located in Canada. The district purchases water on a volumetric basis. In 2007, the district renewed its participation in the Rocky Boys/North Central Montana Regional Water System and intends to join the system when it becomes available. A booster pump station maintains system pressure to the 75 service connections using one booster pump. A second booster pump is designed to serve as backup for the provision of fire flows if necessary. The distribution system in Sweet Grass is administered, operated and maintained by the district.

Problem – The district's water system has the following deficiencies:
- inadequate pressure and volume to meet fire flow requirements,
- inadequate storage to meet fire flow requirements,
- dead-end distribution mains,
- existing booster station is no longer operating correctly.

Proposed Solution – The proposed project would:
- install a new 195,000-gallon steel storage tank,
- install approximately 6,900 feet of 10-inch transmission main to new storage tank,
- install a new two-pump booster station with controls,
- install approximately 2,100 feet of six-inch PVC distribution pipe to loop dead-end mains and four pressure relief valves.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is inadequate system pressure and fire flow to commercial areas and buildings that require 1,750 gpm for two hours. The public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 57.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 6th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 25.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 6th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 most planning related efforts are relatively recent.

Rationale: The applicant stated that in order to keep pace with inflation, the district instituted rate increases of 5% in each of the following years: 2001, 2004, 2005, and 2007. While the applicant had as much as $32,549 in reserves in 2006, it currently has no reserves set aside for water improvements. The district installed individual service connection meters in the 1990s to more equitably assign user costs and to encourage conservation. Since the district purchases treated water from the neighboring Village of Coutts, Alberta, it has no source water protection plan

The applicant stated that the system's deficiencies have not developed because of inadequate operation and maintenance (O&M) practices. One person operates and maintains both the water and wastewater systems for the district. The MDOC review team concluded that the district's operation and maintenance practices related to the water system appear to be reasonably adequate.

The applicant stated that a needs assessment was conducted for the northern portion of Toole County in 2000 and 2004; the only needs assessment conducted by the county was dated 2000. The applicant included a second needs assessment that is apparently for just the district; no date provided. While there were some deficiencies described, the condition of the water system was not identified as a priority in the survey result; however, at the end of the report improvements to the water system were listed as a high priority. The district adopted a capital improvements plan (CIP) in 2008, which is kept current through periodic updates; the CIP covers only water and sewer. The county completed a growth policy in 2005, which was updated in 2007; the policy includes the district, but no dates could be verified. The applicant stated that the growth policy contains a capital improvements priority list and the proposed project is the first of two improvements listed for Sweet Grass; the list appears to be a separate document. A comprehensive economic development strategy (CEDS) was prepared in 2006 for the certified regional development corporation that covers the region. The CEDS simply lists "update public infrastructure" in its action items for Toole County; however, it does not indicate any specific systems needing updating.

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, and funds from the district and the county. The applicant discussed CDBG grants since 57% of the district's households are LMI. A public hearing was held by the county in April 2008 to assess its priorities for applying for CDBG grant funding, and the county decided to pursue CDBG funding for the Marias Medical Center project. The district and the county also pursued funding through Homeland Security, due to the presence of the Port of Sweet Grass, but the request for financial assistance was denied

The applicant stated that the TSEP grant is the cornerstone to the funding for the proposed project, and would also help to keep user rate increases at an acceptable level. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 has the potential to result in the creation of jobs, but community expansion would not be realized without reliable water infrastructure. However, the applicant did not discuss any other specific jobs or business expansion that would occur as a direct result of the proposed project.

The applicant stated that there exists a tremendous need for rental housing in Sweet Grass for the multitudes of persons employed by the U.S. Customs and Border Protection Services and the seven brokerage firms located in Sweet Grass. There are many instances where workers are driving over 100 miles round-trip to work. The lack of rental housing has forced commuters to live in Cut Bank, Shelby and Conrad. The port of entry and Interstate 15 borders Sweet Grass on the east, and Canada on the north. There is land available for expansion through planned subdivisions on the west end of Sweet Grass, but cannot be developed until there is adequate water pressure. In addition, Sweet Grass has the potential to expand in the areas of service to people passing through the border each day.

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 held an informational meeting about the proposed project at 7:00 p.m. on January 30, 2008 in Sweet Grass. In addition to board members, consultants, and other informational guests, there were seven members from the community attended the meeting. Following this first meeting, an income survey was mailed to all residents. Because so few surveys were returned, the board members went door-to-door collecting the forms and sharing the details of the January meeting. A public hearing was held at 7:00 p.m. on April 16, 2008 in Sweet Grass. The minutes show that the proposed project, its cost, and its impact on user rates were discussed. In addition to four board members, consultants, county commissioners, and other informational guests, there were eight members from the community attended the meeting. The applicant stated that a total of 15 local people attended the public meetings, with several persons attending both meetings. That is 15% of the resident population of Sweet Grass. Both meetings were advertised by posting flyers throughout Sweet Grass, publishing a notice in the local newspaper the *Shelby Promoter*, listing the meeting dates on the county website, and announcing the meetings on the local radio station. Following the April 16 meeting, drafts of the PER were available for public viewing in several locations in Sweet Grass, and residents were invited to attend the regularly scheduled meeting on April 23, 2008 to ask questions and comment on the

proposed project. A copy of the affidavits of publication of the meeting notices, flyers, sign-in sheets, and minutes for both meetings were included in the application.

The applicant stated that there were no comments of opposition to the proposed project voiced at the meetings, and all citizen comments were in support of the project; the minutes of the April 16 meeting noted that attendees were very supportive of the idea of a water storage tank. The application contained letters in support of the proposed project from: State Senator's Jerry Black and Carol Juneau, State Representative Edith Clark, U.S. Customs and Border Protection, Town of Sunburst, North Central Montana RC&D, Coutts Fire and Rescue, the local volunteer fire department, the county cemetery district, a local church, and seven businesses. There were also seven comment forms that were completed by local residents at the April 16 meeting indicating support for the proposed project. The application also included a petition signed by 41 people who work in Sweet Grass that are in support of the proposed project; 15 of the people appear to live in Sweet Grass.

The needs assessment lists the improvements to the water system as a high priority. The proposed project is a high priority in the CIP, but it covers only the water and wastewater systems. The proposed project is the first of two improvements listed for Sweet Grass in the county's growth policy capital improvements priority list.

Project No. 15
Town of Nashua – Water System Improvements

This application received 3,628 points out of a possible 4,900 points and ranked 15th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $421,300 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$421,300	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
Town	Cash	$ 25,200	Committed by resolution, partially expended on PER
MDT	In-kind	$160,280	Road improvements are in design
SRF	Loan	$149,040	Application submitted
Project Total		**$855,820**	

Median Household Income:	$26,827	Total Population:	296
Percent Non-TSEP Matching Funds:	51%	Number of Households:	142

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$21.75	-	Target Rate:	$51.42	
Existing Wastewater Rate:	$23.50	-	Rate with Proposed TSEP Assistance:	$72.95	142%
Existing Combined Rate:	$45.25	88%	Rate without TSEP Assistance:	$91.48	178%

Project Summary

History – Nashua's public water system is supplied water through two wells, with a third well that is inactive. The water is treated with chlorine for disinfection and stored in a 250,000-gallon partially buried concrete storage tank. In 2001, the town signed an agreement to connect to the Fort Peck Dry Prairie Regional Water Authority when it becomes available. The Montana Department of Transportation (MDT) has a road improvement project planned for Highway 117 through town.

Problem – The town's water system has the following deficiencies:
- water is high in manganese, hardness, and sulfate,
- service connections are not metered, and
- water main leakage on Front Street.

Proposed Solution – The proposed project would:
- install approximately 180 water meters, and
- replace approximately 3,345 feet of distribution main along Front Street and Sargent Street.

Note: The proposed solution does not intend to resolve the water quality deficiencies. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies are high levels of secondary contaminants such as manganese, hardness and sulfates, system leakage and the lack of a metered system. The levels of the secondary contaminants are several times greater than the secondary MCLs, but the proposed solution of providing metering and main replacement does not directly solve the water quality problems. Metering is proposed in the project because it is a condition for joining with the Dry Prairie Regional Water Authority. The public health issues associated with secondary MCLs would be addressed indirectly by metering the system. Consequences attributable to these deficiencies are likely to occur in the long-term.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 42.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 33rd highest of the 65 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 65th highest of 65 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 800 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 to its public facility needs. The

preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 with each payment for an outstanding sewer loan, the town puts in $22,500 in a restricted account, as required for the coverage. In addition, they put aside $6,000 biannually for a sinking fund (now totaling $18,500). The applicant further stated that it transfers 5% of the receipts from water and sewer each month into replacement and depreciation accounts.

The applicant stated that the town has constructed a water storage tank, drilled a new well, replaced water lines, prepared a water and a wastewater PER, installed wastewater lagoons, and replaced wastewater lines since 1996. The town has been working with and monitoring the progress of Dry Prairie Rural Water System since its inception, and signed an agreement to join the regional system in 2001. The town is required to install water meters prior to connecting to the regional water system. The town has been preparing by replacing some pipe, doing complete leak detection, and is now coordinating with MDT to time the replacement of pipe with MDT's project planned for Highway 117. Montana Rural Water prepared a wellhead protection plan in 2002. The Montana Department of Environmental Quality (DEQ) prepared a source water delineation and assessment report in 2005, which was used to revised the wellhead protections plan.

The applicant stated that problems with the wastewater system are not due to lack of adequate operation and maintenance (O&M) practices, but rather because the pipe is 60 years old and consists of cast iron in hot clay soils. The town has continuously dealt with leaks, and other than the pipe in Front Street, the town has fixed all major leaks to the best of their ability. The MDOC review team concluded that the town's O&M practices related to its water system appear to be reasonably adequate.

The applicant stated that the town has conducted two needs assessments, one in 1994 and another in 2000, and both indicated water quality to be the highest priority. In 2000, the town adopted a comprehensive capital improvements plan (CIP), which is reviewed and updated annually; however, the applicant did not substantiate that it was updated annually. In April 2008, the town was awarded a CDBG planning grant to help them with updating the CIP and needs assessment, preparing an income survey and growth policy.

The applicant stated that the proposed project is consistent with the 2007 comprehensive economic development strategy (CEDS) prepared by the area's certified regional development corporation that calls for promotion of rural water systems; however no documentation was included. The town has an agreement in place with the water authority and the letter of support from that authority indicated that Nashua would receive water from Dry Prairie in mid-2009.

The applicant described numerous other community projects that residents and organizations have voluntarily worked on both financially and physically.

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 TSEP and RRGL grants, in combination with an SRF loan, local reserves and Montana Department of Transportation (MDT) funds. The applicant stated that the replacement of the waterline under Highway 117 must be done now as required by MDT before the road can be rebuilt; savings would result from the cost of traffic control, excavation, and paving above the pipe. The MDT work is planned and the survey has been completed. The town evaluated other grant and loan sources and gave reasonable explanations as to why they were not being sought.

The applicant stated that the without the TSEP grant, the town would have to wait another two years. However, if the town does not obtain the TSEP grant it would proceed with proposed meter installation as it does not want to delay connecting to Dry Prairie and receiving good quality water. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 any business expansion. The town wants to promote new people moving into the town, but Glasgow and Fort Peck have good water, which draws the people there instead.

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 held public hearings on November 12, 2007 and February 11, 2008, both at 7:30 p.m. at the town civic center. In addition to local officials and consultants, 20 residents attended the November hearing and 22 residents were at the February hearing, which was held immediately following a rate increase hearing. The cost per household was published in *The River Run News* legal notices and discussed at each of the hearings. Copies of the affidavits of publication of the hearing notices, presentations, sign-in sheets, and minutes were included in the appendix. One article related to the proposed project was also included in the application.

Letters of support for the proposed project were received and included in the application from the area certified regional development corporation, the superintendent of schools, the regional water authority, two businesses, and two residents. The application also included a petition, signed by 25 residents, in support of the proposed project; the petition explained the proposed project, the proposed funding package, and the associated rate increase. The applicant stated that MDOC could literally call

any random resident in Nashua and would find that the resident knows the proposed project, and not only supports the project, but would be happy to expound on the “quality” of Nashua’s water.

The water system was the highest priority in both the 1994 and 2000 needs assessment survey and was listed in each annual update of the CIP. The town has an agreement in place with the water authority and the letter of support from that authority indicated that Nashua would receive water from Dry Prairie in mid-2009. The applicant stated that there was a short time where some persons wanted the town to consider a reverse osmosis plant. However, an article in the local paper was published that included a letter written by the engineer noting the high cost of RO and citing the fact that new plants were recently placed in Circle, Froid, and Lambert (the article is included in the appendix). The Froid plant has already been abandoned in favor of Dry Prairie, and Circle and Lambert are working on establishing a new rural system. Although meters and the work in Hwy 117 would be required in either case, with this information, the town fully rallied in support of Dry Prairie.

Project No. 16
City of Laurel – Water System Improvements

This application received 3,620 points out of a possible 4,900 points and ranked 16th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$1,942,710	On the priority list, but has not applied
City	Cash	$ 500,000	Committed by resolution
Project Total		**$3,167,710**	

Median Household Income:	$32,679	Total Population:	6,806
Percent Non-TSEP Matching Funds:	80%	Number of Households:	3,020

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$36.97	-	Target Rate:	$62.63	
Existing Wastewater Rate:	$42.05	-	Rate with Proposed TSEP Assistance:	$83.25	133%
Existing Combined Rate:	$79.02	126%	Rate without TSEP Assistance:	$84.27	135%

Project Summary

History – Laurel receives its water from the Yellowstone River, which is treated through a conventional surface water treatment plant that is approximately 50 years old. The water is disinfected using chlorine gas and stored in a four million-gallon tank.

Problem – The city's water system has the following deficiencies:
- cannot meet maximum day demand if one of two low-lift pumps were to fail,
- cannot meet maximum day demand if one of two filters were to fail,
- unsafe chlorine cylinder handling conditions,
- lack of proper chemical mixing,
- lack of storage,
- lack of back-up power at a booster station,
- surge events require extensive manual throttling of pump discharge valves,
- water mains leak, and
- insufficient fire flow.

Proposed Solution – The proposed project would:
- replace approximately 1,880 feet of distribution main as prioritized through current ongoing leak detection survey,
- rehabilitate the dual media filters and underdrains,
- install a third low-lift pump with necessary piping,
- install permanent generator at the booster station,
- replace two of the older high service pumps with new 2,000 gpm pumps,
- provide variable frequency drives for the high service pumps (four drives total),
- install a flash mixer for chemical mixing,
- rehabilitate the pipe between the sedimentation basins and the filters, and

- install a dual-speed hoist and provide safety improvements in the chlorination room.

Note: Additional improvements including further distribution main replacement, rebuilding sedimentation basins, construction of new flocculators, and adding a storage tank are proposed to be addressed in a future phase. Therefore, those related 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of inadequate surface-water treatment because of channeling of filter beds caused by collapse of the underdrain system, inadequate mixing of coagulants and unsafe chlorine cylinder handling. These three components of the project were scored at a level five because of the imminent public health risks associated with public consumption of inadequately treated surface water; however, those components comprise only 39% of the direct construction costs. The other six components of the project, which represent 61% of the proposed project, were scored at a level three, since they were considered to be deficiencies that generally affect the public's health and safety in the long-term. The scores for the various components were pro-rated, resulting in a score of 3.84 that was rounded up to a level four.

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 65th 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 65 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 19th highest of the 65 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 44th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirements related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that water user rates were increased in 2003, 2004, and 2005 for a total increase of 22%. The city is able to contribute cash for the proposed project due to strong reserves; it is also maintaining another reserve for improvements on 8th Avenue to be conducted in conjunction with Montana Department of Transportation.

The applicant stated that recent planning efforts have included a stormwater mitigation plan and an update to the wastewater facilities plan in 2006, a stormwater PER in 2007, and a water PER in 2007 that was updated in 2008. The city recently replaced its water intake system at a cost of over $2 million. The city is currently upgrading its wastewater treatment facility and two lift stations.

The applicant stated that the problems are a result of components that have outlived their normal life and continued demand growth. As an example of the type of operation and maintenance (O&M) practices demonstrated by the applicant, the city undertook a $1 million city-wide efficiency program in 2006. The city completed 18 specific efficiency-related projects, including a complete replacement of all water meters with radio-read meters. The new meters not only save O&M time, but are more accurate, which results in increase revenues; as meters fail, they slow down rather than speed up, thereby indicating lower than actual flows. The city also created a set of atlas maps and placed them on a GIS system that includes all water, wastewater, and stormwater lines. The GIS system, completed in February 2008, allows the operators to easily find all valves, etc., immediately and provides an excellent means of maintaining records whenever an operator retires or original plans are lost. The MDOC review team concluded that the city's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that a needs survey was performed in 2000; both water quality and capacity was a major issue, and overall, were the second highest priority when combined. A resource team assessment was completed in 2007, which noted the need for infrastructure such as water and sewer to accommodate the growing industrial needs as demonstrated by the new Walmart and accelerated growth in that area. The city prepared a comprehensive, five-year CIP in 2002, updated in 2003, and it is currently being revised. The 2002 CIP listed 41 items that are a priority, and the top two priorities (both were water system related) have been completed; the only other item related to the water system is listed as a new pressure zone and pipeline replacement. The proposed project includes all the highest priority items identified in the PER and adds some of the lower priority items that have become more immediate needs such as the deteriorating low-lift pumps. The city prepared a growth management plan in 2004. In 2008, the city created a transportation plan and a tax increment financing district (TIFD). The TIFD is expected to generate over $250,000 per year for public facilities improvements.

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.

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 68th on the SRF priority list; therefore, the city is eligible to apply for the loan. The applicant stated that RD was not considered since its user rates are too low, and that the city is not eligible for CDBG funding. The applicant also discussed State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grants, and concluded that these grants are extremely competitive and difficult to obtain.

The applicant stated that the TSEP grant is essential for community acceptance of the proposed project and support for the rate increase that would follow. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 discussed how the proposed project is needed to allow for further growth, especially in the areas of the new Walmart store and in the area of a proposed new interchange. However, the applicant did not discuss any specific job creation or business expansion that would directly result 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 inadequate documentation, and the applicant did not adequately demonstrate that the proposed project is a high local priority or has strong community support.

Rationale: The applicant held a public hearing at 6:30 p.m. on July 17, 2007 in the council chambers. The hearing was advertised in the *Laurel Outlook*; an affidavit of publication was included.

Other than local officials, staff, and consultants, the minutes do not reflect any residents attending. The various phases of the overall project were described, along with the costs of each phase. More recently, a public hearing was held at 6:30 p.m. on April 1, 2008 in the council chambers. The hearing was advertised in the *Laurel Outlook*; an affidavit of publication was included. Other than local officials, staff, and consultants, the minutes do not reflect any residents attending. The minutes show that the proposed project was generally discussed, but most of the discussion related to the cost per user; a copy of the presentation was also included in the application. A final hearing was held at 6:30 p.m. on April 29, 2008 in the council chambers. The application included a copy of the notice supplied to the *Laurel Outlook*, but not the advertisement itself. The agenda did not indicate that the PER was discussed as stated in the notice and no minutes were included in the application. The applicant stated that the cost per user was clearly placed on the sign-in sheet; however, no sign-in sheets were included in the application. The July 17 hearing minutes show that other than local officials and staff, there was only one resident in attendance; neither of the two minutes included in the application state the number of residents, if any, in attendance at the hearing.

The applicant stated that a city the size of Laurel often has people who take utilities for granted, but in Laurel there is full support; the April 1 hearing minutes show that no one responded when asked if there was any proponents or opponents, and the July 17 minutes do not reflect any public comment other than one person that had questions about the pumps and supplying water to Cenex. The application included letters in support of the proposed project from the fire department and four from city employees.

The CIP listed 41 items that are a priority, and the top two priorities (both were water system related) have been completed; the only other item related to the water system is listed as a new pressure zone and pipeline replacement. The proposed project includes all the highest priority items identified in the PER and adds some of the lower priority items that have become more immediate needs such as the deteriorating low-lift pumps.

Project No. 17
Homestead Acres Water & Sewer District – Water System Improvements

This application received 3,616 points out of a possible 4,900 points and ranked 17th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $573,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 573,325	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
RD	Loan	$ 473,325	Application submitted in May 2008
Project Total		**$1,146,650**	

Median Household Income:	$32,288	Total Population:	488
Percent Non-TSEP Matching Funds:	50%	Number of Households:	195

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$49.95	133%	Target Rate:	$37.67	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$62.04	165%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$76.33	203%

Project Summary

History – The Homestead Acres County Water and Sewer District is located approximately three miles north of Great Falls. The district was formed in 1976 and the water system was constructed in 1979. Water is supplied from two wells, and a third well is currently inactive because of reported water-quality problems. Water is treated and disinfected. Storage is provided by three, 50,000-gallon concrete on-grade tanks. Water is pumped from the treatment plant into the south storage tank. Gravity delivers water to the north and east storage tanks and then is delivered to the distribution system by three booster stations. There are only five fire hydrants on the distribution system; the system was not designed for fire protection. There are 15 blow-off hydrants for flushing the distribution system. Wastewater disposal is accomplished through individual on-site septic tanks and drainfields.

Problem – The district's water system has the following deficiencies:
- two wells currently in use do not meet maximum day demand with largest producing well out of service,
- construction problems in well #1 have resulted in problems with maintenance and should be abandoned,
- yard hydrants are unmetered, some meters are located in homes and difficult to access for repair,
- continuous manual operation of system gate valves to regulate flows to north and east tanks to minimize risk of overtopping because the south tank is 69 feet higher in elevation,
- dead-end mains, and
- only one distribution main crossing the Bootlegger Trail.

Proposed Solution – The proposed project would:
- drill two additional wells,
- construct a 50,000-gallon on-grade concrete storage tank,
- relocate 140 service meters, and

- ❑ install approximately 4,400 feet of six-inch main to eliminate dead ends and provide a redundant feeder line across Bootlegger Trail.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems is the inability to meet average day demand with the largest producing well out of service. If a failure of the largest source (well #2) was to occur because of power failure or pump failure, the remaining well capacity would be insufficient to provide for basic sanitary needs such as toilet flushing, drinking water or laundry. The available storage is insufficient to provide one day's worth of water use under the average day demand. The consequences of these deficiencies are likely to occur in the near-term.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 31.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 60th highest of the 65 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 12.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 32nd highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 does not have a capital improvements plan (CIP).

Rationale: The applicant stated that the district implemented a water rate increase in 1979. The base rate was increased from $35 per 12,000 gallons to $40 per 12,000 gallons, plus an additional charge of $1.25 for every 748 gallons.

The applicant stated that there were several instances of users running out of water, or residents finding dirty water coming out of their taps prior to 1999. The distribution system was plagued by leaks and the system often times ran out of water completely. The district was forced at times to haul water from Great Falls to supplement the supply. The water system was extensively investigated and an engineering report was produced in 1997. A source water delineation and assessment report was completed in 2001 and revised in 2002.

The applicant stated that between 1999 and 2000, the district invested nearly $100,000 in capital improvements to the system, which included renovation of one booster station, construction of a new booster station, storage reservoir roof replacements, blow-off hydrant replacements, and phase protection for the pumps. The district made improvements to the system with their own reserve funds.

The applicant stated that in 1997, the district adopted an individual residence metering program. The district supplied the meters and all residents were required to install their own meter. Approximately 55 meters are located in meter pits at the property line; however, the remaining 140 meters are located in the homes. These meter readings do not account for water connections between the mainline and the houses, such as yard hydrants. This meter use policy has lead to an unaccounted for water loss of approximately 20% of pumped groundwater. In the past few years, the district has taken over control of the service connections. The district coordinates with a contractor to tap the main and install the curb stop and meter.

The applicant stated that the structural issues in one of the supply wells are not a result of inadequate operation and maintenance (O&M) practices, but rather lie with the original construction, and natural corrosion and deterioration. The issues with inadequate supply quantity are a result of growth within the district, and the deficiencies in the storage and distribution components of the system are a result of the original system design. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that the only major infrastructure managed by the district is its water system. The district has completed a water system preliminary engineering report (PER) that assessed all of the water facility system needs and established priorities for dealing with those needs. County government has limited powers and requires the districts to be responsible for their own infrastructure development. Therefore, Cascade County does not have a CIP that includes infrastructure improvements for the district.

The applicant stated that a growth policy was adopted by Cascade County in 2006. The proposed project is consistent with the goals and objectives of the growth policy.

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 RD loan. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used.

The applicant stated that if the TSEP grant is not obtained, the district would likely elect to re-apply in following grant cycles as opposed to funding the project through additional loans. Without the TSEP grant, the water rate would be at or above 150% of the applicant's target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The applicant did not state whether there are any businesses within the subdivision, but it appears that this is strictly a residential subdivision. In addition, the application states that 100% of the connections are residential hookups.

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 the proposed project is a high local priority.

Rationale: The applicant held two public meetings. A public meeting was held on September 11, 2007 at 7:30 p.m. at the district office to summarize the alternatives being considered in the PER and to obtain comments from the public. A letter was sent to all residents in the district announcing the public meeting. The minutes reflect that 21 residents attended the meeting, in addition to board members and consultants. A copy of the presentation included in the application shows that projected user rates were discussed. A second public meeting was held on February 12, 2008 at 7:00 p.m. at the district office to discus the feasibility of the improvements presented in the PER and possibilities for implementing and funding the proposed improvements. A newsletter was sent to all residents in the district describing the proposed project and announcing the public meeting. The public meeting was also advertised in the *Great Falls Tribune*. The minutes reflect that 23 residents attended the meeting, in addition to board

members. A copy of the presentation showing that the projected user rates were discussed was included in the application, along with the newsletter, minutes, and the affidavit of publication.

There were 29 letters of support for the proposed project included in the application; 27 from residents (25 of them were form letters), one from the county commissioners, and one from Montana Rural Water Systems.

Project No. 18
Crow Tribe – Water and Wastewater System Improvements

This application received 3,612 points out of a possible 4,900 points and ranked 18th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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
Coal Board	Grant	$ 200,000	Application expected to be submitted in May 2009
ICDBG	Grant	$1,100,000	Application expected to be submitted in June 2009
STAG/WRDA	Grant	$ 300,000	Application submitted March 2008
RD	Loan	$1,523,000	Application expected to be submitted in 2009
RRGL	Grant	$ 10,000	Expended on PER
Coal Board	Grant	$ 60,000	Expended on PER
Project Total		**$4,043,000**	

Median Household Income:	$22,438	Total Population:	1,552
Percent Non-TSEP Matching Funds:	81%	Number of Households:	336

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$15.00	-	Target Rate:	$43.01	
Existing Wastewater Rate:	$25.00	-	Rate with Proposed TSEP Assistance:	$68.65	160%
Existing Combined Rate:	$40.00	93%	Rate without TSEP Assistance:	$76.48	178%

Project Summary

History – The wastewater collection system in Crow Agency was first built in 1911 and consists of approximately nine miles of gravity sewer, one mile of force main, and approximately 190 manholes. The gravity collection mains range in size from 4 to 12 inches in diameter; pipe materials include vitrified clay and polyvinyl chloride pipe. The Apsaalooke Water and Wastewater Authority (AWWA) was formed in 2004 with the intent of taking over both the water and wastewater systems from the Bureau of Indian Affairs (BIA). A four-phase master plan to make major capital improvements in water and wastewater infrastructure is currently underway in Crow Agency. A new interceptor line was installed in 2008, and a new aerated lagoon treatment system is currently under construction. The proposed project would be the third phase.

Problem – Crow Agency's wastewater system has the following deficiencies:
- clay collection pipes that are near or beyond their useful life,
- cracked pipes, root penetration, sagging lines, offset joints and settling, and
- sewer back-ups in basements and manholes.

Proposed Solution – The proposed project would:
- construct approximately 5,500 feet of new sewer laterals,
- replace or rehabilitate approximately 150 manholes, and
- install approximately 1,800 feet of water line.

Note: Additional sewer line improvements are proposed to be addressed in a future 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is raw sewage that backs up into basements or onto the ground. The condition of the sewer mains and manholes has deteriorated with age. Evidence of cracked pipe, root penetration, sagging lines, offset joints, crumbling manhole barrels, missing steps, and settling can be seen in many parts of the system. Operators report sewer backups into basements, and site visits have revealed backed-up sewer manholes, broken steps, improper inlet connections, and other problems. Above grade sewer discharges are also common occurrences in the system.

The water and sewer operating logs for Crow Agency show that an average of 24 sewer line or manhole backups per year occurred during the period from January of 1997 through May of 2000. A review of the logs between 2004 and 2007 shows a similar number of backups. Reported problems include rags, grease, mud and roots. Clearing at least two backups per month impacts the time and resources available for preventive maintenance on the sewer system. The preliminary engineering report (PER) lacked a direct correlation to the problems of backups and above grade sewage discharges to the sections of lines scheduled for replacement, since there were no addresses. The PER does indicate that the proposed improvements would correct the most critical and problematic lines.

The presence of raw, untreated wastewater on the surface in a neighborhood is a threat to the public's health and safety. Disease or illness can result either through direct contact or vectoring. Though no disease or illness has been documented, it can be assumed that it is possible in the near-term.

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 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 65th 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 65 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 2nd highest of the 65 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 1st highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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's efforts to take over the water and wastewater infrastructure are relatively recent.

Rationale: The applicant stated the tribe is currently working with the BIA to receive formal transfer of ownership, operation, and maintenance of all Crow Agency water and wastewater infrastructure currently held by the BIA. The BIA's current annual budget for maintenance of the water and wastewater systems is $229,980, and the BIA assesses a combined water and wastewater rate of $40 per month to help offset the operation and maintenance of the systems. In preparation of assuming all responsibility of operation and maintenance activities, the tribe has prepared a budget for the AWWA, which it thinks contains adequate reserves for repair and replacement.

The applicant stated that the following planning efforts for Crow Agency have been completed: a water distribution and wastewater collection system PER in 2001; a water and sewer system rate structure analysis and funding strategy in 2002; a water and sewer system PER in 2003; a wastewater treatment facility technical memorandum and a new funding strategy in 2003, which essentially amended the 2003 PER; Bill No. CLB04-10, an act entitled "An Ordinance of the Crow Tribe Creating, Establishing and Organizing the Apsaalooke Water and Wastewater Authority" was adopted in 2004; an updated wastewater system PER in 2006; and a wastewater facility plan PER for the third phase of improvements in 2008.

The applicant stated that the wastewater collection system is nearing or is beyond its useful life, and needs major improvements. The tribe is requesting that complete ownership of the system be transferred from the BIA. The MDOC review team concluded that the BIA's operation and maintenance practices related to the wastewater system appear to have been be inadequate; however, the tribe has been making extraordinary efforts to assume ownership of the systems and make major improvements.

The applicant stated that a needs assessment was conducted in 2002. Only 83 surveys were returned from 336 households; a response rate of approximately 25%. Over 84% of the respondents thought that improvements to sewage disposal were needed; only water quality (taste, cleanliness) rated higher in the public facilities and services category.

The applicant stated that a five-year capital improvements plan (CIP) for the water and wastewater systems was prepared in 2002. The CIP is currently being updated for a ten years time frame, and has identified five additional projects related to both the wastewater and water systems. The Crow Tribe does

not have a growth policy, but Big Horn County prepared a growth policy in 2002. The proposed project is consistent with the goals and objectives of the policy.

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 the uncertainty of the other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, Coal Board, ICDBG and STAG/WRDA grants in combination with an RD loan. The applicant stated that a request for a State and Tribal Assistance Grant (STAG) and/or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant in the amount of $2.6 million was submitted to Montana's congressional delegation in March 2008. However, the applicant stated that the tribe understands that grant funds awarded would likely not exceed $500,000 for water and wastewater projects; therefore, in the funding strategy they are only planning on getting $300,000. If the tribe is denied any STAG and WRDA funds this year, it could apply for those funds again in 2009 and still be in accordance with the funding timeline. The proposed project is 104th on the SRF priority list, which is required by the congressional delegation before receiving STAG or WRDA funding.

The applicant stated a state CDBG grant was not considered because the county currently has a grant for the lagoon project, making it ineligible to apply on behalf of the tribe until the current project is completed. The applicant is planning to apply for an Indian Community Development Block Grant (ICDBG) and stated that it received the same amount, as is being requested, for the second phase of improvements.

The applicant stated that if a particular funding source is not received, the tribe would consider increasing its loan request. At this time, the most unreliable source of proposed funding is the STAG and WRDA component. While the tribe recognizes the unreliability of STAG and WRDA funding, it is important to the tribe to "always be at the table" when STAG and WRDA funds are being awarded. Also, as a federally-recognized tribe, it is important to the tribe that it documents its community needs with Montana's congressional delegation; the submission of an appropriations request provides a means for providing that documentation. No other funds are contingent on receiving a TSEP grant; however, it is important that the tribe achieve a diversified funding package to make the project financially viable. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears reasonably viable to the MDOC review team. Even though the tribe has requested a congressional appropriation, the amount that the tribe expects to receive is reasonable and has a realistic likelihood of being received. The ICDBG grant also does not appear to be unrealistic, considering other ICDBG grants awarded in past years, and it also has an acceptable likelihood of being received. In addition, the proposed budget is based on loan dollars only from RD, and some grant dollars from RD are a reasonable possibility, especially if other grants are not received.

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 to the wastewater system would facilitate business as well as economic growth in Crow Agency. In addition, there are at least three businesses that stand to benefit from the proposed project including: Little Big Horn Community College, which would like to construct a gymnasium and student housing; and, Teepee Service, Inc. & Crow Mercantile Company, which currently operates a convenience store and laundromat in Crow Agency and plans to build a new grocery store. The applicant stated that it would be challenging for these expansions without a reliable wastewater collection system. In addition, the Montana Department of Transportation (MDT) is proposing to construct a rest area at the Little Big Horn Battlefield interchange near Crow Agency and it would be the preference of MDT to hook into a municipal sewer system rather than using a septic system. No business plans were provided; only letters of support for the proposed project. It does not appear that these ventures being able to move forward are dependent on the proposed project being completed.

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 there was only the one public meeting and little public attendance.

Rationale: The applicant held a public meeting on March 12, 2008 at 6:00 p.m. in Crow Agency to present plans to implement billing and collection procedures, and to discuss the proposed project. A postcard was sent to each household in Crow Agency to invite them to the meeting. In addition, legal notices were published in *The Billings Gazette* and the *Big Horn County News*. In addition to local officials and consultants, nine residents attended the meeting. The minutes stated that can expect to pay between $40 to $45 a month for water and wastewater services; the application states that the tribe would subsidize the remainder of the projected user rate out of its general fund. The applicant confirmed that repayment of the RD loan would be through funds provided by the tribe and would not impact the user rate; as a result, the projected user rate is not what residents actually would have to pay. Some concerns were raised regarding how elderly persons may not be able to pay the increased rate. The applicant stated that the AWWA is proposing to create a “hardship” fund to help households with special financial limitations. A copy of the legal notice, postcard and a list of recipients invited, sign-in sheets, minutes, and the presentation were included in the application.

The application included letters in support of the proposed project from the following: the Bureau of Indian Affairs, Indian Health Service, Beartooth Resource Conservation and Development Area, Inc., Little Big Horn Battlefield National Monument, Apsaalooke Nation Housing Authority, Crow Head Start Program, Awe Kualawaache, county commissioners, and Crow Agency Public School. A petition of support for the proposed project that contains 163 signatures was also included in the application; the petition does not state what impact the proposed project would have on user rates.

Over 84% of the respondents to the needs assessment conducted in 2002 thought that improvements to sewage disposal were needed. The proposed project is a high priority in the tribe’s CIP.

Project No. 19 (Tied)
Carbon County – Bridge System Improvements

This application received 3,600 points out of a possible 4,900 points and ranked 19th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $492,915 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$492,915	Awaiting decision of the Legislature
County	Cash	$ 15,000	Expended on the PER
County	Cash	$439,833	Committed by resolution
County	In-kind	$ 38,082	Committed by resolution
Project Total		**$985,830**	

Median Household Income:	$32,139	Total Population:	9,552
Percent Non-TSEP Matching Funds:	50%	Number of Households:	4,065

Project Summary

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

- The East Rosebud Creek Bridge is located approximately 13 miles south of Absarokee. This structure crosses East Rosebud Creek on East Rosebud Creek Road. The 65-foot long concrete, two-span, structure was constructed in 1915. The bridge serves approximately 400 vehicles per day, including 144 residences, 32 of which are full-time. The bridge also serves several large ranch operations and a commercial business, provides key access to national forest service lands, and is on school bus and mail routes. Closure of the bridge would result in a 0.5-mile detour.
- The Tuttle Lane Bridge is located approximately 10 miles south of Absarokee. This single-lane structure crosses East Rosebud Creek on Tuttle Lane. The 65-foot long, two-span steel and timber bridge was constructed in the 1960s. The bridge serves approximately 50 vehicles per day and is the sole legal access for 10 full-time residences, including four associated with agricultural operations.
- The South River Road Bridge is located approximately two miles east of Bridger. This structure spans the Orchard Canal on South River Road. The 30-foot long steel structure was constructed in the early 1980s. The bridge serves approximately 100 vehicles per day, including 18 residences, eight of which are considered agricultural operations, an agriculture-related business, a government office, and is on school bus and mail routes. Closure of the bridge would result in an eight-mile detour.
- The Fourth Street Bridge is located approximately eight miles east of Red Lodge. This single-lane structure crosses Bear Creek on 4th Street, which is a county road, in the Town of Bearcreek. The 24-foot long timber and steel bridge was constructed in 1915. The bridge serves approximately 50 vehicle per day, including 16 residences, and is on school bus and mail routes. Closure of the bridge would result in approximately a 0.25-mile detour.
- The Clear Creek Road Bridge is located approximately eight miles northeast of Red Lodge. This structure crosses over a stock pass on Clear Creek Road. The three-foot long concrete bridge was constructed in the 1960s. The bridge serves approximately 75 vehicles per day, including a 48-lot subdivision (only a fraction of which have been developed), a five-lot subdivision, eight farming operations, and is on school bus and mail routes. Closure of the bridge would result in a nine-mile detour.

Problem – The county's five bridges have the following deficiencies.

- The East Rosebud Creek Bridge has a sufficiency rating of 26. Deficiencies include:
  - scour damage, large voids and exposed rebar to the abutments,
  - separation of wingwalls from the foundation, and
  - exposed and corroding rebar and large areas of spalling concrete at girders.

- The Tuttle Lane Bridge has a sufficiency rating of 31. Deficiencies include:
  - badly deteriorated center pier,
  - scour damage to the west abutment, and
  - cracking of timber stringers and decay of timber decking.
- The South River Road Bridge has a sufficiency rating of 38. Deficiencies include:
  - sagging and buckling of the bridge beams, and
  - settling of the foundation.
- The Fourth Street Bridge has a sufficiency rating of 23. Deficiencies include:
  - fire damage to the structure resulting in the installation of a temporary bridge, and
  - rotting timber piles and caps.
- The Clear Creek Road Bridge has a sufficiency rating of 48. Deficiencies include:
  - cracking of concrete abutments.

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

- the East Rosebud and Tuttle Lane Bridges with a single-span, precast concrete superstructures, founded on piles,
- the South River Road Bridge, utilizing county crews, with a single-span, precast concrete superstructure, founded on a grade beam,
- the Fourth Street Bridge with a precast reinforced concrete box culvert utilizing county crews, and
- the Clear Creek Road Bridge with a corrugated steel pipe 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 review team noted that the five bridges had sufficiency ratings ranging from 23% to 48%. The structure ratings ranged from two to four, and the lowest element conditions ratings ranged from three to four. TSEP scoring levels for this priority had the Fourth Street Bridge at a level three score; the East Rosebud Creek, Tuttle Lane, and Clear Creek Bridges at level four scores; and the South River Road Bridge at a level five score. The score for the Fourth Street Bridge was reduced from a level four to a level three score due to the short detour distance of a 0.25-mile and a relatively low traffic count of 50 vehicles per day. 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 65th 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 65 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 52nd highest of the 65 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 11.6%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 38th highest of 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 2nd level and received 216 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 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.	10
The number of bridges over 20 feet that the county is responsible for maintaining.	40
Total available funds per county maintained bridge.	$40,817

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 800 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 no issues, or 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 review team thought that the PER was reasonably complete. 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 efforts to prepare a capital improvements plan (CIP) have been relatively recent.

Rationale: The applicant stated that the county is limited in the number of bridge mills that can be charged through property tax assessments and is currently at the maximum allowed by state law, making it difficult for the county to build sufficient reserves to finance major infrastructure replacement and rehabilitation projects. Copies of the bridge fund budgets show the county has not historically set aside a bridge reserve fund, but rather carried over savings from the previous year to be used for emergencies or large projects.

The applicant stated that the county has carried out over 26 bridge and culvert repairs and replacements since 1997, at a cost of approximately $7 million. However, three of the 26 bridges were replaced under the Montana Department of Transportation's (MDT) off-system bridge program at an average cost in excess of $2 million each. The county expended $664,547 of its own funds during this period of time.

The applicant stated that the county has nominated five additional bridges to be replaced under the off-system bridge program. County crews have been aggressive in replacing smaller span bridges, but given the number of bridges in the county and the limited tax base, the county would need financial assistance to replace these five bridges.

The applicant stated that the county also has a long history of partnering with the Custer National Forest (NF) to replace structures accessing public lands. This has allowed the replacement of another five bridges at no cost to the county, and two additional bridges are planned for replacement.

The applicant stated that the deterioration of the five bridges to be replaced 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 is active in routine maintenance and repair, and adopted a standard for repair and replacement of all bridges in 2008. Replacement with culverts is the preferred method, particularly for those structures of timber construction, which minimizes ongoing bridge maintenance. The MDOC review team concluded that the county's O&M practices related to its bridge system appear to be reasonably adequate.

The applicant stated that the county inventoried its bridges and a bridge CIP was adopted in April 2008; no CIP has yet been prepared for roads. The CIP delineated the condition of all bridges maintained by the county and was the basis for identifying the five bridges included in the proposed project. The CIP will be revisited each year during the annual budget cycle and used in overall planning for the county. The applicant also discussed several other types of projects that have been completed with CTEP funding, including: sidewalk improvements in Red Lodge, Joliet, and Fromberg; preservation projects in Fromberg and Red Lodge; a pedestrian/bike path in Joliet and Roberts; improvements to the senior center in Bridger; and a beautification project in Red Lodge.

The applicant stated that the county began developing a master plan in the 1980s, which served the county until superseded by a growth policy in 2003. The proposed project is consistent with the county growth policy, the comprehensive economic development strategy (CEDS) prepared by the Beartooth RC&D in 2007, the county subdivision regulations adopted in 2005, and the Code of the New West that was adopted by the county in 2005; however, the five bridges to be replaced in the proposed project are not specifically referenced in any of the documents and no documentation was included related to the adoption of the documents.

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.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with county funds. The county currently is levying the maximum amount of bridge mills allowed by state law. The county carries over savings from year to year to build up reserves for emergencies or major projects. The county does not currently have a CIP fund. The applicant discussed numerous other funding sources, but it was the opinion of the county that, aside from TSEP, there are no other viable sources of funding available outside of the county's bridge budget.

The applicant stated that the proposed project would not occur without the TSEP grant. The county has adopted a financially aggressive plan to replace the identified bridges, and moving forward with this philosophy would require severe cutbacks in other county services. Since the county cannot afford further cutbacks in the remainder of its essential services, it would not be able to move forward with the proposed project without the TSEP grant. If the county did move forward without the TSEP grant, at the most, only two bridges could be replaced. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of

the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridge.

The proposed funding package appears viable to the MDOC review team.

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 five bridges in the proposed project would assist in retaining current long-term jobs. However, no specific business expansion or development has been identified that would occur as a result of the proposed project.

The applicant stated that the East Rosebud Creek Road Bridge over East Rosebud Creek serves as a primary access to 32 full-time and 102 part-time residents. It also serves several large ranch operations, the Grizzly Bar and Grill, and the community of Roscoe. In addition to livestock grazing, hunting and recreational activities, the structure accesses a large area of the Custer NF in the East Rosebud Creek Drainage. The replacement of the structure would allow ranchers to access neighboring pastures and hayfields as well as continue to travel to Columbus and Red Lodge.

The applicant stated that the Tuttle Lane Bridge over East Rosebud Creek serves as the sole access to 14 residences, four of which are associated with agricultural operations, as well as a bed and breakfast. It is important to maintain two means of ingress/egress to the area in the event of an emergency, such as a forest fire. The replacement of the structure would allow ranchers to access neighboring pastures and hayfields as well as continue to travel to Columbus and Red Lodge.

The applicant stated that the South River Road Bridge over the Orchard Canal serves as primary access to prime agricultural ground south of Bridger. Eight farming operations rely completely on the bridge. South River Road is the shortest route for agricultural operations to the Yellowstone Bean Plant, the USDA Plant Material Center, and Bridger Veterinary Clinic. Closure of the structure would require residents, emergency service providers, and businesses to detour up to seven miles. The replacement of the structure would allow ranchers to access neighboring pastures and hayfields as well as continue to travel to Bridger, Red Lodge, and Billings.

The applicant stated that the Fourth Street Bridge in Bear Creek over Bear Creek serves as the primary access to five residences immediately adjacent to the structure. A total of 16 residences are located on the south side of Bear Creek. The Fourth Street Bridge in Bear Creek serves as one of two means of ingress/egress to the community. Given the number of residences located south of Bear Creek, it is critical to maintain a second means of egress. Closure of the structure would inconvenience the residents south of the bridge from common services; however, if the bridge was closed it would only result in a detour of approximately 0.25 miles.

The applicant stated that the Clear Creek Road Stockpass on Clear Creek Road lies on a primary access route for eight full-time residences associated with agricultural operations. In addition, over 50 lots in two subdivisions are located approximately 1.5 miles north of the structure; however, only a fraction of the lots have been developed. Closure of the structure would result in a detour in excess of 15 miles, dramatically affecting emergency response time to the area. The replacement of the structure would allow residents to continue to travel to Red Lodge and Billings for supplies.

The applicant stated that economic impacts would be both short and long-term; short-term in the business that would be lost and long-term in the time it would take to build the business back up by regaining the confidence of the public that access to the site would be guaranteed. Access is 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. UPS and Federal Express use these bridges when making deliveries of essential goods. The replacement of these structures would ensure businesses and emergency service providers currently using the area can continue accessing the area. All five of these bridges are classified as emergency service routes, school bus routes and mail routes. The areas served by the five bridges identified in the proposed project have been identified as potential high growth areas by the county and real estate in these areas is at a premium.

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 two public hearings were held on April 14, 2008 for the purpose of discussing the proposed project. One was in the commission chambers in Red Lodge at 2:00 p.m., and the other was at the community center in Roscoe at 5:30 p.m. The county commission reserves Monday afternoons for public hearings and public meetings and this is common knowledge in Red Lodge and throughout the county. The hearings were advertised in the local newspaper as well as posted in the courthouse. An article in *The Carbon County News* stated that the county commissioners were looking for public support, but did not mention the meeting, nor was a publication date included with the article. A press release dated March 26, 2008 announced the dates, times and locations of both hearings. Notice of the public hearing was published in *The Carbon County News*. In addition to county officials and the consultant, five residents were present in Red Lodge and 10 in Roscoe.

The county received 27 letters of support for the proposed project. They included letters from Beartooth RC&D, county disaster and emergency services, the Custer NF district ranger, the county planning and health department, local ambulance service, the sheriff, four Bear Creek town officials, and 17 letters from local residents.

The five bridges in the proposed project are a high priority in the bridge CIP.

Project No. 19 (Tied)
Lewis & Clark County – Bridge System Improvements

This application received 3,600 points out of a possible 4,900 points and ranked 19th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $456,628 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$456,628	Awaiting decision of the Legislature
County	Cash	$ 15,000	Expended on PER
County	Cash	$408,688	Committed by resolution
County	In-kind	$ 32,940	Committed by resolution
Project Total		**$913,256**	

Median Household Income:	$37,360	Total Population:	55,716
Percent Non-TSEP Matching Funds:	50%	Number of Households:	22,850

Project Summary

History – Lewis & Clark County has identified six bridges that are in critical condition and in need of replacement.

- The Elk Creek Road Bridge is located approximately 11 miles west of Augusta. This structure crosses Elk Creek on Elk Creek Road. The 28-foot long timber structure was constructed in 1964. The bridge serves approximately 20 vehicles per day including two ranches and provides recreational access to the Lewis and Clark National Forest. The bridge is posted for an 11-ton weight limit. The bridge provides sole access for the two ranching operations.
- The Little Wolf Creek Bridge is located approximately five miles northwest of Wolf Creek. This single-lane structure crosses Wolf Creek on Little Wolf Creek Road. The 28-foot long structure consists of steel stringers constructed in 1982 on a timber foundation that is probably much older. The bridge serves approximately 120 vehicles per day, including 110 private parcels and logging operations. The bridge is on a mail route and serves as sole access for the residences.
- The Sieben Canyon Road Bridge is located approximately 28 miles north of Helena. This single-lane structure crosses Little Prickly Pear Creek on Sieben Canyon Road. The 43-foot long steel bridge was constructed in 1901. The bridge serves approximately 50 vehicles per day, including three ranching operations and recreational users, and is on a mail route. The bridge is posted for an 11-ton weight limit. Closure of the bridge would result in approximately a 30-mile detour.
- The Flat Creek Road Bridge is located approximately 15 miles southwest of Augusta. This structure crosses the Dearborn Canal on Flat Creek Road. The 14-foot long bridge was constructed of steel stringers with a concrete deck and was probably built in the 1950s. The bridge serves just over 100 vehicles per day, including several residences, a guest ranch and access to Bean Lake. Closure of the bridge would result in a 12-mile detour.
- The Little Prickly Pear Creek Road Bridge is located approximately 20 miles northwest of Helena. This structure crosses the Gans-Klein Ditch on Little Prickly Pear Road. The 16-foot long bridge was constructed of steel stringers with a concrete deck and was probably built in the 1960s. The bridge serves approximately 135 vehicles per day. The bridge serves as sole legal access for areas west of the bridge.
- The Spring Creek Road Bridge is located just west of Lincoln. This single-lane structure crosses Spring Creek on Spring Creek Road. The 22-foot long timber structure was constructed in the 1960s. The bridge serves approximately 50 vehicles per day, including 10 full-time and 10 part-time residents. The bridge is on a school bus route and serves as sole access for the residences.

Problem – The county's six bridges have the following deficiencies.

- The Elk Creek Road Bridge has a sufficiency rating of 38. Deficiencies include:
  - timber pile foundation is rotten,
  - scour damage at east abutment, and
  - limited load carrying capacity.
- The Little Wolf Creek Bridge has a sufficiency rating of 78. Deficiencies include:
  - badly deteriorated timber foundation,
  - rotting wing wall piles, and
  - poor alignment of bridge that constricts stream and has led to riprap loss.
- The Sieben Canyon Road Bridge has a sufficiency rating of 42. Deficiencies include:
  - limited load carrying capacity,
  - cracking and spalling at northwest wingwall, and
  - collision damage on upstream girder.
- The Flat Creek Road Bridge has a sufficiency rating of 39. Deficiencies include:
  - aging deck, and
  - steel half-culvert forms/supports are severely corroded and may lead to a deck failure.
- The Little Prickly Pear Creek Road Bridge has a sufficiency rating of 39. Deficiencies include:
  - delamination and cracking of concrete deck,
  - large vertical cracks in each abutment, and
  - steel half-culvert forms/supports are severely corroded and may lead to a deck failure.
- The Spring Creek Road Bridge has a sufficiency rating of 3. Deficiencies include:
  - foundation consisting of stacked logs is severely rotten,
  - several timber stringers are cracked or broken, and
  - substantial rot present on ends of stringers.

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

- the Elk Creek Road Bridge with a precast concrete trideck superstructure founded on a grade beam foundation,
- the Little Wolf Creek and Sieben Canyon Road Bridges with precast concrete trideck superstructures founded on a driven pile foundations,
- the Flat Creek Road Bridge with a structural plate steel arch culvert, utilizing county crews,
- the Little Prickly Pear Road Bridge with a concrete box culvert, utilizing county crews,
- the Spring Creek Road Bridge with a steel modular bridge superstructure on a grade beam foundation, 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 review team noted that the five bridges had sufficiency ratings ranging from three to 78%. The structure ratings ranged from two to five, and the lowest element conditions ratings ranged from four to six. TSEP scoring levels for this priority had the Little Wolf Creek Bridge at a level three score; the Flat Creek Road, Little Prickly Pear Road, Sieben Canyon Road and Spring Creek Road Bridges at level four scores; and the Elk Creek Road Bridge at a level five score. A weighted score, based on construction costs, resulted in a level four score for the entire project. The scores were not reduced due to any concerns with low volume usage or minimal detour distances related to these structures.

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 65th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indictor 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 59th lowest of the 65 applicants.**
- ☐ The percent of persons living at or below the *Low* and *Moderate-Income* (LMI) level is 39.5%.**The applicant's relative concentration of persons living at or below the LMI is the 43rd highest of the 65 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 10.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 41st highest of the 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 2nd level and received 216 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 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.	22
The number of bridges over 20 feet that the county is responsible for maintaining.	68
Total available funds per county maintained bridge.	$36,456

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the county is limited in the number of mills that can be charged through property tax assessments. No payment in lieu of tax (PILT) money is allocated to bridge maintenance or replacement projects. 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 the county replaced or rehabilitated 39 bridges since 1997. The approximate cost of these bridge improvements was well over $8 million. Of these projects, 17 were substantially funded by others including the Montana Department of Transportation (MDT) off-system bridge replacement program, the U.S. Forest Service, and Trout Unlimited, etc.

The applicant stated the county has adopted a standard for repair and replacement of all bridges and culverts. Replacement of bridges with culverts is the preferred method. The applicant stated the county has a designated bridge crew consisting of a foreman and between two and four crew members. Normal duties include routine maintenance such as redecking, barrier and guardrail repairs, cleaning waterways, patching concrete, etc.

The applicant stated that the 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 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 reasonably adequate.

The applicant stated the county adopted its first comprehensive plan in 1983, and updated it in 1993 with the adoption of the master plan. The county completed preparation of a growth policy in 2003, which superseded the 1993 master plan and the road and bridge evaluation reports were incorporated into the plan. The applicant stated that the county adopted a revised growth policy in 2003, which includes the five-year comprehensive CIP. The Little Wolf Creek Bridge is the number one priority in the CIP. The second, seventh, and eighth priority bridges are being considered for the next funding cycle, while the remaining top ten bridges are scheduled for repair using county funds. The Little Prickly Pear Road Bridge and Flat Creek Road Bridge are the next two priorities on the list. The next three priority bridges are scheduled for repair using county funds. The Sieben Canyon Road Bridge is the number 16 priority.

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.

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 and major projects. They do not currently have a CIP fund. No PILT money is allocated to bridge maintenance or replacement projects. 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 states that the proposed project would not occur without the TSEP grant. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridges.

The proposed funding package appears viable to the MDOC review team.

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 six bridges would assist in retaining current, long-term 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 the Little Wolf Creek Road Bridge serves as the sole access to 110 privately owned parcels, many occupied full-time. In addition to livestock grazing, hunting and recreational activities, this structure accesses several state land parcels. The area receives heavy logging traffic from public and private timber sales. The replacement of this structure would enable businesses currently using the area to continue accessing the area and would allow ranchers to access neighboring pastures. Little Wolf Creek Road is classified as an emergency service route.

The applicant stated the Elk Creek Road Bridge serves as the sole access to two full-time residences associated with agricultural operations. In addition to livestock grazing, hunting and recreational activities, this structure serves as a primary access to the rocky mountain front, Bob Marshall Wilderness, and Lewis and Clark National Forest. The route is an important access point for outfitters, horsemen and hikers utilizing the forest service trailhead at the end of Elk Creek Road. The replacement of this structure would enable businesses currently using the area to continue accessing the area and would allow ranchers to access neighboring pastures. Elk Creek Road is classified as an emergency service route.

The applicant stated the Spring Creek Road Bridge serves as the sole access to 10 full-time residences and an additional 10 part-time residences. The replacement of this structure would enable businesses currently using the area to continue accessing the area. Spring Creek Road is a designated school bus route and is classified as an emergency service route.

The applicant stated the Little Prickly Pear Road Bridge serves as the sole access to several full-time residences associated with agricultural operations, as well as dozens of part-time residences. In addition to livestock grazing, hunting and recreational activities, this structure provides a key access to Helena National Forest which generates economic opportunities through logging, mining and recreation. The replacement of this structure would enable businesses currently using the area to continue accessing the area and would allow ranchers to access neighboring pastures. This route is critical to several outfitting operations in the area. The Little Prickly Pear Road is classified as an emergency service route.

The applicant stated the Flat Creek Road Bridge serves as a key connector route between State Highway 287 and State Highway 434. The bridge provides access to several full-time and part-time residences, the C-N Bible Camp, and a Hutterite community. The replacement of this structure would enable businesses currently using the area to continue accessing the area and would allow ranchers to

access neighboring pastures. This route is used to access nearby Bean Lake for fishing opportunities. Flat Creek Road is designated as an emergency service route.

The applicant stated the Sieben Canyon Road Bridge serves as a key connector route between State Highway 279 and Interstate 15. The bridge provides access to three full-time residences associated with agricultural operations. The bridge is heavily used by recreationalists, particularly during hunting season. The replacement of this structure would enable businesses currently using the area to continue accessing the area and would allow ranchers to access neighboring pastures. This route is critical to several outfitting operations in the area. The Sieben Canyon Road is classified as an emergency service route and is a designated mail route.

The applicant stated that the six bridges are crucial to service oriented business such as mail carriers, concrete and gravel suppliers, propane delivery, and septic tank services.

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 three public hearings were held. A public hearing was held in Lincoln on April 4, 2008, at 10:00 a.m. in the U.S. Forest Service building to discuss the proposed project and sources of funding. The minutes indicate that 10 residents, along with local officials and consultants attended the hearing. A public hearing was held in Helena on April 8, 2008, at 9:00 a.m. in the commission chambers to discuss the proposed project, funding sources, and impacts to tax assessments. The minutes from the hearing indicate that four residents, along with local officials and consultants attended the hearing. A public hearing was held in Augusta on April 11, 2008, at 11:00 a.m. at the senior/youth center to discuss the proposed project, funding sources, and impacts to current tax assessments. The minutes from the hearing indicate that 12 residents, along with local officials and consultants attended the hearing. The hearings were advertised in the *Independent Record, the Blackfoot Valley Dispatch* in Lincoln*, and the Great Falls Tribune.* No objections were expressed at any of the hearings or in writing. Minutes from the three public hearings, the presentation, three newspaper articles, and the publication notices were included with the application.

There were 35 letters of support included with the application, nine from area residents, eight businesses, the county sheriff, the community development and planning office, two from fire departments of which one was a petition with 31 signatures, the conservation district, two from the U.S. Department of Agriculture, one from the Helena National Forest, one from a school district, one from the Montana Department of Natural Resources and Conservation, two from the Montana Department of Fish, Wildlife and Parks, U.S. Senator Baucus, three from State Senators Mike Cooney, Terry Murphy, and Dave Lewis, and two from State Representatives Harry Klock and Rick Ripley. There was also a petition with 45 signatures from Augusta area residents, a petition with 16 signatures from Spring Creek area residents, a petition with 43 signatures from Lincoln area residents, and a petition with 19 signatures from Sieben Canyon residents.

The CIP was revised in 2008, and the proposed project is consistent with it, as the six bridges represent six of the top 16 critical structures.

Project No. 21
Madison County – Bridge System Improvements

This application received 3,580 points out of a possible 4,900 points and ranked 21st out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $413,203 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$413,203	Awaiting decision of Legislature
County	Cash	$ 15,000	Expended on the PER
County	Cash	$380,989	Committed by resolution
County	In-kind	$ 17,214	Committed by resolution
Project Total		**$826,406**	

Median Household Income:	$30,233	Total Population:	6,851
Percent Non-TSEP Matching Funds:	50%	Number of Households:	2,956

Project Summary

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

- The Duncan District Road Bridge is located approximately four miles southwest of Sheridan. This structure crosses the Ruby River on Duncan Road. The 55-foot long pony truss was moved to the site in the 1960s. Recorded repairs include a deck replacement in 1985 and replacement of the running planks in 1998. The bridge serves 120 to 150 vehicles per day; approximately one-third each from ranching, permanent residents, and recreational users. The bridge is on school bus and mail routes. Closure of the bridge would result in an eight-mile detour.
- The Waterloo Road Bridge is located approximately eight miles north of Twin Bridges. This structure spans the Parrot Canal on Waterloo Road. The 18-foot long timber structure was constructed in the 1960s. The bridge serves approximately 75 vehicles per day. The bridge is on school bus and mail routes. Closure of the bridge would result in a 10-mile detour.
- The Jack Creek Road Bridge is located approximately 10 miles east of Ennis. This structure crosses Jack Creek on Jack Creek Road. The 26-foot long timber bridge was constructed in 1952. The bridge serves five permanent residences and two commercial businesses. The bridge is on a mail route and serves as sole access.
- The Jack Creek Road Bridge is also located approximately 10 miles east of Ennis, and approximately 2,000-feet west of the above mentioned bridge. This structure crosses Jack Creek on Jack Creek Road. The 27-foot long timber bridge was constructed in 1952. The bridge serves five permanent residents and two commercial businesses. The bridge is on a mail route and serves as sole access.

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

- The Duncan District Road Bridge has a sufficiency rating of 39. Deficiencies include:
  - limited load carrying capacity,
  - distorted floor beams,
  - cracked and badly checked timber stringers, and
  - undermined pile cap.
- The Waterloo Road Bridge has a sufficiency rating of 40. Deficiencies include:
  - limited load carrying capacity, and
  - severely rotted timber foundation
- The Jack Creek Road Bridge has a sufficiency rating of 77. Deficiencies include:
  - rotted and split timber columns and backwall,
  - scour at base of foundation, and
  - minimal sight distance.

- The Jack Creek Road Bridge has a sufficiency rating of 73. Deficiencies include:
  - rotted and split timber columns and backwall,
  - scour at base of foundation, and
  - minimal sight distance.

Proposed Solution – The proposed project would:
- replace the Duncan District Road Bridge with a single-span precast, pre-stressed concrete trideck beam superstructure founded on driven piles,
- replace the Waterloo Road Bridge with a concrete box culvert, utilizing county crews, and
- replace each of the two bridges on Jack Creek Road with three-sided concrete box culverts, utilizing county crews.

: 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 review team noted that the four bridges had sufficiency ratings ranging from 39% to 77%. The structure ratings ranged from two to four, and the lowest element conditions ratings ranged from four to six. TSEP scoring levels for this priority had the two Jack Creek Road Bridges at level two scores; the Waterloo Road Bridge at a level four score; and the Duncan District Road Bridge at a level five score. A weighted score, based on construction costs, resulted in a level three score for the entire project. The scores were not reduced due to any concerns with low volume usage of these structures.

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 65th indicates that the applicant has the least severe household economic conditions and is assigned the lowest score. The scores for each sub-indictor 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 65 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 is the 36th highest of the 65 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 35th highest of the 65 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

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.	34
The number of bridges over 20 feet that the county is responsible for maintaining.	37
Total available funds per county maintained bridge.	$18,480

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the county is limited in the number of bridge mills that can be charged through property tax and decided not to utilize the floating mil levy for the bridge budget this fiscal year, instead adding additional monies from the payment in lieu of tax (PILT) allotment. The county has a long 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 has accomplished 41 major bridge replacement or rehabilitation projects since 1997. The approximate cost of these bridge improvements was well over $1 million, not including the major Montana Department of Transportation (MDT) projects which total upwards of $7 million. These improvements do not reflect the four replacement projects currently under design with the TSEP grant from the 2007 Legislature: Coy Brown, Cherry Creek, South Boulder and Bear Creek

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.

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 reasonably adequate.

The applicant stated that the county conducted its first bridge inventory and adopted a CIP in 2001. The CIP covers its entire 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 six 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 drafted a revised growth management action plan in the spring of 2007. The replacement of the four bridges would be consistent with current plans as they represent four of the top 17 critical structures. The Duncan District Road Bridge is the number one priority. The second, third, and ninth priorities will be nominated for the off-system program. The Waterloo Road Bridge is the fourth priority. The fifth, sixth, seventh, 10th and 16th priorities are being considered for the next funding cycle. The eighth priority is proposed to be fixed using FEMA funds. The 11th through 14th priority will be repaired using county funds. The Jack Creek Road Bridges are the 15th and 17th priorities.

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.

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 would not occur without the TSEP grant. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridges.

The proposed funding package appears viable to the MDOC review team.

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 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 Duncan District Road Bridge serves as a key link in the area transportation and emergency response network west of Sheridan. The bridge is located on a road that, although not a sole access, serves as the main route to agricultural areas and residential homes, and is the most convenient route to State Highway 287 and the main access between Sheridan and the Ruby River. The bridge is used by the agricultural community and recreationalists.

The applicant stated the Waterloo Road Bridge serves as a key link in the area transportation and emergency response network northeast of Twin Bridges and southeast of Silver Star. The bridge is located on a road that is not considered a sole access, but is a feeder running out to agricultural areas and residential homes. The road is also a major route used by local residents to access the solid waste disposal site for the area. The bridge is used by the agricultural community and recreational traffic.

The applicant stated the Jack Creek Road Bridges are critical for residents, commercial traffic, and emergency responders accessing areas east of the bridge as Jack Creek Road serves as the sole access from the area east of the bridge to State Highway 287 and on to Ennis. The bridges provide access to the Moonlight Basin Development which is proposed to have 1,660 residential units plus commercial services on their property, and the Diamond J Guest Ranch. Recreation traffic uses this road as access the Gallatin National Forest. Logging entities utilize the road during various times and there are mining claims in the area that could be developed at any time. The Forest Service has several livestock grazing permits up the valley.

The applicant stated that all four of the bridges are crucial to service oriented businesses such as mail carriers, concrete and gravel suppliers, propane delivery, trash haulers, and septic tank services. The Jack Creek Bridge replacements would expand the private tax base in the county with the proposed 1,660 residential lots and a multitude of commercial businesses on the Moonlight Basin property.

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 two public meetings were held to discuss the PER and the TSEP application. A public meeting was held in Ennis on April 16, 2008, 4:00 p.m. at the volunteer fire department meeting hall. The minutes indicate that four residents attended the meeting, along with local officials and consultants. A public meeting was held in Sheridan on April 16, 2008 at 7:00 p.m. at the city hall. The minutes indicate that three residents attended the meeting, along with local officials and consultants. The meetings were advertised in the *Madisonian,* along with an article on the proposed project. Residents were informed that they would not see an increase in property taxes as a result of this project. Minutes from the meetings, as well as the sign-in sheets, notices, agenda, and handouts, were included with the application.

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

There were 36 letters of support that were included in the application; six from area residents, two from the county sheriff, 12 from area businesses, six volunteer fire departments, three county ambulance services, and one school district. Other letters of support came from the Moonlight Basin Development, State Senator Bill Tash, State Representative Diane Rice, U.S. Department of Agriculture, U.S. Department of Interior, Montana Department of Fish, Wildlife & Parks, and MDT. In addition, the county has a current CIP and these bridges are a high priority in that plan.

Project No. 22
City of Cut Bank – Water System Improvements

This application received 3,520 points out of a possible 4,900 points and ranked 22nd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
City	Cash	$ 150,000	Committed by resolution
SRF	Loan	$ 350,000	On priority list, but has not applied
Project Total		**$1,100,000**	

Median Household Income:	$33,885	Total Population:	3,105
Percent Non-TSEP Matching Funds:	55%	Number of Households:	1,180

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$23.00	-	Target Rate:	$64.95	
Existing Wastewater Rate:	$42.49	-	Rate with Proposed TSEP Assistance:	$67.49	104%
Existing Combined Rate:	$65.49	101%	Rate without TSEP Assistance:	$69.91	108%

Project Summary

History – Cut Bank's water system was built around 1914, consisting mostly of galvanized and cast iron pipe. In 1935 a one-million-gallon buried concrete tank with a wood frame roof was constructed and has since been rehabilitated. The original treatment plant was built in 1950, rebuilt in 1975 and converted to a conventional flocculation, sedimentation, and rapid sand filtration treatment system. 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 allow for flexibility during times of high turbidity discharge in Cut Bank Creek and to provide additional storage.

Problem – The city's water system has the following deficiencies:
- 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 biofilm,
- heavily corroded pipelines inhibit flushing velocities, and
- low pressures could result in backflow and contamination of the drinking water system.

Proposed Solution – The proposed project would:
- replace approximately 6,000 feet of pipe,
- replace eight fire hydrants, and
- replace 22 gate valves.

Note: The proposed solution does not intend to resolve the deficiencies related to the flocculator or sedimentation basin at the treatment plant, nor the rest of the problems associated with the distribution system, as these are scheduled for later phases of improvements. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of grossly inadequate fire flows for the hospital and schools, modeled low pressures of less than 15 pounds per square inch in the some parts of the system during maximum day demands and leakage rates of 37% that exceed those expected in a typical water distribution system. The consequences of these deficiencies are likely to occur in the near-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 65th 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 65 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 56th highest of the 65 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 34th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that rates were raised 55% to address water system needs; no further details were provided about when they were raised or what the rates were before they were changed. Most of the public facility budgets have an annual set aside or depreciation fund to finance annual repairs and improvements.

The applicant stated that the city has completed several public facility plans including one for wastewater in 1994 and two for water in 1998 and 2005, and now the 2008 PER amendment. A comprehensive performance evaluation of the water treatment plant was conducted in 2002. The applicant stated that meters are installed for all users of the distribution system.

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 proposed 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 simply 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 reasonably adequate.

The applicant stated that the needs assessment survey sent out in 1998 provided some background data for identification of issues. Additional information was obtained from the community housing and household survey in 2001, business survey in 2002, and the rural resource team report in 2002. Planning board members and GAIN Development, Inc. also worked together to develop a listing of important issues. Water issues ranked as the third highest priority in the needs assessment survey and as the highest priority in the GAIN survey.

The applicant stated that the city prepared several CIP over the years with the most recent CIP's being prepared in 1998, 2003 and 2005 and again updated in 2008. The 2008 update is a comprehensive, five-year CIP that covers the city's entire infrastructure. The proposed project is listed as a priority in the latest CIP.

The applicant stated that the city completed a growth policy plan in 2005. The plan is reviewed annually to ensure the city is on track with its plan. The plan development was closely coordinated with the county, state, Blackfeet Tribe and the federal government along with other possible stakeholders. The plan is intended to serve as a planning guide through the year 2020. The document will be updated every five years along with the CIP. A public meeting was held on January 22, 2008 to discuss the growth policy and needs assessment.

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.

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 80th on the SRF priority list; therefore, the city is eligible to apply for the loan. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used.

The applicant stated that the TSEP grant is necessary to make the proposed project viable for system users. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic infrastructure necessary to support population growth, and possible economic 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 all the support letters were in support of applying for the federal appropriation and not proposed project as a whole with the required loan.

Rationale: The applicant held five public meetings. A public meeting was held on December 7, 2004 at 7:00 p.m. at the civic center to discuss alternatives for water sources. There were no minutes of the meeting included in the application; however, there were two slide presentations and responses to questions raised during the meeting included. User rates were discussed in response to one of the questions submitted. A public meeting was held on December 14, 2005 at 6:00 p.m. in the council

chambers to discuss alternative options for supplemental water sources. The minutes indicate there were eight residents present along with local officials and consultants. A copy of the slide show was included in the application showing that user rates were discussed. A public meeting was held on January 30, 2006 at 7:00 p.m. in the council chambers to discuss the findings of the PER and funding strategies for the proposed project. The minutes indicate two residents were present along with local officials and consultants. A copy of the presentation indicates that user rates were discussed. A public meeting was held on March 3, 2008 at 6:30 p.m. at the city hall to discuss funding strategy for the proposed project and the current condition of the distribution system. The minutes indicate two residents were present along with local officials and consultants. A copy of the presentation indicates that user rates were discussed. A public meeting was held on March 17, 2008 at 6:30 p.m. at the city hall to discuss the proposed project. The minutes state two residents were present along with local officials. The minutes are brief and do not reflect if user rates were discussed, but state that the residents were given a copy of the presentation from the March 3rd meeting. Minutes, affidavits of publication, presentations, sign-in sheets, and six newspaper articles that discussed the proposed project briefly but did not mention user rates, were included in the application.

The application included 15 letters of support for the proposed project; however, all of these letters are supporting the city's application for a STAG grant, as they are either addressed to U.S. Senator Baucus or state they are for support of the STAG grant.

Both the community needs assessment survey and the CIP show that the proposed project is a high priority.

Project No. 23 (Tied)
Town of Broadview – Water System Improvements

This application received 3,512 points out of a possible 4,900 points and ranked 23rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
RD	Grant	$ 67,000	Application submitted May 2008
RD	Loan	$ 107,000	Application submitted May 2008
Project Total		**$ 1,224,000**	

Median Household Income:	$29,500	Total Population:	150
Percent Non-TSEP Matching Funds:	59%	Number of Households:	64

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$40.00	-	Target Rate:	$56.54	
Existing Wastewater Rate:	$5.00	-	Rate with Proposed TSEP Assistance:	$57.75	102%
Existing Combined Rate:	$45.00	80%	Rate without TSEP Assistance:	$95.86	170%

Project Summary

History – Broadview's water system is comprised of two deep nearby wells, a chlorination system, an un-metered distribution system, and a water storage tank.

Problem – The town's water system has the following deficiencies:
- inadequate source quantity,
- source water quality is aesthetically unpleasing and cannot be used for irrigation because of high sodium levels,
- source water is reportedly corrosive and causes damage to the steel components of the wells,
- on-grade water storage facility results in low system pressures that can allow back-pressure/back-siphonage,
- storage facility is of low volume resulting in little or no fire protection for the town,
- no auxiliary power to either of the existing wells, and
- present water rights are insufficient for current diversions and annual produced volume.

Proposed Solution – The proposed project would:
- construct three new wells approximately eight miles west of town,
- install approximately 42,000 feet of transmission main to tie the wells into the existing distribution network, and
- install water meters.

Note: The proposed solution does not intend to resolve the problems related to storage, which is proposed to be resolved 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 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 water system have occurred or are imminent.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of inadequate source quantity that cannot meet average day demand or maximum day demand with the largest producing well out of service. This deficiency violates the Montana Department of Environmental Quality (DEQ) rules that require that the total developed ground-water source capacity…must equal or exceed the design maximum day demand with the largest producing well out of service. The source capacity at Broadview not only does not meet the requirement for maximum day demand which includes lawn watering, but it also does not meet the lower standard of average day demand which does not include lawn watering. Average day demands include those critical domestic needs such as toilet flushing, drinking water, and clothes washing. If the town were to lose the use of its largest producing well for any reason such as power failure, pump failure or casing collapse, which is possible because of casing corrosion due to aggressive water-quality characteristics, the remaining well production of 14 gallons per minute is insufficient to provide for these most basic of sanitary needs. Furthermore, the existing storage tank volume is insufficient to provide even one day's worth of storage under strict watering restrictions, a period of time that is probably insufficient to repair a major well failure. The system has been completely de-watered in the past due to a fire fighting event. System de-watering and the likelihood of not being able to meet basic sanitary needs is an imminent problem that is highly likely to recur.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 55.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 9th highest of the 65 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 48th highest of 65 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 800 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 no issues, or 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 review team thought that the PER was reasonably complete. 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.

Under the proposed project, three new wells would be installed approximately eight miles west of town. The Montana Bureau of Mines and Geology (MBMG) conducted a detailed inventory of nearby ground-water resources and conducted a test drilling program that included a long-term pump test using observation wells to determine potential drawdown effects in the aquifer. The MBMG concluded that the town could develop a water supply that could meet the community's needs in this area without affecting other water users in the area.

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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated the town has been able to build and maintain a reserve in both its water and sewer funds; however the applicant did not state how many dollars are in the reserve accounts and the MDOC review team was not able to clearly identify reserves in the financial records. The town plans to install water meters on each individual service so that users would be assessed on a fair and equitable basis determined by the actual amount of water used.

The applicant stated that the town would be required to implement a well head protection plan as part of their design approval from the Montana Department of Environmental Quality (DEQ). In 1994, the town completed a well, distribution, and storage project.

The applicant stated that the deficiencies with the water system are due to the age and inadequacy of the facilities, and not to improper or inadequate maintenance. The applicant also mentioned that there were no major deficiencies noted in the last sanitary survey inspection. The inspection identified three minor system deficiencies that have since been resolved. The MDOC review team concluded that the town's operation and maintenance (O&M) practices related to the water system appear to be reasonably adequate.

The applicant stated that a public works assessment was completed in 2003, which led to the development of a CIP. The CIP was limited in that it only covered water, wastewater, storm drainage, and streets. Six projects were identified, which have all been completed with the exception of the proposed project. A needs assessment survey was conducted in January 2008, and 69% of the residents thought that it was important to very important to improve water quality. In April 2008, a draft five-year CIP was completed that addresses all of the town's public facilities. The proposed project is the highest remaining priority in the CIP; the highest priority was completing the grant applications. Several other projects that have been completed around town in the past 10 years were also listed in the application.

The applicant stated that Yellowstone County prepared a community profile for the town in 2003. The profile describes the existing conditions and trends for population, age, housing, and income, and current zoning measures. The town participated in the preparation of a growth policy that was completed by the county in 2003, which was subsequently adopted by the town; no documentation was provided

demonstrating it has been adopted by the town. The proposed project is generally consistent with the growth policy.

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 the uncertainty of the other funds and the TSEP funds were not considered to be critical to the project.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, and RD grants, in combination with an RD loan. The applicant stated that the town also applied for a $450,000 State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant through the congressional delegation as a contingency in case one or more of the other grants are not received. If all of the grants and appropriations are received, the applicant stated that the federal funds would be returned.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied. The applicant stated that the TSEP grant is essential so that the user fee does not place an undo burden on the residents. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 the proposed project would provide the basic public infrastructure necessary to support economic and business growth in the area along with increased population. However, there was no discussion of any specific business expansion or 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 concerns about support for the proposed project.

Rationale: The applicant held a special work study meeting at 7:00 p.m. on October 10, 2007 at the community center to discuss the proposed project. It appears that the only notice of the meeting was a poster type flyer, since the application did not include any legal advertisement. The poster invited the public to attend, but simply to observe. In addition to local officials and the consultants, two residents attended the meeting. The funding strategy and the resultant user rate were specifically discussed, which was documented by a copy of the presentation. The applicant stated that the majority of the attendees present voiced support for the project, but were concerned about the monthly user charge remaining affordable; the minutes do not reflect any feedback from residents and the announcement stated that the council requested no intervention until a meeting in November. The minutes from the November meeting do not show that the proposed project was discussed. A copy of the poster, presentation, and minutes were included in the application.

The applicant stated that a second public meeting was held at 7:30 p.m. on March 3, 2008 at the community center. Notice of the meeting was provided by a legal notice in *The Billings Times*, a weekly newspaper, and a poster type flyer. The minutes show that local officials and the consultant were present, but do not list any additional residents. Both the minutes and presentation reflect information regarding the project scope, cost and projected user rate were presented at the meeting. The applicant stated that the residents in attendance unanimously supported the project with a show of hands; however, the minutes do not reflect any public in attendance or any feedback from residents. Documentation included the affidavit of publication of the meeting notice, posted notice, minutes, and the presentation.

The application included letters of support for the proposed project from five residents and one from the county commissioners. Two additional letters from residents were included that stated the proposed project should be delayed until further information is available and the public has had more time to review information. The department was contacted in September 2008 by rural residents in the area proposed for the well field. A letter was subsequently received by MDOC that was signed by 51 residents expressing serious concern about the impact of the well field on ground and surface water in the area.

The proposed project is the highest priority in the draft CIP.

Project No. 23 (Tied)
Town of St. Ignatius – Water System Improvements

This application received 3,512 points out of a possible 4,900 points and ranked 23rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $253,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$253,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
RD	Loan	$153,000	Application submitted June 2008
Project Total		**$506,000**	

Median Household Income:	$25,682	Total Population:	788
Percent Non-TSEP Matching Funds:	50%	Number of Households:	276

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$19.47	-	Target Rate:	$49.22	
Existing Wastewater Rate:	$40.00	-	Rate with Proposed TSEP Assistance:	$60.74	123%
Existing Combined Rate:	$59.47	121%	Rate without TSEP Assistance:	$64.33	131%

Project Summary

History – St. Ignatius is located on the reservation of the Confederated Salish and Kootenai Tribes. The town's public water system includes two wells with a combined capacity of 455 gallons per minute, a 300,000-gallon elevated storage tank, and the distribution system.

Problem – The town's water system has the following deficiencies:
- current water supply does not meet maximum day demand with largest producing well out of service,
- current storage capacity does not provide average day demand plus fire flow storage,
- undersized distribution mains do not provide sufficient fire flow, and
- leakage in the distribution system or service lines.

Proposed Solution – The proposed project would:
- install a new well including pumphouse, emergency generator, and connection to distribution system,
- distribution system improvements to include a second water main crossing on Mission Creek, a new water main for Mountain View Drive and replace a four-inch main on Home Addition, and
- complete a leak detection survey.

Note: The proposed solution does not intend to resolve storage related deficiencies, which are proposed to be resolved in a future phase. Therefore, that deficiency was 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is that fire protection is below standards in the commercial district near Mountain View Drive and the system cannot meet maximum day demand with the largest producing well out of service. The system can meet the basic average day demand (wintertime domestic demands) with the largest producing well out of service. As such, continued operation of the systems without the proposed project has a likelihood of causing illness or injury in the long-term.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 51.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 12th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 19.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 15th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 past practices of reading meters only twice a year and no documentation that the capital improvements plan (CIP) has been updated since it was first created in 2004.

Rationale: The applicant stated that the town has completed water and sewer improvements projects in the past decade by raising and maintaining water and sewer rates to fund the projects, to ensure that revenue exceeds expenses, and to build and maintain a reserve fund in each of the utility accounts; however, no details were provided related to past rate increases. The distribution system is fully metered with the exception of the town's two parks; however, the meters are only read twice a year, making the system a hybrid flat rate system that does not necessarily encourage conservation.

The applicant stated that the town replaced the majority of the water distribution system in 1992, which was funded with a $492,600 loan. The town also has a reserve account for taking care of the water tank maintenance; interior and exterior coating every 10 to 15 years. The town is currently completing a major sewer improvements project. A source water delineation and assessment report was completed in 1999.

The applicant stated that the current deficiencies with the town's water facilities are due to community growth, changing regulatory regulations, and the age and era of construction of some of the system components that were not replaced in the previous water improvements project. The deficient lines are all believed to be over 60 years old and corroded, and are not large enough to provide good fire protection. The MDOC review team concluded that the town's operation and maintenance (O&M) practices related to the water system appear to be reasonably adequate.

The applicant stated that a community needs assessment was done in 2004 and updated in April 2008. A public hearing was conducted on January 8, 2008 to obtain public comment on community needs, and the proposed project is the highest priority. The town first developed a five-year CIP in 2004, which focused on water, sewer, and streets. The applicant stated that the CIP is reviewed annually during the annual budgeting process and was formally updated in 2008; however, the MDOC review team noted the CIP included in the application was dated 2004. The proposed project is the second highest priority in the CIP.

The applicant stated that the town updated their growth policy in 2001 and that it is reviewed on an approximate five year cycle; however, it should be noted that the last update was seven years ago. The proposed project is consistent with the plan.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an RD loan. The town discussed the use of CDBG funds, but decided to apply for these funds during the second phase of the proposed project. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources were not being used.

The applicant stated that the TSEP grant was essential to the proposed project and that it would likely not proceed if the town is not awarded the grant. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic public infrastructure necessary to support population growth, and possible economic and business 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 held two public hearings. A work session meeting was held on March 4, 2008 during the regular town council meeting to discuss the deficiencies of the water system and the proposed project. A newspaper article in the *Lake County Leader* described the deficiencies of the water system and the potential increase in user rates if all deficiencies were resolved. With the exception of the news article, the only documentation of the meeting was a copy of the presentation, which described the projected user rates under different funding scenarios. A public hearing was held on April 22, 2008 at 7:00 p.m. at the town hall to present the water system analysis, provide recommendations for improvements and obtain public input. The hearing was advertised in both the *Lake County Leader* and the *Valley Journal*. The minutes reflect that four residents were present along with local officials, consultants, and two newspaper reporters. A copy of the presentation was included in the application, which shows the projected user rates were discussed, along with the sign-in sheet. Following the April hearing, newspaper articles in the *Lake County Leader* and the *Valley Journal* described the proposed project and the projected increase in user rates.

The minutes from the April hearing show that two residents stated they were in favor of the proposed project, and all six of the local people at the meeting raised their hands showing they were in favor of the proposed project. There were two letters of support for the proposed project included in the application; one from Lake County Community Development Corp and one from a resident.

Both the needs assessment and the CIP show that the proposed project is a high priority.

Project No. 25 (Tied)
Jefferson County – Bridge System Improvements

This application received 3,508 points out of a possible 4,900 points and ranked 25th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $160,690 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$160,690	Awaiting decision of the Legislature
County	Cash	$ 15,000	Expended on PER
County	Cash	$126,544	Committed by resolution
County	In-kind	$ 19,146	Committed by resolution
Project Total		**$321,380**	

Median Household Income:	$41,506	Total Population:	10,049
Percent Non-TSEP Matching Funds:	50%	Number of Households:	3,747

Project Summary

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

- The Quaintance Lane Bridge is located approximately 13 miles south of Boulder. This single-lane structure crosses the Boulder River overflow ditch on Quaintance Lane. The 28-foot long, single-span timber structure was constructed in 1951. The bridge serves approximately 100 vehicles per day, including approximately 15 full-time residences and numerous agricultural operations. The bridge is on school bus and mail routes. Closure of the bridge would result in an eight mile detour.
- The Hanson Lane Bridge is located approximately seven miles south of Whitehall. This structure spans the Jefferson Canal on Hanson Lane. The 10-foot, long timber structure was constructed in the 1960s. The bridge serves approximately 50 to 75 vehicles per day, including approximately 20 full-time residences and numerous agricultural operations. The bridge is on school bus and mail routes. Closure of the bridge would result in a 1.5 mile detour.
- The Hanson Lane Bridge is located approximately eight miles south of Whitehall. This structure spans the Jefferson Canal on Hanson Lane. The nine-foot long, concrete slab structure was constructed in the 1960s. The bridge serves approximately 50 to 75 vehicles per day, including approximately 20 full-time residences and numerous agricultural operations. The bridge is on school bus and mail routes. Closure of the bridge would result in a three mile detour.

Problem – The county's three bridges have the following deficiencies.

- The Quaintance Lane Bridge has a sufficiency rating of 26. Deficiencies include:
  - rotting and cracking of pile foundation, and
  - reduced load-carrying capacity.
- The Hanson Lane Bridge has a sufficiency rating of 57. Deficiencies include:
  - cracking and excessive wear of timber planks, and
  - scour damage below abutment walls,
- The Hanson Lane Bridge has a sufficiency rating of 70. Deficiencies include:
  - lack of spread footings on stem walls has led to vertical and lateral movement, and
  - structure is hydraulically insufficient causing water to back up onto adjacent properties.

Proposed Solution – The proposed project would:

- replace the Quaintance Lane Bridge with a three-sided box culvert, and
- replace the Hanson Lane Bridges with structural plate steel arch 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 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 review team noted that the three bridges had sufficiency ratings ranging from 26% to 70%. The structure ratings ranged from three to four, and the lowest element conditions ratings ranged from three to four. TSEP scoring levels for this priority had the two Hanson Lane Bridges at a level two score, and the Quaintance Lane Bridge at a level four score. The scores for the Hanson Lane Bridges were reduced from a level three to a level two due to minimal detour lengths of three miles or less, and relatively low average daily traffic counts of between 50 to 75 vehicles per day. A weighted score, based on construction costs, resulted in a level three score for the entire project.

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 65th 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 63rd lowest of the 65 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 50th highest of the 65 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 54th highest of 65 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 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.	$32,560

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the county is limited in the number of mills that can be charged through property tax assessments, and instead, the county relies primarily on monies from the payment in lieu of tax (PILT) allotment to fund bridge improvements. 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 major projects.

The applicant stated the county replaced or rehabilitated 14 bridges in the last 10 years. Of these bridges, three were replaced under the Montana Department of Transportation (MDT) off-system bridge replacement program and two others were replaced with funding assistance from the U.S. Forest Service at a cost of $145,000.

The applicant stated the county has adopted a standard for repair and replacement of all bridges and culverts. Replacement of bridges with culverts is the preferred method. Normal bridge related duties include replacement of damaged bridge and approach rail sections, worn or damaged deck planks, damaged timber stringers, scheduled grading of approaches, and replacement of object markers.

The applicant stated that the deterioration of the three 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 reasonably adequate.

The applicant stated a bridge inventory and evaluation was first completed in 2005, which was then used to create a five-year CIP for bridges. The bridge inventory was updated in 2007 and the CIP revised in 2008. The applicant stated the plan would be revisited every year during the annual budget cycle. The replacement of the three bridges would be consistent with current plans as they represent three of the top seven critical structures included in the CIP. The Quaintance Lane Bridge is the number one priority. The second and fourth priorities are scheduled to be nominated for the off-system program, while the third priority bridge is being considered for the next funding cycle. The bridges on Hanson Lane represent the fifth and seventh priority. The sixth priority will be repaired using county funds.

The applicant stated the county completed a growth policy in 2003, which served as an update to the 1993 comprehensive plan. The applicant stated the county is in the process of updating the growth policy, with updates expected to be completed by the fall of 2008.

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.

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 significant 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 would not occur without the TSEP grant. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridges.

The proposed funding package appears viable to the MDOC review team.

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 three bridges would assist in retaining current long-term 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 Quaintance Lane Bridge serves as a key link in the area transportation and emergency response network south of Boulder. The bridge is located on a collector route that, although not a sole access, serves as the main route to 15 residential homes, local businesses, and recreational use. The bridge serves as the main access between areas east of the bridge and State Highway 69. The bridge serves as primary access to National Forest lands that are currently proposed for logging contracts, as well as private mining claims that are currently being explored and could develop into full mining operations in the near future. The bridge is on a school bus and mail route.

The applicant stated the Hanson Lane bridges, although not a sole access, serve as a key link in the area transportation and emergency response network in the southwest area of the county. Farmers and ranchers use the bridges continually to haul hay, transport grain, move livestock, secure supplies, etc. Hanson Lane is a school bus and mail route.

The applicant stated that all three 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.

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 two public meetings were held, one in Boulder on April 7, 2008, at 2:00 p.m. at the commission chambers, and the other in Whitehall on April 9, 2008, at 7:00 p.m. at the high school. No members of the public attended the meetings. The meetings were advertised in the *Boulder Monitor* and the *Jefferson County Courier*. The applicant stated the topic of bridge improvements has been a consistent item on the commission's agenda over the past several years. No objections were expressed at the meetings or in writing. Minutes from the meetings, the meeting hand out, and the public meeting notices were included with the application.

There were 38 letters of support that were included with the application: nine from area residents, eight business, the county sheriff, the county planner, two fire departments, seven emergency response providers, two school districts, two from the U.S. Department of Interior, two from the U.S. Department of Agriculture, the local development corporation, the Helena National Forest, the Montana Department of Fish, Wildlife and Parks, and the weed district.

The CIP was revised in 2008, and the proposed project is consistent with it, as the three bridges represent three of the top seven critical structures.

Project No. 25 (Tied)
Stillwater County – Bridge System Improvements

This application received 3,508 points out of a possible 4,900 points and ranked 25th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $292,979 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$292,979	Awaiting decision of the Legislature
County	Cash	$ 15,000	Expended on PER
County	Cash	$264,888	Committed by resolution
County	In-kind	$ 13,091	Committed by resolution
Project Total		**$585,958**	

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 that are in critical condition and in need of replacement.

- The Bob Story Bridge is located approximately two miles west of Park City. This single-lane structure crosses the Valley Creek on Valley Creek Road. The 82-foot long steel truss was originally constructed in 1938, with repairs to the stringers in 1981 and decking in 1988. The bridge serves approximately 150 vehicles per day, including approximately 100 residences and several farm and ranch operations. The bridge is on school bus and mail routes. The bridge is posted for a 19-ton load limit. Closure of the bridge would result in a 31-mile detour.
- The Young's Point Bridge is located approximately four miles west of Park City. This structure spans the Cove Ditch on Young's Point Road. The 31-foot long steel and concrete structure was constructed in 1955 and then widened in the 1990s. The bridge serves approximately 50 vehicles per day, including four year-round residents along with farm and ranch operations. The bridge is on school bus and mail routes. The bridge is posted for a 5-ton load limit. The bridge provides sole access for the four families located north of the bridge.

Problem – The county's two bridges have the following deficiencies.

- The Bob Story Bridge has a sufficiency rating of 32. Deficiencies include:
  - cracked and decayed timber stringers,
  - spalling and cracking of concrete piers and abutments, and
  - limited load carrying capacity.
- The Young's Point Bridge has a sufficiency rating of 41. Deficiencies include:
  - crushed and decayed timber piles, and
  - limited load carrying capacity.

Proposed Solution – The proposed project would:

- replace the Bob Story Bridge with a precast concrete bulb tee bridge founded on piles, and
- replace the Young's Point Bridge with a with a concrete box 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 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 review team noted that the two bridges had sufficiency ratings ranging from 41% to 47%. The structure rating for each bridge was a four and the lowest element condition rating for each bridge was a five. TSEP scoring levels for this priority had both the Bob Story and Young's Point Bridges at a level three score. The scores were not reduced due to any concerns with low volume usage or minimal detour distances of these structures. The overall score for this priority was a three.

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 65th 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 61st lowest of the 65 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 48th highest of the 65 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 48th highest of 65 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 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.	$27,027

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 800 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that it has levied the maximum number of taxes allowable by law for at least 13 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 many that have been funded with TSEP grants from the last three application cycles. Within the time frame of the proposed project, they will have amassed another $285,000 in revenues from this tax, which will be earmarked for this project.

The applicant listed 60 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 $2,453,800 using county and TSEP funds. Twelve of the bridges were repaired by the county at a cost of $66,850. The approximate cost of replacing or repairing all sixty of these bridges completed since 1984 was $5,393,800.

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.

The applicant stated that it adopted a bridge inventory, evaluation and bridge CIP in 2002, which was updated and adopted in 2004, 2006, and again in April 2008. The proposed project is consistent with the latest bridge CIP; the proposed bridge replacements represent two of the top five critically listed structures. The county adopted a comprehensive CIP in April 2008, which included an inventory of all buildings, bridges, roads, water and sewer systems, solid waste, and its other county departments. County bridge standards were adopted in 2002, which ensure that all future bridges are designed and constructed according to AASHTO and Montana Department of Transportation (MDT) guidelines and standards.

The applicant stated that the county was part of a pilot MDT program, administered through Montana Association of Counties (MACo), which mapped of all its roadways using GPS equipment. The county now has a listing and location of all its roads. The inventory and road evaluation would enable the county to establish values for its roads and bridges as required by accounting requirements.

The applicant stated that the county adopted a master plan in 1997, and began the process of updating the plan and turning it into a growth policy in 2002; it was adopted in 2007. 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 in the preparation of the comprehensive economic development strategy (CEDS) in 2001, which is currently being updated. The MDOC review team noted that the excerpt from the CEDS is dated November 2007, so the update may be complete. 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.

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.

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 also discussed the formation of a bridge rural improvement district, but determined it not to be a viable option as the areas are not fully developed. It was also felt that the structures are utilized by, and benefit the entire community.

The applicant stated that over the past couple of years, the county has adopted a financially aggressive plan to replace the most critical bridges identified. Without TSEP funds, the county would be forced to withdraw local monies as they could no longer be leveraged against TSEP funds. Moving forward with the proposed project without the TSEP grant would require severe cutbacks in other county services. The county cannot afford further cutbacks in the remainder of its essential services and thus, the proposed project would not move forward. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridge.

The MDOC review team concluded that the proposed funding package appears viable. However, the review team questioned whether the subdivision developers should be responsible for a large portion of the proposed project, especially since the applicant further stated that the presence of adequate bridges would support the growth and economic benefits to the developers

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 no specific business expansion could be singled out at this time, the proposed project would assist in retaining current and likely creating long-term jobs. In addition, a well-designed and functional transportation system is vital to the development and expansion of the local business enterprises.

The applicant stated that the Young's Point Bridge serves as sole access to four permanent residents and two additional landowners and that both of the proposed bridges serve as key links between Park City and residential and agricultural areas. Residential development in the area of these bridges is active and experiencing considerable 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 held two public hearings, one on April 7, 2008 at 7:00 p.m. at the school in Park City, and the other at 1:30 p.m. on April 8, 2008 at the county courthouse in Columbus. The purpose of the meetings was 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 the proposed project. In addition to local officials and consultants, 12 residents attended the hearing on the April 7 and one resident attended the hearing on the April 8. A copy of the notice, minutes, sign-in sheet, and a handout were included in the application. The applicant included minutes relative to bridge improvement topics from numerous commission meetings, going back as early as 2004. The applicant also included several newspaper articles from the *Stillwater County News* related to bridges, but only one of them was related to the proposed project.

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 21 letters of support in the application, including letters from the area's certified regional development corporation; Park City's school superintendent; two county fire districts; the county's weed control coordinator, solid waste coordinator, planning office, and sheriff; Stillwater Mining Company; two farms and 11 residents.

The applicant stated that the two bridges are listed as the second and fifth priorities in the county's bridge CIP and comprehensive CIP.

Project No. 27
Town of Wibaux – Wastewater System Improvements

This application received 3,472 points out of a possible 4,900 points and ranked 27th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
Town	Cash	$ 14,000	Expended on PER
SRF	Loan	$ 418,000	On priority list, but has not applied
Project Total		**$1,032,000**	

Median Household Income:	$26,518	Total Population:	485
Percent Non-TSEP Matching Funds:	52%	Number of Households:	215

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$24.43	-	Target Rate:	$50.83	
Existing Wastewater Rate:	$14.40	-	Rate with Proposed TSEP Assistance:	$53.80	106%
Existing Combined Rate:	$38.83	76%	Rate without TSEP Assistance:	$68.33	134%

Project Summary

History – Wibaux's two-cell aerated, continuous discharge lagoon was constructed in 1973. The facility discharges into Beaver Creek. Electrical controls were upgraded in 1993 and a lift station was upgraded in 2002. Aeration breakdowns have led to multiple discharge permit violations. The Montana Department of Environmental Quality (DEQ) has given the town a deadline of 2010 to meet more stringent permit limitations.

Problem – The town's wastewater system has the following deficiencies:
- the facility has broken aeration piping, outdated aerators, and only one working aeration pump,
- frequent permit violations for exceeding biochemical oxygen demand, total suspended solids and fecal coli form limits, and
- the existing facility will not be able to comply with the new discharge permit for ammonia limits.

Proposed Solution – The proposed project would:
- construct a new 0.5-acre aeration cell and a 3.5-acre holding cell near the existing plant,
- construct a 6,400-foot force main,
- construct a 12.5-acre evaporation pond, and
- purchase additional land for future expansion.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is inadequately treated wastewater. The town's wastewater system has exceeded the wastewater permit discharge limits numerous times over the past several years. The treatment facility is not sufficiently and consistently treating wastewater before discharging into Beaver Creek. There are homes in the proximity of the downstream discharge. Beaver Creek flows through private properties north of town, in close proximity to some residences, with unrestricted access to the creek. Direct contact for persons working or playing in or near the creek is possible in the near-term. The town's 2005 discharge permit established new parameters for total suspended solids, chlorine residual, and ammonia. The permit gave the town until 2010 to meet those new parameters.

There are also five domestic wells located within one mile downstream of the wastewater facility. The potential exists for contamination of these wells if one of the ponds is leaking into shallow groundwater. There was no documentation provided to show that contamination of these wells has occurred.

There are concerns with ammonia toxicity, which have the potential to result in environmental degradation and damage to aquatic habitat.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 42.1%. **The applicant's relative concentration of persons living at or below the LMI level is the 34th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 10.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 46th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including an alternatives analysis that did not consider the possibility of abandoning the existing site and locating the entire facility where the proposed evaporation ponds are to be sited. Additionally, the pumping of effluent from the storage pond to the evaporation pond was not well documented.

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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that in 1989, the monthly wastewater rates ranged from $4.17 to $14.26 and were based on user classes. In 1993, an 8% rate adjustment was enacted. In 1998, base rates were increased to $4.75 plus $0.60 per 1,000 gallons. In 2002, base rates were raised to $7.25 plus $0.60 per 1,000 gallons. In 2004, base rates were raised to $10 per month plus $1.25 per 1,000 gallons. The present rate structure was enacted in 2008, with a base rate of $13.35 per month plus $1.50 per 1,000 gallons after the first 5,400 gallons of usage. The town‘s water system is metered, and residential sewer usage is based on winter-time water usage, while commercial sewer usage is based on actual water usage.

The applicant stated that in 2001, the town slip lined a sewer main under Beaver Creek. In 2002, the town upgraded the lift station, and a water main was replaced under State Highway 7 prior to a Montana Department of Transportation resurfacing project. These three projects, which totaled $277,200, were accomplished with loans and reserves. Leak detection was conducted on the water system, the controls were updated in one well, and new meters were placed at both wells.

The applicant stated that a wellhead/source water protection plan was adopted in 2002, a water system vulnerability assessment was completed in 2007, and a water system emergency response plan was completed in April 2007; however, no documentation related to these plans was included in the application.

The applicant stated that the equipment has exceeded its designed useful life, and regulatory changes demand changes in the design. The town has been aware of the need to update its equipment for some time, but has been nursing the existing system along pending regulatory direction on ammonia and other nutrient parameters. The MDOC review team had some concerns about the town’s O&M practices related to the outdated aerators and only one working aeration pump, but concluded that the town’s operation and maintenance (O&M) practices related to the wastewater system appear to be reasonably adequate.

The applicant stated the town developed a comprehensive, five-year CIP in 1999. Each year they update the CIP and identify one-year and five-year priorities for the budget; however there was no documentation provided to show the CIP is updated annually. The proposed project is listed as a priority in the 2007 draft CIP. The town is working on a draft growth policy and the CIP is being incorporated into the policy.

The applicant stated that the town participates in regional planning efforts through the Eastern Plains Resource Conservation Development Area. The proposed project is listed as one of the needs and opportunities in the county in the 2005 area plan.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants, in combination with an SRF loan and local reserves. The project is ranked 112th on the SRF priority list; therefore, the town is eligible to apply for the loan. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources were not being used. The applicant stated the town applied for a U.S. Army Corps of Engineers Section 595 Water Resources Development Act (WRDA) grant and a State and Tribal Assistance Grant (STAG) in February 2008. Because of the difficulty in obtaining these funds, WRDA and STAG are not included in the funding package. If these funds are awarded to the town, the town would decide whether to reduce the amount of other grants or increase the scope of work.

Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic public infrastructure necessary to support population growth, and possible economic and business 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 held two public meetings in 2000 to discuss the water and sewer system improvements outlined in the PER, and the history of the proposed project and recommendations for the future. In addition to local officials and consultants, one resident attended the first meeting and two attended the second meeting. The minutes are brief and do not reflect if user rates were discussed.

They do state that the one resident commented that the dollars involved did not sound out of line, but it does not state if he was addressing project dollars or user rate dollars. A public meeting was held on May 12, 2004 at 7:00 p.m. in conjunction with the regular council meeting to discuss the progress of the PER and the preferred alternatives. The minutes state no residents were present. A public meeting was held on February 1, 2007 at 7:00 p.m. to discuss the selected alternatives for the proposed project. The minutes state no residents were present even though the meeting had been advertised in the *Wibaux Pioneer-Gazette* and posted on three bulletin boards around town. The council was advised of expected user rates. A handout was provided that addressed user rates. The affidavit of publication and flyer type notice were included with the application. Because of the low attendance at previous meetings, an informational meeting was held on February 15, 2007, at 12:00 p.m. at the senior citizens center to discuss the proposed project and its cost. The applicant stated this meeting was not advertised. In addition to the town clerk and consultant, 20 residents attended the meeting. The minutes state that specific user rates were discussed. A fifth public meeting was held on April 14, 2008, at 7:00 p.m. to discuss the proposed project, its cost, funding options, and target rates. The minutes state that specific user rates were discussed, and there was much discussion of the requirements set by DEQ and whether or not the alternatives could meet those regulations. In addition to local officials and consultants, three residents attended the meeting. Affidavits of publication and a flyer type notice were included with the application. A council meeting was held at 7:00 p.m. on April 23, 2008 to pass a resolution accepting the PER and apply for grants; the only documentation of this meeting is the minutes, which state that specific user rates were discussed. Another meeting was held on April 24, 2008, at the senior citizens center. There was general agreement that the $16 a month rate increase would be difficult, but it appeared the town had to proceed with the state-mandated improvements; however, there was no record of this meeting included with the application. Notices were posted on bulletin boards at the town clerk's office and post office, and reminders were put on each customer's monthly bills; however, the applicant did not state what the reminders said. With the exception of the meetings on April 23 and 24, all meetings were advertised in the *Wibaux Pioneer-Gazette*.

The application included 16 newspaper articles about the proposed project that were published in the *Wibaux Pioneer-Gazette*. The applicant stated that the newspaper uses the minutes from the council meetings for news stories each month. Some of the articles only briefly mentioned the proposed project, but four of the articles specifically stated the amount of the projected user rates.

There were five letters of support for the proposed project from area businesses included in the application, along with a petition signed by 69 residents supporting the grant application; the petition has no information about the impact of the proposed project on user rates.

The CIP shows that the proposed project is a high priority for the town.

Project No. 28
Granite County – Solid Waste System Improvements

This application received 3,460 points out of a possible 4,900 points and ranked 28th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for Granite County, because the deficiencies with the solid waste system were not considered to be a serious threat to public health or safety as discussed in detail under Statutory Priority #1. Given the limited amount of funds available from TSEP this funding cycle, MDOC thinks that these funds should instead be provided to another project with more serious problems.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$197,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
INTERCAP	Loan	$106,700	Application expected to be submitted in June 2009
Project Total		**$403,700**	

Median Household Income:	$27,813	Total Population:	2,830
Percent Non-TSEP Matching Funds:	51%	Number of Households:	1,200

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Solid Waste Rate:	$10.67	154%	Target Rate:	$6.95	
			Rate with Requested TSEP Assistance:	$10.67	154%
			Rate without TSEP Assistance:	$11.31	163%

Project Summary

History – The Granite County Refuse Disposal District was created in 1981. It is comprised of two roll-off container sites, one in Philipsburg and one in Drummond. Each site is equipped with 40-cubic yard, open-top, roll-off containers and a stationary 32-cubic yard compactor. Each site offers waste diversion opportunities and is staffed by a county employee. A contract is in place with a private hauler to haul compacted waste to a landfill in Missoula. The 2006 landfill tonnage hauled to Missoula was 1,894 tons, or 4.37 pounds of waste per person per day. County residents divert approximately 16% of their waste stream through recycling and composting.

Problem – The county's solid waste management system has the following deficiencies:
- safety concerns for the operators,
- an inequitable means of assessment,
- a hand written ledger system,
- inconsistent practices between the two sites, and
- insufficient waste diversion.

Proposed Solution – The proposed project would:
- install new fencing, with bear-proof wiring, and repair existing fencing,
- install single-phase power to the Philipsburg site,
- demolish a container wall at the Drummond site,
- initiate a computerized recording and accounting system, and
- transition from a volume based to a weight based disposal system by installing scales at each site.

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 solid waste 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 review team noted that there are various deficiencies that could potentially affect the public's health and safety, including site problems that potentially could contribute to trips or falls. However, approximately 75% of the costs related to the proposed project are for switching to a weight based pay-as-you-throw system in lieu of the volume based pay-as-you-throw system presently utilized. Switching to a weight based pay-as-you-throw system really does not solve health and safety problems.

Safety problems such as trips or falls could potentially occur. There are some miscellaneous site improvements planned to improve the safety of the operator and of the public. These include new fencing, repairs to existing fencing and container wall gates, safety signage, electrical improvements and demolition of a container wall.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 43.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 28th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 16.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 20th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 appear to be relatively weak.

Rationale: The applicant stated that the district established an annual rate of $106 per unit for disposal of waste at sites at Drummond and Philipsburg in 1994. Part-time seasonal residents of the county were allowed a reduction in rate. The unit rate does not include pickup at residences or businesses, which is provided by private contractor. In 2006, the fee per unit was increased to $122 annually and rate reductions were no longer made available to seasonal residents. Improvements were made to the Drummond container site in 1997, including concrete bin transfers, fencing and approach roads, at a cost of $115,645, which was paid off in 2007.

The applicant stated that the district has had an agreement with the Headwater's Cooperative Recycling Project since 1999 to have recycling bins placed at locations in Drummond and Philipsburg. This effort was intended to reduce the volume of solid waste, consequently reducing disposal costs while promoting recycling of household aluminum, glass and paper. Recycling bins have also recently been placed at the small community of Hall, six miles south of Drummond. Since 1999, the district has had an agreement with A&S Metals of Butte to place containers at both disposal sites to recycle heavy metals without charge to the consumer. Depending on the varying price of scrap metal, some portion of any profit is shared with the district.

The county conducted a county-wide citizen's survey in 2002, but solid waste did not appear to be an issue to residents. The county prepared both a growth policy and capital improvements plan (CIP) in 2004. The CIP was very brief (five pages) and dealt primarily with equipment; it did not contain what is generally required in a CIP. The county is part of the Headwaters RC&D Area Inc. (the local economic development district), which participates in regional planning activities. A comprehensive economic development strategy (CEDS) was prepared by Headwaters in 2007, and the proposed project was listed as the first project for Granite County in the implementation plan.

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 Intercap loan. The county does not intend to increase user fees to re-pay the loan.

The applicant stated that the TSEP grant is an essential component of the proposed project budgeting. Without the TSEP grant, the solid waste rate would be at or above 150% of the applicant's solid waste target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 solid waste system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that while the proposed project would not directly create jobs, it does have the potential to create a number of indirect employment opportunities.

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 demonstrate that the proposed project is a high local priority.

Rationale: The applicant stated that the county held two public hearings, first in Philipsburg and then in Drummond. A notice for both hearings was published in the weekly newspaper *The Philipsburg Mail;* it was only advertised once for the Philipsburg hearing. The first public hearing was held at 7:00 p.m. on March 26, 2008 at the county courthouse. The second public hearing was held at 7:00 p.m. on April 2, 2008 at the library. In addition to the local officials, staff, and consultant, two residents attended the first hearing and three attended the second hearing. People attending the hearings were informed about the proposed project and funding options, and were told there would be no rate increase as a result of it. The applicant stated that it has projected that the proposed project would ultimately decrease the per-household assessment and more fairly assess disposal costs to the resident users. Copies of the affidavit of publication of the hearing notice, sign-in sheets, and minutes of each meeting were included in the application.

The minutes reflect that at the conclusion of both public meetings the county asked for a show of hands of those in support of the project; there were no objections. The application included a letter in support of the proposed project that was received from one of the solid waste board members. The certified regional development councils also support the proposed project. The proposed improvements are listed for the county in the CEDS document, but the CIP was determined to be inadequate and did not demonstrate that the proposed project is a high local priority.

Project No. 29 (Tied)
Missoula County on behalf of the Seeley Lake Sewer District – New Wastewater System

This application received 3,456 points out of a possible 4,900 points and ranked 29th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for Missoula County on behalf of the Seeley Lake Sewer District, because the proposed project does not appear to be financially feasible as discussed in detail under Statutory Priority #5.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP (County)	Grant	$ 750,000	Awaiting decision of the Legislature
TSEP (District)	Grant	$ 750,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Funding committed by 2005 Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
STAG	Grant	$1,750,000	Partially committed
WRDA	Grant	$4,250,000	Application submitted in February 2008
SRF	Loan	$ 810,000	On Priority List, but has not applied
Project Total		**$8,860,000**	

Median Household Income:	$34,542	Total Population:	1,436
Percent Non-TSEP Matching Funds:	83%	Number of Households:	312

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$51.00	77%	Target Rate:	$66.21	
Existing Wastewater Rate:	-	-	Rate with Requested TSEP Assistance:	$107.55	162%
Existing Combined Rate:	-	-	Rate without TSEP Assistance:	$146.52	221%

Project Summary

History – The unincorporated community of Seeley Lake is presently served by individual on-site systems (septic tanks and drainfields or seepage pits). Drinking water for the area is provided by a centralized water system, which draws water from Seeley Lake. The Seeley Lake Sewer District was formed in 1992 to study wastewater management practices in the area. The district was awarded a $500,000 TSEP grant for the proposed project in 2005, but has not been able to obtain the rest of the funding needed to begin the project. In addition, the actual TSEP interest earnings for that biennium were less than what was projected, and therefore, there will probably be insufficient TSEP funds to provide that grant. As a result, the district applied for a new TSEP grant. The proposed project is the first phase of a four-phase project that could ultimately provide centralized sewer service to every property within the district. Each phase is structured as a "stand-alone" project and is not dependent on subsequent phases.

Problem – The lack of a centralized wastewater system has resulted in the following problems:

- documented contamination of the area's groundwater aquifer including elevated nitrate levels in the groundwater downgradient of the community;
- increased nutrient loads to Seeley Lake, which facilitate eutrophication of the lake and increased water quality degradation;
- existing drainfields are old and in need of replacement and it is difficult or impossible to find new replacement areas; and

- seepage pits, which do not provide adequate treatment, and metal septic tanks, which have a significant potential for leakage, are used for disposal in many areas because sufficient space is not available for a properly designed drainfield,

Proposed Solution – The proposed project would:
- abandon existing on-site septic tank/drainfield systems,
- install approximately 12,000 feet of gravity sewer mains and 14,000 feet of force main,
- connect approximately 200 services,
- construct two lift stations, and
- construct an advanced mechanical treatment plant using a sequencing batch reactor with disposal through a groundwater infiltration gallery.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is contaminated groundwater due to failing septic systems. An independent study by the Montana Bureau of Mines and Geology concluded that area groundwater is being degraded by septic tank effluent. This conclusion was based on the elevated levels of nitrates and chlorides that were found in samples of the groundwater. The district installed groundwater monitoring wells in 2003, which confirmed the presence of coliforms, fecal coliforms and elevated nitrate levels in the groundwater. Other studies have indicated that the water quality of Seeley Lake may be impacted by the nutrients from septic tank and drainfield effluent. Groundwater and surface water contamination would continue to get worse if the on-site septic systems remain in place. The community does have a central water system.

Several studies on the quality of water in Seeley Lake have been completed. These studies have demonstrated elevated levels of nutrients, such as phosphorous and nitrates in the lake. The lake experiences algae blooms, occasionally with toxic blue-green algae. Increased nutrient loads to the lake from any source will facilitate eutrophication of the lake and increase water quality degradation. Lake water quality degradation may impair the recreational value of the lake and the economy of the area.

Many of the lots within the district are less than 0.5 acre in size. Current design standards require that lots be at least 0.5 acre in size before new on-site systems are approved. Existing undeveloped lots less than 0.5 acre in size cannot be developed because of these restrictions. Commercial entities that are new, or desire to expand, would be required to install very large systems or advanced on-site treatment to meet new requirements. Many existing commercial entities do not have adequate room to allow for expansion of their existing wastewater systems. These conditions severely limit economic growth and threaten current and future property values.

Missoula County records indicate that there are approximately 64 seepage pits within the community that have been allowed as replacement systems and that several metal septic tanks have been installed. Continued use of seepage pits only serve to worsen the situation as seepage pits inject flows deeply, without proper treatment, where it can quickly reach the groundwater. Metal septic tanks eventually corrode, causing untreated sewage to reach the groundwater. The deficiencies described above are likely to affect the public's health and safety in the near-term.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 43.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 29th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 10.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 41st highest of 65 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 800 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team thought that the PER was reasonably complete. 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 district is relatively new in that there is no system.

Rationale: The applicant stated that in an effort to understand the community's wastewater issues and needs, the district raised $29,000 in 2003 to complete a preliminary engineering study. In September 2003, the county, on behalf of the district, started levying a $72 annual assessment for every parcel in the district; according to minutes, this was to be a one-time assessment. Because the district does not own or operate any facilities, no long-term maintenance or operational budgets exist. However, the district has ensured that sufficient financial resources exist to complete future planning activities. The Seeley Lake community is served by a water district that has a long history of managing its water system. The

water district boundaries are much larger than the sewer district and both boards are distinct entities; however, they often work together to address common issues of concern.

The applicant stated that in response to a 1998 Montana Bureau of Mines and Geology groundwater study recommendation to provide additional groundwater monitoring, the district has continued to conduct and support groundwater-monitoring efforts that are currently underway. As part of its commitment to address its wastewater issues, the district also hired its first part-time manager in 2003.

The applicant stated that the Seeley Lake community has utilized a variety of forms of community planning tools for many years, which support its infrastructure plans. Much of the planning for the community is conducted by local community associations or by the county, with the overall community planning effort performed by the local community council. The council is an elected body that has demonstrated a long-term commitment to community planning over many years. The council represents Seeley Lake on a variety of county issues, working closely with the county commission in an advisory role. In addition to monthly meetings, the council holds an annual community-wide infrastructure meeting. At the annual meeting, all organizations providing public services to the community update the community on their activities, and discuss and identify future community infrastructure needs and priorities. Two representatives from the district were present to advocate for the sewer and water improvements of the district at the most recent September 2007 meeting.

The applicant stated that the district initiated a public opinion survey at the 2001 election polling places as a means to identify the community's support for a wastewater project. When the people in the district were asked if they would support the proposed sewer system, even though there was not evidence that ground water was being contaminated, more than 50% said yes. Since there is now documentation that the groundwater is being degraded because of on-site treatment systems, it is likely that a much greater percentage would support a sewer system.

The applicant stated that Missoula County adopted an amendment to the comprehensive plan for the Seeley Lake area in 1989, which sets specific goals for accomplishing the short and long-term objectives of the plan. As shown in the plan, septic pollution was a concern even then. In 1993, the Seeley/Swan Economic Diversification Action Team prepared an action plan for the Seeley/Swan area. One goal of the plan was to conduct a study to determine if centralized sewer was needed in the community. A community development guide was developed for Seeley Lake, which is a comprehensive planning document that reflects the desires of the Seeley Lake community and outlines community development policies in several areas. The proposed project is consistent with this and the other community planning efforts discussed.

The applicant stated that Seeley Lake has also taken advantage of a countywide needs assessment process to demonstrate that their infrastructure needs are a priority. The overall countywide needs assessment process occurs annually, and draws comments and input from citizens and organizations throughout the county including residents from Seeley Lake. Agencies, such as the District XI Human Resource Council and Missoula Aging Services, and Seeley Lake residents showed support for the proposed project. The applicant conducted a community-specific needs assessment and income survey in 2005. The survey was designed to further identify infrastructure and other community needs. The survey also helped the community identify low- and moderate-income households so that their individual sewer installation costs could potentially be subsidized through CDBG funds.

The applicant stated that other planning efforts include a growth policy for the county, which provides an overall framework for continued planning efforts in the city and county of Missoula. The county growth policy specifically identified the need to reduce the number of septic systems throughout the county.

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 the funding package does not appear to be viable.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, STAG, and WRDA grants in combination with an SRF loan. The proposed project is ranked 35th on the

SRF priority list; therefore, the district is eligible to apply for the loan. A bond election would still be required in order for the district to obtain a loan. The applicant conducted an income survey, which confirmed its eligibility to apply for CDBG funding. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied. The applicant stated that $750,000 of the proposed State and Tribal Assistance Grants (STAG) grant has already been appropriated and approved. The majority of the remaining STAG funds have been appropriated for the proposed project, but the applicant must still apply for the funds.

The applicant stated that it has analyzed all potential funding sources that it is eligible to apply to and, with the exception of the U.S. Economic Development Administration (EDA), is currently planning on utilizing all available sources. Discussions with state level EDA staff indicated that the project did not have enough job creation potential to be competitive under the current administration policies.

The applicant stated that it has submitted the U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) appropriation request to each member of the Montana congressional delegation, and the grant is projected to be available by spring of 2009, if Congress appropriates the funds. However, based upon congressional funding of other projects in recent years, the potential for receiving a WRDA grant of this amount does not appear to be likely to the MDOC review team. The total appropriation for the entire State of Montana has been approximately $5 million each year, and the amount awarded to individual applicants in recent years has generally been no more than $250,000. The STAG grants that have been awarded to projects in Montana have not been even close to the amount being requested, and STAG grants have typically been larger than WRDA grants. Obtaining a firm commitment of the entire funding package could be a problem if the applicant is required to apply several times for a WRDA grant in order to ultimately obtain the amount needed. Based upon language in the TSEP application guidelines, applicants were advised that if awarded a TSEP grant they will have a deadline for meeting start-up conditions. Assuming that the 2009 TSEP funding bill is passed with similar language, applicants will be required to obtain a complete funding package in order to meet start-up conditions by December 31, 2012 or lose their TSEP grant. The MDOC review team does not think that the entire WRDA amount is likely to be obtained by that date.

The applicant stated that if any of the major grants were not obtained, the district would need to pursue other grant funds, reapply to the appropriate program, or not proceed with the project. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The MDOC review team does not think that the proposed funding package appears to be viable, because of the uncertainty of the CDBG and WRDA grants, which could potentially delay or prevent the town from obtaining a complete funding package by the end of 2012. As a result, MDOC does not recommend funding for this project, in order to allow the limited TSEP funds to be used for other projects that have a strong likelihood of moving forward.

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 Seeley Lake community has made economic development a community priority for a long time; however, economic development relies on the provision of services and infrastructure, including sewage facilities. The applicant stated that the proposed project is essential

to the development of tourism in the Seeley Lake community, and there are several businesses in town that have made plans to expand. The expansion or development of lodging and restaurant businesses is heavily dependent on adequate community sewage treatment facilities. The development of on-site wastewater facilities is particularly difficult because county septic regulations limit septic discharge to 600 gallons per acre per day. Many of the commercial lots in town cannot add new flows to their septic system because they do not have adequate acreage to meet this requirement. Businesses that have high flows such as carwashes, food and beverage establishments, motels, and laundry facilities find that growth is impossible due to an inadequate land base for septic disposal. The ability to construct assisted living facilities for the elderly is also very difficult because of this requirement. Assisted living facilities would provide several community jobs such as caregivers, nurses, cooks, etc. Central sewer would allow the development of a senior facility, needed affordable housing, as well as create jobs to support the operations of a facility.

Motels have been particularly restricted and there is a great need for more facilities to meet tourist needs. The Seeley Lake Motor Lodge in town has documented that it sold out over 122 days in 2003 and needs much more capacity to meet demand. The motel has already expanded to their maximum discharge capacity. Another motel, the Wilderness Gateway Inn, also wants to expand to meet the growing tourism demand. These expansions would also help diversify the community, create jobs, and bring in much needed tourism dollars to a community largely dependent on one major employer, Pyramid Lumber, and on tourism and recreation. The proposed project is essential to the development of tourism in the Seeley Lake community and several businesses in town that have made plans to expand. There were no letters that specifically discussed plans to expand a specific business.

The applicant stated that information obtained from other local entities documents that much of the workforce in Seeley Lake commutes to the town and how this has a direct impact on the amount of dollars spent locally. A letter from Pyramid Lumber states that the lack of affordable housing in the community has directly affected the ability of the company to find and keep qualified workers. The letter states that 15% to 20% of their workforce commutes from out of town to work, and this hinders their ability to find quality people and retain them. According to a letter from the local school district, approximately 20% of the community's workforce commutes from Missoula. Pyramid estimates that between the 30% of high school teachers and the 15% to 20% of Pyramid's workforce that commutes, at least $900,000 of payroll dollars leave the community from just these two employers. Letters from the Seeley Lake Area Chamber of Commerce and the Missoula Area Economic Development Corporation document the need to diversify as well as develop affordable housing for the local workforce, so they can afford to live in the community.

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 district initiated the process of preparing a PER at a meeting in 2002, at which approximately 65 people attended. The MDOC review tem could not verify the number of attendees because no sign-in sheet or list of participants was provided; however, the minutes confirmed that statements from 21 individuals were made. Fifty-five people attended a public hearing held in September 2003, regarding the intent of the county to levy $72 on each parcel in order to raise funds to pay for the PER, and several individuals spoke out against the levy; the minutes reflect that when the audience was asked if they were willing to take on $72 debt, more people rose their hands in opposition to the one-time assessment. The county passed the assessment even though there was opposition.

The applicant stated that the district held its first open house and public hearing for the proposed project in October 2003, which 25 people attended. Following the meeting, a newsletter was mailed to residents discussing the meeting. An annual infrastructure meeting was held in November 2003, at which water and wastewater issues were discussed. The district also conducted an outreach program by

making presentations to several local groups, including the local Lions Club, senior citizens and the community council. The district held a formal public meeting in March 2004, to discuss the findings of the PER, including: the need for the project, the identified problems, the alternatives considered, the selection of a preferred alternative, funding scenarios, and projected user charges. The public was notified of the meeting through direct mail, posters, and an announcement in the local community newspaper, the *Seeley Swan Pathfinder*. Twenty-five people attended the meeting, during which some people expressed their concern about the project. The applicant stated that the majority of the attendees at the meeting showed support for the recommended solution; however, the statement could not be verified based on the documentation provided. Public hearings regarding the annual sewer assessment were held by the county in September 2005, April 2006, May 2007 and April 21, 2008. Nine residents, along with county and district officials, and a consultant attended the most recent hearing. The application included a copy of the presentation from the hearing, which shows that the PER and funding strategy were discussed.

The applicant stated that a county-wide community needs assessment meeting was held September 18, 2007 from 1 to 4 p.m. at the Missoula city council chambers. Articles were published in the *Missoulian* and postcards were mailed out. Two representatives from the district were present to advocate for the sewer and water improvements of the district.

The applicant stated that the community council also provided three other opportunities for the community to discuss the project from early March to April 2004. The district also informed local citizens through several newsletters and local newspaper articles designed to disseminate information about the project. The district newsletters are mailed to every property owner and resident in the district and additional copies are posted throughout the community.

The applicant stated that the community has identified local needs through several local and countywide processes. In 2001, the district conducted a public opinion survey to identify the general feeling about having a centralized sewer in the community. The district thought it had a good response for this unannounced survey, with 124 people out of over 300 people in the district responding. The applicant stated that even with very little information about the groundwater and lake degradation, 50% of the respondents in the district said they would support a sewer system even without evidence that groundwater conditions were deteriorating. Wastewater management is a priority in the locally developed community development guide. The community started a needs assessment in March 2004, by holding a meeting that 16 people attended. The community council conducted a more specific community needs survey to clarify income issues and identify community needs and desires, and the results were tabulated and published in January 2007. The application contained a considerable amount of documentation including meeting notices, sign-in sheets, handout materials, minutes, newsletters, and newspaper articles, which documented the public participation process.

There were 24 letters of support for the proposed project from businesses (seven), residents (nine, seven of which were form letters), community organizations, local government agencies, and the local school district to further document support. The MDOC review team noted that these letters were submitted with the previous application; however, three additional letters from a business, the area certified regional development corporation, and the county commissioners were also included. The district was able to raise $29,000 in donations from local businesses and residents for completion of the planning effort. It appeared to the MDOC review team that while there may be some opposition to the project, it was obvious that the applicant made every effort to keep residents informed and that there is considerable support for the proposed project, particularly from the business sector.

Project No. 29 (Tied)
Seeley Lake Sewer District – New Wastewater System

This application received 3,456 points out of a possible 4,900 points and ranked 29th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for the Seeley Lake Sewer District, because the proposed project does not appear to be financially feasible as discussed in detail under Statutory Priority #5.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP (District)	Grant	$ 750,000	Awaiting decision of the Legislature
TSEP (County)	Grant	$ 750,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Funding committed by 2005 Legislature
CDBG	Grant	$ 450,000	Application submitted in May 2008
STAG	Grant	$1,750,000	Partially committed
WRDA	Grant	$4,250,000	Application submitted in February 2008
SRF	Loan	$ 810,000	On the priority list, but has not applied
Project Total		**$8,860,000**	

Median Household Income:	$34,542	Total Population:	1,436
Percent Non-TSEP Matching Funds:	83%	Number of Households:	312

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$51.00	77%	Target Rate:	$66.21	
Existing Wastewater Rate:	-	-	Rate with Requested TSEP Assistance:	$107.55	162%
Existing Combined Rate:	-	-	Rate without TSEP Assistance:	$146.52	221%

Project Summary

History – The unincorporated community of Seeley Lake is presently served by individual on-site systems (septic tanks and drainfields or seepage pits). Drinking water for the area is provided by a centralized water system, which draws water from Seeley Lake. The Seeley Lake Sewer District was formed in 1992 to study wastewater management practices in the area. The district was awarded a $500,000 TSEP grant for the proposed project in 2005, but has not been able to obtain the rest of the funding needed to begin the project. In addition, the actual TSEP interest earnings for that biennium were less than what was projected, and therefore, there will probably be insufficient TSEP funds to provide that grant. As a result, the district applied for a new TSEP grant. The proposed project is the first phase of a four-phase project that could ultimately provide centralized sewer service to every property within the district. Each phase is structured as a "stand-alone" project and is not dependent on subsequent phases.

Problem – The lack of a centralized wastewater system has resulted in the following problems:

- documented contamination of the area's groundwater aquifer including elevated nitrate levels in the groundwater downgradient of the community;
- increased nutrient loads to Seeley Lake, which facilitate eutrophication of the lake and increased water quality degradation;
- existing drainfields are old and in need of replacement and it is difficult or impossible to find new replacement areas; and
- seepage pits, which do not provide adequate treatment, and metal septic tanks, which have a significant potential for leakage, are used for disposal in many areas because sufficient space is not available for a properly designed drainfield,

Proposed Solution – The proposed project would:

- abandon existing on-site septic tank/drainfield systems,
- install approximately 12,000 feet of gravity sewer mains and 14,000 feet of force main,
- connect approximately 200 services,
- construct two lift stations, and
- construct an advanced mechanical treatment plant using a sequencing batch reactor with disposal through a groundwater infiltration gallery.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is contaminated groundwater due to failing septic systems. An independent study by the Montana Bureau of Mines and Geology concluded that area groundwater is being degraded by septic tank effluent. This conclusion was based on the elevated levels of nitrates and chlorides that were found in samples of the groundwater. The district installed groundwater monitoring wells in 2003, which confirmed the presence of coliforms, fecal coliforms and elevated nitrate levels in the groundwater. Other studies have indicated that the water quality of Seeley Lake may be impacted by the nutrients from septic tank and drainfield effluent. Groundwater and surface water contamination will continue to get worse if the on-site septic systems remain in place. The community does have a central water system.

Several studies on the quality of water in Seeley Lake have been completed. These studies have demonstrated elevated levels of nutrients, such as phosphorous and nitrates in the lake. The lake experiences algae blooms, occasionally with toxic blue-green algae. Increased nutrient loads to the lake from any source would facilitate eutrophication of the lake and increase water quality degradation. Lake water quality degradation may impair the recreational value of the lake and the economy of the area.

Many of the lots within the district are less than 0.5 acre in size. Current design standards require that lots be at least 0.5 acre in size before new on-site systems are approved. Existing undeveloped lots less than 0.5 acre in size cannot be developed because of these restrictions. Commercial entities that are new, or desire to expand, would be required to install very large systems or advanced on-site treatment to meet new requirements. Many existing commercial entities do not have adequate room to allow for expansion of their existing wastewater systems. These conditions severely limit economic growth and threaten current and future property values.

Missoula County records indicate that there are approximately 64 seepage pits within the community that have been allowed as replacement systems and that several metal septic tanks have been installed. Continued use of seepage pits only serve to worsen the situation as seepage pits inject flows deeply, without proper treatment, where it can quickly reach the groundwater. Metal septic tanks eventually corrode, causing untreated sewage to reach the groundwater. The deficiencies described above are likely to affect the public's health and safety in the near-term.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 43.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 29th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 10.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 41st highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 district is relatively new in that there is no system.

Rationale: The applicant stated that in an effort to understand the community's wastewater issues and needs, the district raised $29,000 in 2003 to complete a preliminary engineering study. In September 2003, the county, on behalf of the district, started levying a $72 annual assessment for every parcel in the district; according to minutes, this was to be a one-time assessment. Because the district does not own or operate any facilities, no long-term maintenance or operational budgets exist. However, the district has ensured that sufficient financial resources exist to complete future planning activities. The Seeley Lake community is served by a water district that has a long history of managing its water system. The water district boundaries are much larger than the sewer district and both boards are distinct entities; however, they often work together to address common issues of concern.

The applicant stated that in response to a 1998 Montana Bureau of Mines and Geology groundwater study recommendation to provide additional groundwater monitoring, the district has continued to conduct and support groundwater-monitoring efforts that are currently underway. As part of its commitment to address its wastewater issues, the district also hired its first part-time manager in 2003.

The applicant stated that the Seeley Lake community has utilized a variety of forms of community planning tools for many years, which support its infrastructure plans. Much of the planning for the community is conducted by local community associations or by the county, with the overall community planning effort performed by the local community council. The council is an elected body that has demonstrated a long-term commitment to community planning over many years. The council represents Seeley Lake on a variety of county issues, working closely with the county commission in an advisory role. In addition to monthly meetings, the council holds an annual community-wide infrastructure meeting. At the annual meeting, all organizations providing public services to the community update the community on their activities, and discuss and identify future community infrastructure needs and priorities. Two representatives from the district were present to advocate for the sewer and water improvements of the district at the most recent September 2007 meeting.

The applicant stated that the district initiated a public opinion survey at the 2001 election polling places as a means to identify the community's support for a wastewater project. When the people in the district were asked if they would support the proposed sewer system, even though there was not evidence that ground water was being contaminated, more than 50% said yes. Since there is now documentation that the groundwater is being degraded because of on-site treatment systems, it is likely that a much greater percentage would support a sewer system.

The applicant stated that Missoula County adopted an amendment to the comprehensive plan for the Seeley Lake area in 1989, which sets specific goals for accomplishing the short and long-term objectives of the plan. As shown in the plan, septic pollution was a concern even then. In 1993, the Seeley/Swan Economic Diversification Action Team prepared an action plan for the Seeley/Swan area. One goal of the plan was to conduct a study to determine if centralized sewer was needed in the community. A community development guide was developed for Seeley Lake, which is a comprehensive planning document that reflects the desires of the Seeley Lake community and outlines community development policies in several areas. The proposed project is consistent with this and the other community planning efforts discussed.

The applicant stated that Seeley Lake has also taken advantage of a countywide needs assessment process to demonstrate that their infrastructure needs are a priority. The overall countywide needs assessment process occurs annually, and draws comments and input from citizens and organizations throughout the county including residents from Seeley Lake. Agencies, such as the District XI Human Resource Council and Missoula Aging Services, and Seeley Lake residents showed support for the proposed project. The applicant conducted a community-specific needs assessment and income survey in 2005. The survey was designed to further identify infrastructure and other community needs. The survey also helped the community identify low- and moderate-income households so that their individual sewer installation costs could potentially be subsidized through CDBG funds.

The applicant stated that other planning efforts include a growth policy for the county, which provides an overall framework for continued planning efforts in the city and county of Missoula. The county growth policy specifically identified the need to reduce the number of septic systems throughout the county.

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 the funding package does not appear to be viable.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, STAG, and WRDA grants in combination with an SRF loan. The proposed project is ranked 35th on the SRF priority list; therefore, the district is eligible to apply for the loan. A bond election would still be required in order for the district to obtain a loan. The applicant conducted an income survey, which confirmed its eligibility to apply for CDBG funding. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied. The applicant stated that $750,000 of the proposed

State and Tribal Assistance Grants (STAG) grant has already been appropriated and approved. The majority of the remaining STAG funds have been appropriated for the proposed project, but the applicant must still apply for the funds.

The applicant stated that it has analyzed all potential funding sources that it is eligible to apply to and, with the exception of the U.S. Economic Development Administration (EDA), is currently planning on utilizing all available sources. Discussions with state level EDA staff indicated that the project did not have enough job creation potential to be competitive under the current administration policies.

The applicant stated that it has submitted the U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) appropriation request to each member of the Montana congressional delegation, and the grant is projected to be available by spring of 2009, if Congress appropriates the funds. However, based upon congressional funding of other projects in recent years, the potential for receiving a WRDA grant of this amount does not appear to be likely to the MDOC review team. The total appropriation for the entire State of Montana has been approximately $5 million each year, and the amount awarded to individual applicants in recent years has generally been no more than $250,000. The STAG grants that have been awarded to projects in Montana have not been even close to the amount being requested, and STAG grants have typically been larger than WRDA grants. Obtaining a firm commitment of the entire funding package could be a problem if the applicant is required to apply several times for a WRDA grant in order to ultimately obtain the amount needed. Based upon language in the TSEP application guidelines, applicants were advised that if awarded a TSEP grant they will have a deadline for meeting start-up conditions. Assuming that the 2009 TSEP funding bill is passed with similar language, applicants will be required to obtain a complete funding package in order to meet start-up conditions by December 31, 2012 or lose their TSEP grant. The MDOC review team does not think that the entire WRDA amount is likely to be obtained by that date.

The applicant stated that if any of the major grants were not obtained, the district would need to pursue other grant funds, reapply to the appropriate program, or not proceed with the project. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The MDOC review team does not think that the proposed funding package appears to be viable, because of the uncertainty of the CDBG and WRDA grants, which could potentially delay or prevent the town from obtaining a complete funding package by the end of 2012. As a result, MDOC does not recommend funding for this project, in order to allow the limited TSEP funds to be used for other projects that have a strong likelihood of moving forward.

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 Seeley Lake community has made economic development a community priority for a long time; however, economic development relies on the provision of services and infrastructure, including sewage facilities. The applicant stated that the proposed project is essential to the development of tourism in the Seeley Lake community, and there are several businesses in town that have made plans to expand. The expansion or development of lodging and restaurant businesses is heavily dependent on adequate community sewage treatment facilities. The development of on-site wastewater facilities is particularly difficult because county septic regulations limit septic discharge to 600 gallons per acre per day. Many of the commercial lots in town cannot add new flows to their septic system because they do not have adequate acreage to meet this requirement. Businesses that have

high flows such as carwashes, food and beverage establishments, motels, and laundry facilities find that growth is impossible due to an inadequate land base for septic disposal. The ability to construct assisted living facilities for the elderly is also very difficult because of this requirement. Assisted living facilities would provide several community jobs such as caregivers, nurses, cooks, etc. Central sewer would allow the development of a senior facility, needed affordable housing, as well as create jobs to support the operations of a facility.

Motels have been particularly restricted and there is a great need for more facilities to meet tourist needs. The Seeley Lake Motor Lodge in town has documented that it sold out over 122 days in 2003 and needs much more capacity to meet demand. The motel has already expanded to their maximum discharge capacity. Another motel, the Wilderness Gateway Inn, also wants to expand to meet the growing tourism demand. These expansions would also help diversify the community, create jobs, and bring in much needed tourism dollars to a community largely dependent on one major employer, Pyramid Lumber, and on tourism and recreation. The proposed project is essential to the development of tourism in the Seeley Lake community and several businesses in town that have made plans to expand. There were no letters that specifically discussed plans to expand a specific business.

The applicant stated that information obtained from other local entities documents that much of the workforce in Seeley Lake commutes to the town and how this has a direct impact on the amount of dollars spent locally. A letter from Pyramid Lumber states that the lack of affordable housing in the community has directly affected the ability of the company to find and keep qualified workers. The letter states that 15% to 20% of their workforce commutes from out of town to work, and this hinders their ability to find quality people and retain them. According to a letter from the local school district, approximately 20% of the community's workforce commutes from Missoula. Pyramid estimates that between the 30% of high school teachers and the 15% to 20% of Pyramid's workforce that commutes, at least $900,000 of payroll dollars leave the community from just these two employers. Letters from the Seeley Lake Area Chamber of Commerce and the Missoula Area Economic Development Corporation document the need to diversify as well as develop affordable housing for the local workforce, so they can afford to live in the community.

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 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.

Rationale: The applicant stated that the district initiated the process of preparing a PER at a meeting in 2002, at which approximately 65 people attended. The MDOC review tem could not verify the number of attendees because no sign-in sheet or list of participants was provided; however, the minutes confirmed that statements from 21 individuals were made. Fifty-five people attended a public hearing held in September 2003, regarding the intent of the county to levy $72 on each parcel in order to raise funds to pay for the PER, and several individuals spoke out against the levy; the minutes reflect that when the audience was asked if they were willing to take on $72 debt, more people rose their hands in opposition to the one-time assessment. The county passed the assessment even though there was opposition.

The applicant stated that the district held its first open house and public hearing for the proposed project in October 2003, which 25 people attended. Following the meeting, a newsletter was mailed to residents discussing the meeting. An annual infrastructure meeting was held in November 2003, at which water and wastewater issues were discussed. The district also conducted an outreach program by making presentations to several local groups, including the local Lions Club, senior citizens and the community council. The district held a formal public meeting in March 2004, to discuss the findings of the PER, including: the need for the project, the identified problems, the alternatives considered, the selection of a preferred alternative, funding scenarios, and projected user charges. The public was notified of the meeting through direct mail, posters, and an announcement in the local community newspaper, the *Seeley Swan Pathfinder*. Twenty-five people attended the meeting, during which some people expressed

their concern about the project. The applicant stated that the majority of the attendees at the meeting showed support for the recommended solution; however, the statement could not be verified based on the documentation provided. Public hearings regarding the annual sewer assessment were held by the county in September 2005, April 2006, May 2007 and April 21, 2008. Nine residents, along with county and district officials, and a consultant attended the most recent hearing. The application included a copy of the presentation from the hearing, which shows that the PER and funding strategy were discussed.

The applicant stated that a county-wide community needs assessment meeting was held September 18, 2007 from 1 to 4 p.m. at the Missoula city council chambers. Articles were published in the *Missoulian* and postcards were mailed out. Two representatives from the district were present to advocate for the sewer and water improvements of the district.

The applicant stated that the community council also provided three other opportunities for the community to discuss the project from early March to April 2004. The district also informed local citizens through several newsletters and local newspaper articles designed to disseminate information about the project. The district newsletters are mailed to every property owner and resident in the district and additional copies are posted throughout the community.

The applicant stated that the community has identified local needs through several local and countywide processes. In 2001, the district conducted a public opinion survey to identify the general feeling about having a centralized sewer in the community. The district thought it had a good response for this unannounced survey, with 124 people out of over 300 people in the district responding. The applicant stated that even with very little information about the groundwater and lake degradation, 50% of the respondents in the district said they would support a sewer system even without evidence that groundwater conditions were deteriorating. Wastewater management is a priority in the locally developed community development guide. The community started a needs assessment in March 2004, by holding a meeting that 16 people attended. The community council conducted a more specific community needs survey to clarify income issues and identify community needs and desires, and the results were tabulated and published in January 2007. The application contained a considerable amount of documentation including meeting notices, sign-in sheets, handout materials, minutes, newsletters, and newspaper articles, which documented the public participation process.

There were 24 letters of support for the proposed project from businesses (seven), residents (nine, seven of which were form letters), community organizations, local government agencies, and the local school district to further document support. The MDOC review team noted that these letters were submitted with the previous application; however, three additional letters from a business, the area certified regional development corporation, and the county commissioners were also included. The district was able to raise $29,000 in donations from local businesses and residents for completion of the planning effort. It appeared to the MDOC review team that while there may be some opposition to the project, it was obvious that the applicant made every effort to keep residents informed and that there is considerable support for the proposed project, particularly from the business sector.

Project No. 31
Bigfork County Water and Sewer District – Wastewater System Improvements

This application received 3,436 points out of a possible 4,900 points and ranked 31st out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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	$4,770,000	On the priority list, but has not applied
District	Cash	$ 14,000	Committed by resolution
Project Total		**$5,634,000**	

Median Household Income:	$36,116	Total Population:	2,225
Percent Non-TSEP Matching Funds:	87%	Number of Households:	1,089

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$36.82	-	Target Rate:	$69.22	
Existing Wastewater Rate:	$51.89	-	Rate with Proposed TSEP Assistance:	$108.27	156%
Existing Combined Rate:	$88.71	128%	Rate without TSEP Assistance:	$112.21	162%

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 a gravity and force main collection system, 11 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 consists of approximately 47,000 feet of collection pipe. Improvements to the headworks at the wastewater treatment facility and three of the lift stations are scheduled for construction in 2008. 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 capacity of the plant is not large enough for the community, especially during the summer months,
- the existing treatment facility was not designed for nitrification, which raises concerns regarding compliance with a new discharge permit with strict ammonia, total nitrogen and phosphorus limits,
- some of the lift stations and collection system interceptors have limited capacity for growth, and
- excessive infiltration of sewer lines.

Proposed Solution – The proposed project would construct an advanced membrane bioreactor treatment system.

Note: The proposed project does not intend to resolve the problems with the collection system and lift stations, including those problems associated with infiltration and capacity for growth. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are compliance with capacity issues and discharge permit limits. There have been a couple of instances when the wastewater treatment facility exceeded capacity. These instances resulted in un-disinfected wastewater being discharged into Flathead Lake. The Bigfork wastewater treatment facility is currently operating below its average hydraulic loading and population design capacity. However, isolated influent events have caused the filtration and disinfection processes to be bypassed. Future growth within the district would exacerbate the problem. The secondary and tertiary components of the treatment facility would continue to have capacity issues after the completion of improvements that are currently under construction. The improvements in the proposed project would help to alleviate the hydraulic constraints in the existing treatment facility by splitting the flow between two parallel plants.

The deficiencies to be solved by constructing the treatment system include compliance with future discharge permits anticipated to have strict ammonia, total nitrogen and phosphorus limits. Public health or safety problems associated with these deficiencies are likely to occur in the long-term if not corrected.

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 65th 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 65 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 57th highest of the 65 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 52nd highest of 65 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 800 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team thought that the PER was reasonably complete. 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 has not completed a needs assessment, does not have a CIP, and did not discuss the county's CIP.

Rationale: The applicant stated that the district maintains adequate reserves for repair and replacement; annual sewer revenues have exceeded operation and maintenance (O&M) costs by an average of roughly $54,000 per year. The applicant plans to use the reserves for future projects, including collection system expansion, which are scheduled for completion in 2008. The applicant discussed the proposed rate increase, but provided no discussion of past increases, other than a slide presentation during an April 2006 public meeting that showed a proposed $6.09 rate increase. The district recently purchased equipment to televise sewer mains and locate problem areas. Since 1995, four facility plans/preliminary engineering reports have been completed looking at various aspects of the wastewater collection and treatment system.

The applicant stated that because sewer charges are based on water usage, water meters are required for all users on the district's system. The meters also encourage conservation and assess user costs equitably. Mayport Harbor, which has its own water system, will be an exception to the requirement to be metered once it is hooked-up to the wastewater system.

The applicant stated that the current wastewater facility deficiencies are primarily due to the age of the system, and are not due to neglect. Further, population growth combined with more stringent future regulatory requirements would likely exceed the existing facility's ability to treat the flows. The MDOC review team concluded that the district's O&M practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that in lieu of a capital improvements plan, the PER serves as the district's wastewater system planning document. This document will be used to assist with development of fiscal year budgets, and capital improvements planning. The proposed project is consistent with current plans. Many items on an un-adopted prioritized list, which was prepared by the district's operator in 2004, have been completed or were addressed in the latest PER.

The applicant stated that Bigfork created a community master plan to prepare for growth in the early 1990s, and in 1993, Flathead County adopted the community's land use plan as an addendum to its master plan. The addendum contains policies towards general, cultural, environmental, residential, parks and recreation, and public services and utilities goals. In 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; 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. The county's master plan was

updated in December 2007. An addendum to the master plan was adopted in March 2007, which serves as the new neighborhood plan for Bigfork.

Through an executed memorandum of understanding, the district has agreed to accept wastewater from Woods Bay Homesites Water and Sewer District, the Greater Wood's Bay Lake County Sewer District, and Sheaver's Creek Water and Sewer District.

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 financing package consisting of TSEP and RRGL grants in combination with an SRF loan and local funds. The proposed project is ranked 46th on SRF priority list; therefore, the district is eligible to apply for the loan.

The applicant determined that it is ineligible for a CDBG grant because the district does not meet the minimum 51% LMI threshold. The applicant also discussed the RD program, but concluded that RD funding was not appropriate for the proposed project. Other sources of funding were also discussed and reasonable explanations were given as to why the sources were not being sought.

The applicant stated that given its current indebtedness, the district has contributed as much as it can. Therefore, if the district is unsuccessful in receiving TSEP funds this funding cycle, they intend to pursue a TSEP grant again in 2010. Even with the TSEP grant**,** the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 no specific firms have plans for expansion at this time, but the proposed project would result in improved services for the community. Tourism is an essential part of the local economy, and the proposed improvements would increase the district's capacity for growth.

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 did not adequately demonstrate that the proposed project is a high local priority or has strong community support.

Rationale: The applicant held four meetings in regards to the proposed project. 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 show that three residents were in attendance, in addition to the board members, staff, and consultants. 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 another public meeting on April 20, 2006 at 7:00 p.m. in a local church, to discuss the wastewater system deficiencies and the application that was submitted in 2006. 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 of the expected increase in monthly user rates. Copies of the meeting notice, the sign-in sheet, and a handout of the slide presentation were included in the application.

More recently, a public meeting was held on April 16, 2008 at 7:00 p.m., which was attended by a total of 16 people. The meeting was advertised in the *Daily Inter Lake*. The district's wastewater facilities' deficiencies, alternative solutions, and the estimated cost per household increase of $19.33 per month were discussed. The applicant stated that after a question and answer period, it was noted that there was a great deal of community support for the project; however, no minutes from the meeting were included to verify that comment. Affidavits of publication for the legal notice, a copy of the legal notice, the public meeting sign-in sheet, and presentation slide materials 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 of minutes from 16 weekly meetings, March 9, 2006 through March 27, 2008, were provided in the application. Between seven and 40 people attended each meeting (usually it was over 20), at which various planning and growth issues were discussed. The applicant also included two news articles from 2006 related to the proposed project that were published in the *Bigfork Eagle*.

The application contained 19 letters of support for the proposed project from residents, 18 of which were form letters. The MDOC review team noted that all of the letters were submitted with the last application in 2006 and no additional letters of support were provided. The PER serves as the district's wastewater system planning document.

Project No. 32
City of Choteau – Wastewater System Improvements

This application received 3,432 points out of a possible 4,900 points and ranked 32nd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$ 640,200	Application has been submitted
Project Total		**$1,240,200**	

Median Household Income:	$25,708	Total Population:	1,781
Percent Non-TSEP Matching Funds:	60%	Number of Households:	1,075

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$34.64	-	Target Rate:	$49.27	
Existing Wastewater Rate:	$18.62	-	Rate with Proposed TSEP Assistance:	$60.58	123%
Existing Combined Rate:	$53.26	108%	Rate without TSEP Assistance:	$64.33	131%

Project Summary

History – Choteau's wastewater system was originally constructed in 1918. The original collection system consisted of nine-inch diameter clay-tile pipe, of which, nearly 20,000 feet has been replaced or slip lined in an effort to eliminate infiltration. A 27-acre single-cell facultative lagoon was constructed in 1953. In 2005, the Montana Department of Environmental Quality (DEQ) renewed the city's discharge permit, but included a compliance schedule that requires further reduction of infiltration and has more stringent pathogen limits for the effluent from the existing facultative lagoon.

Problem – The city's wastewater system has the following deficiencies:
- inflows to the treatment facility are two to three times what should be normally expected,
- lack of disinfection capability at the lagoon
- violation of discharge permit for biochemical oxygen demand and total suspended solids, and
- the existing lagoon is unable to achieve the treatment required to meet future discharge permit conditions.

Proposed Solution – The proposed project would:
- replace approximately 2,800 feet of sewer mains, and
- install an ultraviolet light disinfection system at the discharge of the facultative lagoon.

Note: The proposed solution does not intend to resolve all of the treatment deficiencies, which are proposed to be completed in a second phase. Therefore, except for the proposed disinfection system, treatment related 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is the volume of flow from infiltration and inflow entering the lagoon. The existing facultative single cell lagoon is unable to achieve the treatment that is required to consistently meet all of DEQ's discharge permit conditions. The volume of infiltration and inflow entering the lagoon during high groundwater months essentially makes the lagoon a flow in, flow out system. The result is incomplete sewage treatment, and potential discharge of partially or completely untreated effluent that exceeds permit levels.

During periods of high groundwater levels some collection lines are running full. When the lines are full of infiltration and inflow water, mixed with sewage, there have been instances when some residences with basements have experienced flooding. Back flowing of sewage into a residence can result in property damage and represents a serious long-term health threat.

The potential for exfiltration of wastewater into the groundwater as a result of the poor condition of some of the sewer mains represents a potential long-term health and safety concern for groundwater users.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 46.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 21st highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 17.6%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 18th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 city raised the annual sewer charge in 2000 from $4.24 to $114.60, and raised it again in 2001 to its current rate of $223.46 per year. The city also charges a one time hookup fee of $150.00 per sewer service. However the community has not shown any substantial growth that would result in increased revenue. According to the operating budgets provided, as well as being stated by the applicant, $10,000 to $12,000 has been placed in reserves annually; an additional $30,000 was to be included in this year's allocation, bringing the total reserve account to $214,525.

The applicant stated that the PER included with the application is an update to wastewater facility plans completed in 1996 and 2000. A water system facility plan was completed in 2004 and amended in 2005. Projects in recent years have included sewer collection line improvements, installation of water meters, improvements to the water supply system, and water main replacement.

The applicant stated that the problems with the collection system and treatment facility are not due to improper past operation and maintenance (O&M) practices, but rather are due to age, original construction techniques and standards, materials that were installed, and increasingly stringent treatment standards. The MDOC review team concluded that city's O&M practices related to the wastewater system are reasonably adequate.

The applicant stated that since the city installed water meters, users have decreased their water consumption. A source water delineation and assessment report was prepared by the DEQ and a wellhead protection plan has been prepared for all of its water supply sites; documentation was not included in the application, but the MDOC review team was able to verify through DEQ that the source water delineation and assessment report was completed in 2001.

The applicant stated that it completed a needs assessment in 1999, helped draft the Teton County growth policy in 2003, prepared a capital improvements plan (CIP) in 2003 (currently being updated), and facilitated a community roundtable in 2004; other than being referenced in an excerpt from the 2005 PER, there was no documentation for any of these documents in the application. A separate CIP prepared for only the city's building infrastructure was completed in 2006. The city is in the process of preparing a growth policy that would likely incorporate the recommendations of the wastewater facility plan.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The project is ranked #86 on the SRF priority list; therefore, the city is eligible to apply for the loan.

The applicant stated that the city is eligible to apply for CDBG funds; however, because the city has been unsuccessful with two prior applications to the program, based partly on the lack of community need, CDBG funding will not be pursued for the proposed project. Other funding sources were considered, and the applicant gave reasonable rationale as to why those funds were not being sought

The applicant stated that for this project to proceed, the city needs to successfully obtain the TSEP grant. Without the TSEP grant, the combined water and wastewater rate would be below 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 business expansion or the creation of any permanent jobs. However, the proposed project would improve the community's infrastructure, which is a prerequisite to attracting 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 of inadequate documentation.

Rationale: The applicant stated that a public hearing was held at the city hall on April 1, 2008 at 7:00 p.m., where the proposed improvements and the resultant sewer rate increase were presented to the public. The information was also published in the *Choteau Acantha* on April 9, which clearly discussed the proposed increase in user rates. Copies of the presentation, notice, affidavit of publication of the meeting, and the news article were included in the application. No minutes or sign-in sheets were included to show how many people were in attendance. However, minutes from seven other meetings held between February 2007 and March 2008 were included in the application. With the exception of the June 2007 meeting, where 15 residents attended, one to four residents attended each of these meetings along with city officials. Besides the article discussed previously, the application included 10 other articles relating to the proposed project that were published in the *Choteau Acantha* since 2006.

The applicant mailed a newsletter in January 2008, which included a brief history of the system, the proposed improvements needed, and an acknowledgement that the resultant sewer rates would be above

the required target rate; the actual amount of an increase was not included. The newsletter provided a template letter of support for people to utilize for providing their comments back to the city. The applicant stated that over 200 signed letters were returned to the city. The application contained seven of the actual signed form letters along with a list of 172 names of residents who sent the letters back. Additional individualized letters of support were included from the Teton River Watershed Group, the county medical center, and four residents.

Although a reference to the CIP, needs assessment, growth policy, and community roundtables was included in an excerpt from the 2005 PER, the application did not include any documentation that demonstrated that the proposed project is a high priority.

Project No. 33
Town of Valier – Water System Improvements

This application received 3,420 points out of a possible 4,900 points and ranked 33rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
Town	Cash	$ 36,622	Expended for PER and funding applications
RRGL	Grant	$ 100,000	Application to be submitted May 15, 2008
RD	Loan	$ 858,897	Application to be submitted May 2008
RD	Grant	$ 545,173	Application to be submitted May 2008
Project Total		**$2,165,692**	

Median Household Income:	$30,000	Total Population:	469
Percent Non-TSEP Matching Funds:	71%	Number of Households:	265

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$26.98	-	Target Rate:	$57.50	
Existing Wastewater Rate:	$30.00	-	Rate with Proposed TSEP Assistance:	$76.91	134%
Existing Combined Rate:	$56.98	99%	Rate without TSEP Assistance:	$84.48	147%

Project Summary

History – The Valier water system began operation about 1913. The water supply consists of four wells; three located on the southeast side of town, and one on the southwest side. A 60,000-gallon elevated storage tank is located next to pumphouse no. 4. The distribution system is composed of asbestos-cement, cast iron and PVC piping (installed in the 1970s). Because of the lack of metering, watering restrictions have been in effect year–round for the past two years. Connection to the Rocky Boy's/North Central Montana Regional Water System (RBNCM) when it becomes available was considered as an alternative, but since the town was not a part of the original group of systems that participated in authorization of the project by Congress, the currently-authorized RBNCM system capacity is not sufficient to serve Valier unless existing member systems withdraw from participation.

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

- Maximum contaminant level (MCL) violations for total coliform bacteria in the town's water system in 1991, 1993 and 2003,
- Old clay sewer main within the 100- ft control zones of wells 1 and 2 has settled and may be leaking,
- The nearly 100-year old 60,000-gallon storage tank is of insufficient volume to provide fire protection, and needs a ladder and screened vent,
- Existing source production volume is insufficient to meet maximum day demand with the largest producing well out of service as required of Montana Department of Environmental Quality (DEQ) standards,
- Lack of residential water meters causes system inability to meet peak day demands without watering restrictions during the summer irrigation season,
- The existing generator is very old and replacement parts are hard to obtain,
- Significant casing corrosion is noted in well videos of all four wells.
- The existing control system causes interruptions in well operation because of transient pressure

surges in the distribution system,
- Portions of the distribution system are very old or severely undersized.

Proposed Solution – The proposed project would:
- construct a new 210,000-gallon elevated water storage tank with 10-inch water main to connect new tank to existing eight-inch main on Montana St.
- install water meters at all service connections,
- replace 1,450 feet of eight-inch cast iron water main on Montana St.
- install a ladder and screened vent, and seal gaps at existing storage tank, and
- replace 550 feet leaking sewer main on Illinois Avenue near wells 1 and 2.

Note: The proposed solution does not intend to resolve all of the problems related to the distribution system, controls and telemetry, well improvements, installation of an additional well, or backup power supply, which would be resolved 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 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is a leaking clay tile sewer main within the 100-foot control zone of two the production wells. This deficiency was scored at a level five, but it comprised only 2% of the proposed project total construction costs. The other 98% of the construction costs are associated with activities that address public health and safety needs, such as inadequate fire protection, that were scored at a level three. As a result, an overall score of three was assigned, since the public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 45.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 24th highest of the 65 applications.**

- The percent of persons living at or below the *Poverty* level is 8.4%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 57th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the town's current combined user rate is up nearly 50% from 2004. Reserves are used to repair its water tank every two to three years. The town completed a wastewater facility plan in 1995, a wastewater system PER in 2003, and a water system PER in 2008. Since 1998, the town has completed over $2.4 million in wastewater system improvements, with $1.2 million of that being spent since 2003.

A wellhead (source water protection) ordinance was adopted in 1997 to provide for long-term protection of the water sources. In addition, a wellhead protection plan was prepared for the town by Montana Rural Water Systems, Inc. in 1998. A DEQ source water delineation and report was provided to the town in October 2003. The MDOC review team noted that an emergency response plan and a vulnerability assessment were completed for the town in May 2006.

The community has no individual water meters on its water system currently; however, the town plans to install meters at individual service connections as part of the proposed project. The applicant stated that after meters are installed, customers would be billed according to metered use, promoting a more equitable assignment of user costs; this would also allow the town to better monitor and avoid lost water due to system leakages.

The applicant stated that the current water system deficiencies are due to the age of the system, and that because of the town's attention to maintenance protocols, relatively few health and safety factors are prevalent. The MDOC review team concluded that the town's operation and maintenance practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that considerable citizen effort has been encouraged and expended for over a decade to formally identify goals for the community. The town completed a needs assessment in 1994, and adopted a CIP in 1996. After reviewing community opinion surveys compiled in 2007, the town decided to update its CIP in September 2007. The town adopted a comprehensive CIP in 2008 that

addresses all of the community's major facilities. The applicant stated that the town utilizes the CIP as a budgeting and financial tool in conjunction with its annual budgeting process to establish public works rehabilitation and maintenance priorities, and to establish funding for repairs and improvements. The proposed project is consistent with the CIP. The town uses local funds and gas tax revenues for street maintenance, and it has expended just over $78,000 for equipment purchases for parks over the last decade.

Currently, Pondera County is taking the lead in the development of a multi-jurisdictional growth policy, which will include break-out information for the City of Conrad and the Town of Valier. According to the regular council meeting minutes of November 14, 2007, the mayor read resolutions to authorize establishment of a planning board and the intent to establish a growth policy; however, the MDOC review team could not find evidence that the two resolutions were ever adopted. The applicant stated that the town's 2008 CIP has been provided to the Pondera County Commission for reference in developing policies and planning guidelines.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL and RD grants in combination with an RD loan and local reserves.

The applicant discussed CDBG grants, State and Tribal Assistance Grants, and U.S. Army Corps of Engineers Section 595 Water Resource Development Act grants, and provided a reasonable rationale why those funding sources were not being sought. The applicant noted that SRF loans do have lower interest rates; but the longer term available from RD, along with a likely grant component, offsets the benefit of the lower interest rate from SRF. The applicant stated that TSEP participation is essential in keeping the project affordable for the town's residents. Although other funding being requested is not preconditioned on TSEP funds, it is vital to the town's financial ability to proceed with the project.

Without the TSEP grant, the combined water and wastewater rate would be below 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 no long-term opportunities would be created as a direct result of this project. However, reliable and safe water service would foster commercial, residential and recreational development opportunities, which could help expand the existing tax base.

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.

Rationale: The applicant stated that between February 15, 2007 and April 14, 2008, the water project was specifically discussed at 13 council meetings. A public hearing was held on January 28, 2008 at 7:00 p.m. to discuss the community opinion survey results, funding strategies, and project priorities. The town conducted a process to elicit the strengths, weaknesses, opportunities and threats of the community from the 18 individuals who attended the meeting despite the -20°F temperature. Twelve residents along with five council members were in attendance on the evening of March 12, 2008 at the regular council meeting, which had been posted as a public hearing to discuss the CIP and the community needs. On April 2, 2008 the town mailed an informational newsletter to all water system users informing them of the public meeting on April 9, 2008. An article promoting the meeting was also published in the March 27 edition of *The Valierian.* The MDOC review team noted that although the newsletter did not inform the user of projected costs, the newsletter did state that those costs would be discussed at the April 9 meeting and strongly encouraged citizens to attend the meeting. Forty-four people, nine of which were town officials or project participants, were at the meeting. According to the April 9 meeting minutes, the recommended alternatives, project budget, and cost per household were discussed. The applicant stated that copies of each of the draft funding applications was made available to the public for their review in advance of the April 9 public meeting, affording residents ample access to information. Several funding strategies and project alternatives were provided during the April 9 public meeting. No objections to the project were received. Agendas, minutes, notices, sign-in sheets, newsletters, and news articles were included.

Along with the local newspaper's continued coverage of the town's council meetings, four articles were published by *The Valerian* regarding the water project and the town's recent accomplishments.

The applicant stated that the town's residents are in favor of the proposed upgrades to the community's water system. In a recently completed community opinion survey, of the 155 respondents, over half indicated dissatisfaction with their existing water service. Letters of support for the proposed project were received by the town from U.S. Senators Baucus and Tester, U.S. Representative Rehberg, the Pondera County Commission, Pondera Regional Port Authority, six town officials and council members, nine local businesses, and 24 local residents. The MDOC review team noted that a template of a support letter was offered as a guide to and that most of the business and resident support letters were signed form letters.

The water system improvements are identified as the community's top priority in the recently adopted CIP. The applicant stated that the growth policy that is currently being developed will involve citizen input in order to confirm priorities, issues, goals and objectives. It will provide a viable tool to guide growth and development to the community within each of the jurisdictions.

Project No. 34
Carter Choteau County Water and Sewer District – Water System Improvements

This application received 3,416 points out of a possible 4,900 points and ranked 34th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of the Legislature
WRDA	Grant	$ 850,000	Application submitted January 2008
Project Total		**$1,600,000**	

Median Household Income:	$31,563	Total Population:	200
Percent Non-TSEP Matching Funds:	53%	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)	160% 234%	Target Rate:	$36.82 (water only)	
Existing Wastewater Rate:	$12.00 community only	NA	Rate with Proposed TSEP Assistance:	$72.77	198%
Existing Combined Rate:	$71.00 community only	NA	Rate without TSEP Assistance:	$120.25	327%

Note: Base rates include up to 10,000 gallons of water per month. There is an additional charge of $2 per 1,000 gallons if more than 10,000 gallons is used per month. The "rate with proposed TSEP assistance" was derived by multiplying the percentage of users within the community (40) times their rate and multiplying the percentage of users in the rural area (42) times their rate and adding the two together. Since there would be no rate increase, the proposed monthly water rates for community users and rural users would 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 & 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 health and safety problems have a relatively high probability of occurrence after chronic exposure (exposure over many years) or a moderate probability of occurrence in the near-term as a result of incidental, short-term or casual contact.

Rationale: The MDOC 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 result in increased energy costs through pumping excess water, are a burden on maintenance personnel, and could introduce contaminants before or during repair. 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 public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 65 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 38th highest of the 65 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 23rd highest of 65 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 800 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 no, or 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 review team thought that the PER was reasonably complete. 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 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 and it was not adequately demonstrated that the capital improvements plan (CIP) has been updated since it was first prepared.

Rationale: The applicant stated that the district has approved two rate increases in the past eight years; in 2002 the rate was increased by $15.00 per month and in 2006 the rate was modified to usage based. However, the usage based increase cannot go into effect until water meters have been installed, which is expected to be completed by September 2008.

The applicant stated that the district has been working with the Montana Department of Environmental Quality (DEQ) since 1997 on the GWUDISW classification, and hired a consultant to help with the evaluation in 1999. A leak detection study was undertaken, and most of the leaks have been repaired using district reserves. The district first started having problems with breakage in its distribution system in 1999, and from 2002 to 2007 incurred a total of $135,972 in repairs and improvements. Part of that total amount was to install a supervisory control and data acquisition system, which required the district borrow $32,000 in 2000. In addition, the district borrowed $39,000 in 2003 to replace a section of line. In 2004, $20,000 was borrowed to cover additional repairs and pay for preliminary engineering. The district's repair expenses were reduced after the line was replaced; however, expenses are not expected to be less, since the district would be responsible for additional testing, maintenance on the point-of-use devices, and reading water meters. The district also operates a two-cell, total retention wastewater lagoon for Carter.

The applicant stated that the problems with the distribution system have not developed because of inadequate operations and management (O&M) practices, but rather due to age and failure of the PVC pipe. Between 2002 and 2003, over 50 leaks were repaired, and in most cases, the operator found that the cause of the leaks was parallel cracking of the pipe. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that Choteau County held a needs assessment hearing in 1999, which identified water system needs as a high priority; however, no documentation was provided. The district prepared a CIP in 2004 for the water and wastewater systems. The applicant stated that the CIP is reviewed each year, and at the 2005 annual meeting, the CIP was updated to include the distribution mains within the community of Carter; however, all dates refer to April 2004 and no update is apparent. The county prepared a county-wide growth policy in 2004, and the applicant stated that a CIP was incorporated into

it; the documentation in the application did not include a CIP. The growth policy did not make any specific references about the district's water system; only general references about water systems in the county were applicable to the proposed project. In 2002, the proposed project was added to the comprehensive economic development strategy (CEDS) prepared by the Bear Paw Development Corporation.

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 funding package does not appear to be viable.

Rationale: The applicant has proposed a funding package consisting of TSEP and WRDA grants. The district currently has a $750,000 TSEP grant for the proposed project that was awarded in 2007. However, the applicant stated that the district does not think that it would be able to secure the matching funds by the deadline of June 30, 2009; therefore, the district elected to re-apply for a new TSEP grant. Other sources of funding were considered, but the U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant seemed the most likely of the funding sources. After speaking with the congressional delegation, the district thinks that a State and Tribal Assistance Grant (STAG) could be an alternative funding source. The district evaluated all applicable grant and loan programs and provided sound reasoning for not applying to other programs, believing that users would not approve additional debt. The applicant stated that the CDBG program might be another alternative funding source, but an income survey would be necessary and the project would need to be broken into improvements within and outside of Carter. In addition, the county is currently involved in another CDBG project that would have to be completed before the county could apply on behalf of the district for a CDBG grant.

The applicant stated that the TSEP grant is vital to the affordability of the project, since the board does not think that users would approve another debt election. Without the TSEP grant, the water rate would be at or above 150% of the applicant's water target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears to have limited viability to the MDOC review team, since the amount of congressional funding of other projects in recent years has been limited and a grant of this size does not appear to be feasible. The applicant stated that the reason it is re-applying for the TSEP grant is because the district did not think that it would be able to obtain 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 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 jobs. However, a reliable water source would 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 discussed meetings in 2005 and 2006 that related to the proposed project when the applicant first applied to TSEP in 2006. There were 19 residents at the first meeting and 49 residents in attendance at the second meeting. More recently, the district held its annual meeting at 7:30 p.m. on November 5, 2007 at the community hall in Carter. The proposed project was briefly discussed and the decision was made to re-apply to TSEP. The district held a public hearing at 7:45 p.m. on April 7, 2008, at the school in Carter. In addition to board members, staff, and consultants, 11 residents attended the meeting in 2007 and 2008. A newsletter was mailed directly to members to advertise the 2008 hearing; it does not appear that it was advertised in the newspaper. A handout was provided regarding the proposed improvements and they decided to re-apply to TSEP. A copy of the newsletter, minutes, sign-up sheet, and handouts was included in the application.

The minutes from each of the meetings reflect that everyone has been in support of the project, especially applying for grants. The application included seven letters from residents in support of the proposed project that were written in 2008; letters of support from the county commissioners and Bear Paw Development were also included. The application also included six letters of support from residents written in 2006, along with three letters from the district and one from the county commissioners to the congressional delegation asking for support for a federal appropriation.

The district has a CIP for its water and wastewater systems and the proposed project is a high priority.

Project No. 35
City of Hardin – Wastewater System Improvements

This application received 3,404 points out of a possible 4,900 points and ranked 35th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$3,697,712	On the priority list, but has not applied
City	Cash	$ 765,000	Committed by resolution
Project Total		**$5,062,712**	

Median Household Income:	$28,018	Total Population:	3,384
Percent Non-TSEP Matching Funds:	90%	Number of Households:	1,295

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$22.95	-	Target Rate:	$53.70	
Existing Wastewater Rate:	$19.97	-	Rate with Proposed TSEP Assistance:	$53.96	100%
Existing Combined Rate:	$42.92	80%	Rate without TSEP Assistance:	$56.28	105%

Project Summary

History – The wastewater collection system in Hardin was constructed in 1917 with clay tile pipe. Numerous extensions and upgrades have been made since that time including collection system replacement projects in 2000 and 2003. The collection system includes one lift station, which is scheduled to be replaced in 2008. The wastewater is treated in mechanical activated sludge plant constructed in 1979 and discharged to the Little Bighorn River. The point of discharge is within the boundaries of the Crow Tribe Reservation. Therefore, permitting is under the jurisdiction of the Environmental Protection Agency as opposed to the Montana Department of Environmental Quality (DEQ).

Problem – The city's wastewater system has the following deficiencies:
- significant infiltration and inflow within the collection system,
- poor structural condition of sewer mains and pipe slopes less than minimum,
- violation of discharge permit due to fecal coliforms,
- chlorine residuals near maximum permit limits, and
- several problems specific to the Watson Drive Subdivision including groundwater contamination through failing septic tanks, and fecal coliform and bacteria in wells.

Proposed Solution – The proposed project would:
- replace or rehabilitate approximately 31,000 feet of sewer main,
- install an ultraviolet light disinfection system, and
- install approximately 1,200 feet of new sewer main and a new lift station to serve the Watson Drive Subdivision.

Note: The proposed solution does not intend to resolve all of the problems related to the collection system as some of the lesser priorities would be resolved 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 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are groundwater contamination in the Watson Drive area, lack of adequate disinfection of the treated wastewater, and excessive infiltration and inflow in the wastewater collection system. The Watson Drive area represents the highest priority from a public health standpoint. The area has reportedly experienced groundwater contamination, fecal coliform in drinking water wells, and illnesses attributed to the drinking water. This area is currently outside city limits and is on individual water wells and septic systems.

The lack of adequate disinfection of the treated wastewater represents a potential health and safety concern for users of the Bighorn River. The current gas chlorination system represents a potential safety hazard to the treatment plant operator.

The collection system experiences increases in wastewater flows during summer months and during major precipitation events. Sewer mains built in 1917 and the 1950s are in poor structural condition and there are pipes with slopes less than the minimum recommended by DEQ. The treatment system is exceeding permit limits for fecal coliform and has chlorine residuals at or near the permit limits.

The potential for exfiltration of wastewater into the groundwater as a result of the poor condition of some of the sewer mains represents a potential health and safety concern for groundwater users.

Backups of sewage into basements have been reported as 'several sewer backups per year'; however, it is not clear if the proposed project would resolve these backups.

The problems within the Watson Drive area and the lack of adequate disinfection represent approximately 7% and 5% of the overall project cost, respectively. The public health and safety problems associated with infiltration and inflow deficiencies, which represent the majority of the proposed project, are likely to occur in the long-term if not corrected. Scores for the various components were pro-rated and an overall score of three was assigned.

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 65th 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 65 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 49.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 15th highest of the 65 applications.**
- The percent of persons living at or below the *Poverty* level is 23.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 8th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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's planning efforts have been relatively recent.

Rationale: The applicant stated that the city increased both water and sewer rates in 2002, with sewer rates increasing by 60%; the applicant did not provide further details about what the rates were before they were changed. The rate increase has allowed the city to build approximately $100,000 of reserves each year in anticipation of the proposed project. As a result, the city would be able to contribute approximately $765,000 in cash for the proposed project.

The applicant stated that planning for the wastewater system extends back to 1986 when a comprehensive master facility plan was completed that included planning for the water, wastewater, stormwater, and street systems, etc. Three wastewater system studies have subsequently been completed since that time including a wastewater system infiltration and inflow study in 1990, a wastewater facilities plan in 2002, and the wastewater system PER in 2008.

The applicant stated that as a result of these studies, the city has replaced approximately 20,000 feet of the collection system since 1974. A project in 2003 also included major upgrades to the wastewater treatment plant including rehabilitation of the headworks, new mixers for the oxidation ditch, new walkway and handrails for access to the oxidation ditch aerators, and spot paint on the clarifiers. The water system is fully metered and charges are based upon actual water usage.

The applicant stated that none of the problems to be resolved are of recent origin or have developed because of inadequate operation and maintenance (O&M) practices. The majority of the pipeline proposed for replacement and/or rehabilitation is over 90 years old, and the violations of the discharge permit are due to changes in permit limits. The city purchased a sewer jet truck, and on average, mains are cleaned approximately every two years. This routine cleaning keeps pipes generally clean and flowing, especially where pipe slopes are below minimum recommended grades. The MDOC review

team concluded that the city's O&M practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that the city recently completed a needs assessment and a capital improvements plan (CIP). The applicant did not discuss the needs assessment further, but documentation included in the application showed that the needs assessment was conducted in 2008 and the wastewater improvements are a high priority. The proposed project is the top priority in the comprehensive, five-year CIP that was adopted in April 2008. The applicant stated that the city is included in the comprehensive economic development strategy (CEDS) prepared by the local economic development corporation in 2001; however, the project listed in the CEDS was completed in 2003 and the 2001 CEDS has not been updated to reflect the proposed project. In 2002, the city completed its first growth policy, and is now in the process of negotiating a contract to develop a new plan that is expected to be completed by 2009. The current growth policy indentified the collection, treatment, and disposal of wastes in a safe, efficient, economical, and nuisance-free manner the number one goal and objective. Therefore, the proposed project is clearly consistent with all of the city's planning documents.

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.

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 89th on the SRF priority list; therefore, the city is eligible to apply for the loan.

The applicant discussed the possibility of a CDBG grant since the city is close to the eligibility threshold with an LMI percentage of 49.3%. The city attempted an income survey, but the response rate was poor, even after several mailings, and the results still showed an LMI percentage of less than 50%. As a result, the city is not eligible to apply for a CDBG grant. The applicant also discussed a Coal Board grant since the city falls within the boundaries to make them eligible to apply. However, the applicant stated that this source of grant funding is very limited, and as a result is extremely competitive. The city decided not to pursue this grant, since it is considering using coal board grants for several other smaller projects, and it is unlikely that they would receive funding for such a large construction project. The applicant also discussed RD funding, but not in terms of a grant, for which it would be eligible. The applicant also discussed State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grants, and concluded that these grants are extremely competitive and difficult to obtain.

The applicant stated that the TSEP grant is not essential to obtaining other funding, but not receiving the TSEP grant would cause a hardship for the overall project. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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, and there are no specific businesses to be expanded. However, the wastewater system is part of the community's basic infrastructure and is essential for maintaining a viable community.

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 public participation started prior to 2000 with the Watson Drive area. Unfortunately, the residents were not able to meet annexation conditions, and the project was dropped. However, the issue was revisited during the early stages of planning the proposed project. An informal meeting was held at the city offices on October 17, 2007 at 6:30 p.m., with many of the residents from the Watson Drive area present. There was a discussion of possible inclusion into the proposed project, and the residents seemed to be overwhelmingly in support of expanding sewer service to the area. Two residents had some concerns regarding keeping animals on their property. Since the meeting, residents have completed a petition for annexation and the city has started the annexation process. No documentation was provided about the 2007 meeting.

The applicant stated that another informal public meeting was held on December 4, 2007, when the funding strategy and phasing options were presented to the city council; no documentation provided. A public hearing was held at 7:00 p.m. on February 19, 2008, with 11 residents attending in addition to city officials and consultants. Separate hearings were held for both the PER and a needs assessment. A handout showed that there would be a minimum increase in rates of $10.78. A second public hearing was held at 7:00 p.m. on April 15, 2008, with 13 residents attending in addition to city officials and consultants. The overall project, the various funding sources, and the anticipated cost increases per household were presented at the hearing. Again, the handout showed that there would be a minimum increase in rates of $10.78. The applicant stated that at the public hearing in February, attendees were told the cost per household would be $12.01, and the amount was revised to $11.08 at the April hearing; the documentation does not confirm that statement. The application included copies of the affidavit of publication of the meeting notice, agenda, minutes, presentations, and sign-in sheets for both hearings in 2008.

The applicant stated that public comment was solicited at the hearings, and all residents present at the hearings except for one seemed to be in support of the project, especially the expansion of sewer services to the Watson Drive area. There was one individual at the February hearing that owns property in the Watson Drive area and he has farm animals on it that are part of a business. The individual noted that he did not want to give up his business or animals in order to be annexed into the city. However, he also noted the importance for sewer services in the area. The minutes from the hearing do not provide any detail in regards to support for the proposed project, or about the testimony from the one individual.

The application included a petition in support of the proposed project that was signed by 22 people. Information about the proposed project, including a statement that residential user rates would increase by approximately $11 per month, was shown at the top of the petition. The user rates are projected to increase by $11.04.

The applicant demonstrated that the proposed project is a high priority, as shown in the city's needs assessment, CIP, and growth policy.

Project No. 36
Upper/Lower River Road Water and Sewer District – New Water Distribution and Wastewater Collection System

This application received 3,400 points out of a possible 4,900 points and ranked 36th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
City CDBG	Grant	$ 332,000	Funds committed
State CDBG	Grant	$ 450,000	Application expected to be submitted May 2009
SRF	Loan	$ 285,600	Is not yet eligible to apply, since it is not on the priority list
Project Total		**$1,667,600**	

Median Household Income:	$36,153	Total Population:	135
Percent Non-TSEP Matching Funds:	70%	Number of Households:	50

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA		Target Rate:	$69.29	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$73.37	106%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$152.83	221%

Project Summary

History – The Upper/Lower River Road Water and Sewer District is located immediately south of the city limits of Great Falls on the east side of the Missouri River. The district was formed in 2001 to deal with water quality problems in the area, related to the fact that there is no centralized water or wastewater system serving the area. The Montana Department of Environmental Quality (DEQ) and the city county health department (CCHD) conducted a groundwater study in the area in 1998, finding high levels of nitrate and ammonia in the drinking water wells. The overall district has an estimated 440 parcels and 387 living units with a population of 1,109 persons. The city already has 12-inch water and sewer trunk mains that go through the district, serving a developed, annexed property outside of the west edge of the district. The multi-phased project is connecting the district to the city's water and wastewater systems by tying into the existing trunk mains. There have been two previous phases that were awarded TSEP grants. There are eight subdivisions and five mobile home parks in the northern portion of the district that are currently being served by on-site water and wastewater systems that would be included in the proposed project.

Problem – The lack of a water and/or wastewater system in the proposed project area is creating the following problems:

- on-site wastewater systems in the area are suspected of causing elevated levels of nitrate and ammonia in the drinking water wells in the district as a whole, but only elevated nitrate is showing up in the proposed project area,
- small lot sizes in the proposed project area are generally insufficient to allow for required 100-foot separation between well and septic drainfield and few lots have replacement drainfield areas, and
- some project-area wells have elevated levels of naturally occurring iron.

Proposed Solution – The proposed project would:

- extend approximately 3,910 feet of eight-inch and 630 feet of 12-inch PVC water main from the city's trunk main,
- install approximately 11 fire hydrants,
- extend approximately 1,985 feet of eight-inch and 700 feet of 10-inch PVC sewer main from the city's trunk main,
- install approximately nine manholes,
- install approximately 50 water and sewer service connections, and
- install approximately 50 water meters.

Note: An additional area that is served by on-site water and wastewater systems still remains within the district, which may be addressed in a subsequent phase.

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 water and wastewater system have occurred or are imminent.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of documented contamination of the ground water that is being used as a source of drinking water for private wells, failed septic drainfields within the proposed project boundaries along with soil properties that allow too-rapid drainage of wastewater in areas, and insufficient lot sizes to allow for replacement septic drainfields. Nitrate values measured in a contiguous project area range from 4 to 15 mg/L. The maximum value of 15 mg/L represents an acute nitrate level because if exceeds the MCL of 10 mg/L. The public health consequences of continued consumption of the ground water without the proposed improvements being made are imminent.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 35.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 53rd highest of the 65 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 48th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 no discussion of a capital improvements plan.

Rationale: The applicant stated that prior to a groundwater study conducted in 1998, there was no comprehensive knowledge of an area-wide problem. The district was created in 2001, and a water and wastewater PER was prepared in 2002. Supplements to the PER were completed in 2004 and 2008.

The applicant stated that service meters would be installed as part of the project. The six public water and sewer systems within the district have received numerous administrative orders and health advisories related to substandard operation and maintenance (O&M) practices. However, upon completion of each phase of the total project, that particular area would be annexed into the city. The MDOC review team concluded that the operation and maintenance practices of the individual systems appear to have been inadequate; however, the city would be responsible for future O&M of the system after annexation.

The applicant stated that Cascade County completed a needs assessment in 2003, in which 18 different public services were identified as in need of improvement. Next to police, fire, and road concerns, the need for improved water quality and public utility service was noted as the fourth highest priority on a countywide basis. The county adopted its growth policy in 2006 and the proposed project is consistent with many of the recommendations presented in it.

The applicant stated that the proposed project is consistent with the city's community development plans. The project brings the district closer to full integration into the community and would provide for better planning and more organized growth. South central Great Falls presents the best opportunity for urban growth due to the size and extent of city utilities in that area and the constraints of other areas adjacent to the city.

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL and CDBG grants in combination with an SRF loan. The proposed project is ranked sixth on the SRF drinking water project priority list and is ranked sixth on the wastewater list for the second phase of the project. The third phase, which is the proposed project, is not on the list; therefore, the applicant does not appear to be eligible to submit an application for a loan. The district has successfully negotiated with the city, through the memorandum of understanding (MOU), for a portion of the city's CDBG entitlement funds. The MOU has established the utility connection and annexation policies, and in return the city has agreed to provide $1 million towards completion of the overall project. Each phase would receive a population based proportionate share of the total amount. The MDOC review team noted that the city CDBG funds will be totally expended with the completion of the proposed project. Rural Development was contacted regarding their interest and capability in providing financial assistance to the district. Given the future annexation and utility connection conditions, RD cannot support the project. Additionally, the MHI of the district shows median family incomes may be above RD grant eligibility guidelines. Because of the unknown status of future U.S. Army Corps of Engineers Section 595 Water Resource Development Act and the State and Tribal Assistance Grants funding, the selected alternative does not include either source to complete a viable funding package. However, applications were submitted in February and March 2008 to all three members of the congressional delegation; the applicant did not discuss what the district would do with any congressionally appropriated grants.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that due to the limited number of ratepayers, existing utility fees and high project cost, all proposed grant funds are essential to obtaining further funding. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 there is no business expansion or jobs that are specifically dependant on this project. However, any new development utilizing on-site disposal systems that discharge to the groundwater are effectively prohibited. This "building moratorium" has stopped any new home construction, and residents have not been encouraged to add value to existing homes via remodeling. The project area is currently residential only. In addition, the applicant stated that 100% of the projected revenues would come from residential hookups.

The applicant stated that river frontage around the city has been "discovered" and there is increasing demand for river front commercial property. Currently, there is minimal developable space along the river due to public ownership, railroad rights of way, and environmental contamination concerns. If and when public utility service is placed adjacent to the Missouri River through the district, there would be immediate

interest to convert lands within the district to a higher and better use. There was no documentation in the application related to either of these comments.

The applicant also stated that south central Great Falls presents the best opportunity for urban growth due to the size and extent of city utilities in that area, and the constraints of other areas adjacent to the city. This project is somewhat of a "cornerstone" project to set the tone of future development in Great Falls.

The applicant also stated that a failure of any of the small public drainfields in the mobile home courts would effectively shut down those courts, which would displace low to moderate income families and harm the tax base

The applicant stated that the proposed project would encourage expansion of the local tax base by bringing the opportunity for low cost, low impact, "in-fill" type development to the community. One example of growth directly created involves a developer with property within the first phase boundaries; a subdivision with 30 lots is currently under construction and will provide the district a secondary source of revenue.

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 only one meeting was held and the applicant did not adequately demonstrate that the proposed project is a high local priority.

Rationale: The applicant stated that the district holds meetings at the MSU College of Technology (COT) the first and third Mondays of each month, which are advertised in the *Great Falls Tribune.* Notice of the meetings is also posted on the day of a meeting on the main entrance doors of the college. In addition to the bi-weekly meetings, the district held a public hearing on April 21, 2008 at 7:00 p.m. at the MSU COT, which was advertised in the *Great Falls Tribune* as well as being included in a newsletter mailed April 15, 2008. According to minutes the hearing was attended by eight residents along with local officials and consultants. The attendees were provided with a handout and also heard discussion about the proposed project and the alternative solutions, project/user costs and funding strategies. Copies of the handout, newsletter, minutes, the notice, and the affidavit of publication were included in the application. The application included numerous newsletters, county and district hearing meeting agendas and minutes, notices, affidavits of publication, and news articles published in the *Great Falls Tribune* for the previous and current phases of the project.

The application included letters of support for the proposed phase of the project from the county commissioners and the city mayor. The application also included letters of support for the prior phase of the project from the county commissioners, city mayor, city-county health department, one resident, and 194 signed form letters. The form letter simply stated that the person(s) was in support of installing affordable public water and sewer service to the area, and grant funds are needed to make it affordable; it did not reference any total project cost or projected monthly user charges.

The applicant stated that the district creation and board election process is the best indicator of citizen support for the project. A petition process initiated district creation, which was followed by a vote of the people to create the district in 2001. The first bond election in November 2003 failed, but the applicant thought that this resulted from having to comply with the city's annexation requirements. Once the first TSEP grant had been secured in 2003, the district proposed to install the wastewater collection system in the first phase. However, the city was concerned that the citizens would vote themselves into debt for sewer improvements, without any guarantee that the future water improvements would ever be undertaken. Therefore, the bond election included a request to authorize bond issuance for a future water phase that had no grant funds as of yet and extremely high costs per user, which hurt the bond issue tremendously. The project engineer restructured the proposed project so as to install both water and wastewater improvements within a portion of the district. This smaller sub-district in the southern portion of the district passed its bond election in August 2004 and a bond election for the north portion of the district (the second phase) passed in December 2006.

Project No. 37
Gildford County Water and Sewer District – Wastewater System Improvements

This application received 3,396 points out of a possible 4,900 points and ranked 37th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $538,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 538,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$ 439,800	On the priority list, but has not applied
District	Cash	$ 20,000	Expended on PER
Project Total		**$1,097,800**	

Median Household Income:	$33,125	Total Population:	185
Percent Non-TSEP Matching Funds:	51%	Number of Households:	76

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$56.72	-	Target Rate:	$63.49	
Existing Wastewater Rate:	$10.52	-	Rate with Proposed TSEP Assistance:	$101.02	159%
Existing Combined Rate:	$67.24	106%	Rate without TSEP Assistance:	$147.99	233%

Project Summary

History – Gildford is an unincorporated community located approximately 26 miles west of Havre. The wastewater system was constructed in 1981. There have been no major improvements since it was constructed. The system consists of conventional gravity collection system, a small grinder station, one major lift station, force main piping, and two total retention lagoon cells. The grinder station serves two homes in the northwest corner of the community. The lagoon is located approximately one-third of a mile east of the community. The district was created in 1990.

Problem – The district's wastewater system has the following deficiencies:
- raw sewage backs up into one of the homes connected to the grinder station, and
- wastewater is leaking through the retention ponds into the shallow aquifer.

Proposed Solution – The proposed project would:
- construct two new grinder stations,
- install 400 feet of force main,
- install a synthetic liner at the lagoon, and
- remove and dispose of existing sludge.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is partially treated wastewater entering the shallow aquifer because of leakage at the lagoon. Partially treated wastewater is entering the shallow aquifer based on water balance calculations for the primary cell. Calculations indicate that 27.5 inches of seepage occurs per year, which is more than four times the allowable amount. Groundwater degradation is a health concern, especially for local residents with shallow wells. Well logs in the area show that most people are accessing water from the shallowest aquifer. Groundwater monitoring well data upgradient and downgradient of the ponds show a slight increase in nitrogen levels. The limited data indicates the possibility of groundwater contamination, which presents a health and safety concern in the long-term.

A second significant health and safety concern is raw sewage backing up into a home that is connected to the wastewater collection system by a grinder station. The last two occurrences were in March of 1999 and September of 2006. However, this portion of the project accounts for less than 10% of the overall project based on construction costs and is not a widespread deficiency.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 28.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 61st highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 4.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 63rd highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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's planning efforts have been relatively recent.

Rationale: The applicant stated that the district does not have separate accounts for the water and sewer systems; both systems are combined in a single fund. In the past three years, the reserve account balance for the two systems has been at a low of $85,696 and a high of $109,984. In the past year, the district expended $2,082 for repairs to the sewer system. The district has water meters for each connection, and purchases water wholesale from the Hill County Water District.

The applicant stated that the deficiencies relate to the original design of the system and not the district's operation and maintenance (O&M) practices. The district has had to cope with a dwindling customer base and escalating costs. The MDOC review team concluded that the district's O&M practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that Hill County conducted a community needs assessment hearing in 2007, and the wastewater system in Gildford was identified as a community need. In January 2008, the district conducted its own community needs assessment survey; 90% of the 40 responses thought improvements to the sewer system were important or very important. The district adopted its first capital improvements plan (CIP) in April 2008, and plans to review and update its CIP as part of its annual budgetary process. The CIP covers only the water and wastewater systems; the wastewater portion is essentially a summary of the PER and there is no schedule of planned capital improvements. The proposed project is ranked as the top priority. The project is also included in Bear Paw Development Corporation's annual work plan and is identified in its comprehensive economic development strategy (CEDS). Hill County currently does not have a countywide growth policy, but plans to prepare one that would include information regarding each of the county's rural water and sewer districts.

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 did not state how a STAG or WRDA grant would be used, and the MDOC review team had concerns about the district being able to pass a bond election.

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 100th on the SRF priority list; therefore, the district is eligible to apply for the loan.

The applicant stated that the district had hoped that an income survey would demonstrate that it was eligible for a CDBG grant, but the survey results showed that they are only 38% LMI. Because of the median household income, the district does not qualify for an RD grant. The district submitted an application to each member of Montana's congressional delegation to obtain a State and Tribal Assistance Grant (STAG) and/or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant. The applicant did not state how a STAG or WRDA grant would be used;

therefore, the MDOC review team assumed that it would be used to reduce the loan component of the funding package.

The applicant stated that TSEP funding is vital to the affordability of this project. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package generally appears viable to the MDOC review team; however, the team has concerns about the district being able to pass a bond election.

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 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 demonstrate that the local residents are clearly and strongly in support of the proposed project.

Rationale: The applicant held a public hearing at the elementary school in Gildford at 7:00 p.m. on April 9, 2008. Notice of the hearing was provided by an article in the *Havre Daily News*, a legal notice, and a newsletter; the application did not include an affidavit of publication of the legal notice. Two flyer type notices were also included, but the applicant did not state whether these were mailed or posted in town. The newsletter, which was sent to all residents, described the proposed project and the impact it would have on user rates. In addition to the two engineers, 21 residents attended the hearing to learn more about the proposed project and to review the community assessment survey conducted in January. A handout was provided that described the proposed project and the impact it would have on user rates. A straw vote was also conducted at the hearing to determine support for the proposed project given the required increase in rates; 15 people were in favor of the proposed project and two were opposed. The district conducted a second straw vote by sending a ballot out by mail on April 19. A cover letter explaining the proposed project and its impact on rates was sent along with the ballot. Ballots were sent to each of the district's 91 sewer customers, and 43 ballots (47%) were returned; 30 people (70% of the respondents) were in favor of moving forward with the proposed project and 13 people (30% of the respondents) were opposed.

News articles describing the proposed project, including the impact it would have on user rates, were published in the *Havre Daily News* and the *Great Falls Tribune* following the hearing. The application included a fourth newspaper article dated December 4, 2007 from the *Havre Daily News* that briefly discussed the proposed project. The application included copies of the legal notice, newsletter, flyers, minutes, handout, sign-in sheets, and the news articles. Copies of the ballots, cover letter for the second ballot, and the results were also included in the application.

The application included one letter of support for the proposed project from the two home owners affected by the backup of raw sewage. Both the community needs assessment survey and the CIP show that the proposed project is a high priority.

Project No. 38 (Tied)
Town of Big Sandy – Wastewater System Improvements

This application received 3,380 points out of a possible 4,900 points and ranked 38th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application to be submitted in May 2009
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
Town	Cash	$ 22,000	Committed by resolution
RD	Grant	$1,218,157	Application submitted on May 2008
RD	Loan	$ 416,858	Application submitted on May 2008
Project Total		**$2,707,015**	

Median Household Income:	$28,523	Total Population:	656
Percent Non-TSEP Matching Funds:	82%	Number of Households:	296

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$29.03	-	Target Rate:	$54.67	
Existing Wastewater Rate:	$19.75	-	Rate with Proposed TSEP Assistance:	$62.03	113%
Existing Combined Rate:	$48.78	89%	Rate without TSEP Assistance:	$68.56	125%

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 fourth cell, which was constructed as part of the original system in the 1960s is used during the summer for storage. The first phase of improvements to the collection system and lift station, which is being funded by a 2007 TSEP grant, is in the design phase, with construction scheduled for late 2008, or early 2009.

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

- significant infiltration to old clay collection pipes,
- several areas of town are lacking access to sewer service,
- insufficient number of manholes,
- no provisions for addressing future permit limits for nutrients,
- the existing large storage cell does not contain a synthetic liner and may be leaking and contaminating groundwater,
- likely high ground water at the treatment site, which could complicate draining of cells for maintenance and also increases the potential for groundwater contamination,
- the existing pontoon aerators tend to freeze up during the winter,
- the facility has had four permit violations since 1999,
- the chlorine gas used for disinfection poses a risk to the safety of maintenance personnel,
- no provisions for measuring flow rate or for disinfecting effluent from the existing large storage cell,

and
- no provisions for influent flow measurement.

Proposed Solution – The proposed project would:
- construct a new storage cell, and
- install a new spray irrigation system.

Note: Additional collection system deficiencies would be addressed 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 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are the potential for contaminating groundwater, the safety hazard for operators using chlorine gas, and the inability to meet future permit limits for ammonia and phosphorous. The existing storage cell is unlined and there is a potential that the cell may be leaking and contaminating groundwater. The high groundwater at the treatment site increases the potential for groundwater contamination. The use of chlorine gas for disinfection poses a safety risk to the maintenance personnel. This is a potential hazard to the operators and would continue until this is changed.

The Montana Department of Environmental Quality (DEQ) indicated that Big Sandy will likely have limits for ammonia and phosphorous within its 2010 permit. Although the permit limits are unknown at this time, the removal of nutrients requires a more advanced level of treatment through controlled biological and chemical processes that are typically achieved by more costly and complicated mechanical type plants. Aerated lagoons, such as Big Sandy's existing system, will not be adequate for nutrient removal. In addition, due to the low flows in Big Sandy Creek, an allowance for a mixing zone within the creek to allow for dilution will likely not be accepted by DEQ. The proposed non-discharging facility would avoid many of these future permitting issues.

The public health and safety issues associated with these deficiencies are likely to occur in the long-term if not corrected.

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 65th 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 65 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 26th highest of the 65 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 24th highest of 65 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 800 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team thought that the PER was reasonably complete. 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 relatively recent and the community does not have a growth policy.

Rationale: The applicant stated that a resolution to raise the sewer rate by $8.00 per month at the completion of the phase 1 project was passed on April 21, 2008. The town has cleaned the collection lines annually since 1983. Since 1985, the town has replaced approximately 10,000 feet of collection lines with PVC. However, the town has not replaced any lines for the past four years, as the town's crews have been concentrating on water system upgrades. The town typically replaces three motors within the eight operating aerators each year. Although the town has had repair and cleaning expenses of the sewer system of up to $40,000 per year, the town has been able to maintain a reserve of approximately $95,000.

The applicant stated that 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. From 2000 to 2006, the town also used local resources to unsuccessfully drill six wells in its search for additional water.

The applicant stated that the problems with the lagoon are not due to the fact that it is not operating as designed, but rather the permit limits have changed since the lagoon was constructed in 1984. The MDOC review concluded that the town's operation and maintenance (O&M) practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that the town became a member of Bear Paw Development Corporation and completed a community resource assessment in 2003. According to excerpts from the assessment, 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. In 2005, the local chamber of

commerce prepared a downtown vision plan. The plan identified 10 possible design solutions, including upgrades on Johannes Avenue. However, before a median project on Johannes Avenue could be implemented, the sewer line under the avenue must be replaced, which would be accomplished during the project currently being designed. A comprehensive, five-year capital improvements plan (CIP) was completed in 2006, which was updated in 2008. The proposed project is the number three priority of the town, with the first two already being pursued. The proposed project was added to Bear Paw's comprehensive economic development strategy (CEDS), which showed the town's wastewater system is a high priority. Although the town does not have a growth policy, the applicant has been awarded a CDBG planning grant to prepare one. A city planning board was created in 2007, which hired a firm to complete the growth policy; it is anticipated to be presented to the council by December 2008. A needs assessment was conducted in February 2008 and results showed that sewage disposal ranked as a very high priority.

After a previous informational meeting held in February, on April 30, 2008, the town executed a letter of understanding with a landowner for the possible use of the land for spray irrigation.

The applicant also described other projects completed based on prior CIP priorities, which included installation of street and welcome signs, a feasibility study on the of the use of clean renewable energy bonds (determined to be economically unfeasible), completion of rest area park improvements, replacement of pool decking, and acquisition of mosquito spray equipment.

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 the uncertainty of the other funds and the TSEP funds were not considered to be critical to the project.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, 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 was awarded a grant for the current project and is not eligible to reapply to CDBG until the project is 75% complete. It is the goal of the town to have the current project under construction by September 2008 and to apply for CDBG assistance in May 2009. 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. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that the town could increase their RD loan if RRGL funds were not awarded; but, if either TSEP or CDBG funds were not awarded, the proposed project could not move forward, because the resultant user rates would be unaffordable. Without the TSEP grant, the combined water and wastewater rate would be below 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package.

The MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 jobs for Montanans. However, use of the wastewater would supplement a ranch's existing irrigation source and would provide additional water later in the irrigation season.

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 the proposed project has strong support from local residents.

Rationale: The applicant stated that the residents of Big Sandy were very active in the community's planning efforts, especially the downtown vision plan and community resource assessment.
The town mailed three newsletters (dated March 2006, April 2006, and April 2007-prior to the applications for the first phase of improvements) to all residents to inform the public about the PER process and the deficiencies with the wastewater facility. The town held five public hearings on the evenings of March 7 and April 18, 2006; April 5 and May 3, 2007(all related to the first phase) and March 26, 2008 (for the second phase). The 2007 hearings were held at the city hall and the other three were held at the local high school. Local officials, consultants, and 20 residents attended the March 7 meeting. Local officials, consultants, and 16 residents attended the April 2006 meeting. The public was informed of the anticipated user charge increase through the newsletters and at the April 2006 public hearing and also through a handout at the May 2007 public hearing. Four residents, along with town officials and project representatives attended the April 2007 hearing. The MDOC review team noted that the meeting time had been incorrectly advertised at 4:00 p.m. instead of the actual 7:00 p.m., a possible reason for the low number of citizens at the hearing. The May 2007 hearing had six residents in attendance; and 26 people, 17 of which were local officials, planning board members, and project representatives attended the March 2008 hearing, which included discussion of the proposed rate increase. A sign-in sheet was included for a chamber meeting held on April 16, 2008; however, the MDOC team could not find any other information related to that meeting. 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 and agendas 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 applicant stated that because people do not think about their sewer once they flush their toilet, and particularly do not think about treatment of their wastewater, unless the lagoon stinks. As long as it flushes people do not worry about their sewer system. For that reason, the town has not received any letters of support for the proposed project. However, the MDOC review team did find a letter of support from the area certified regional development corporation.

The current CIP lists wastewater system improvements as the third priority, with the top two already being addressed. The needs assessment survey results showed that sewage disposal was a high

priority; however, the MDOC review team noted that nine of the 20 categories ranked were also high priorities, five of which had a higher number of votes for being a high priority. The proposed project is also a high priority in the CEDS.

Project No. 38 (Tied)
City of Ronan – Water System Improvements

This application received 3,380 points out of a possible 4,900 points and ranked 38th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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
CDBG	Grant	$ 450,000	Application submitted May 2008
RD	Grant	$ 300,000	Application submitted May 2008
RD	Loan	$4,195,000	Application submitted May 2008
Project Total		**$5,795,000**	

Median Household Income:	$22,422	Total Population:	2,000
Percent Non-TSEP Matching Funds:	87%	Number of Households:	800

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$19.92	-	Target Rate:	$42.98	
Existing Wastewater Rate:	$23.96	-	Rate with Proposed TSEP Assistance:	$73.25	170%
Existing Combined Rate:	$43.88	102%	Rate without TSEP Assistance:	$76.44	178%

Project Summary

History – Ronan's source of water is supplied from two wells and Crow Creek, the later being an unfiltered surface water supply. From the Crow Creek intake the water flows to a surface water impoundment reservoir. The surface water is subsequently disinfected using both ozone and chlorine. The ground water sources are treated using only chlorine. The distribution system includes a 750,000-gallon elevated storage tank.

Problem – The city's water system has the following deficiencies:
- supply cannot meet maximum day demand with the largest producing source out of service,
- inadequate storage capacity,
- surface water supply cannot meet requirements of Long-Term 2 Enhanced Surface Water Treatment Rule (LT2) for design flow,
- undersized mains,
- dead end mains, and
- cannot provide the fire flows recommended by the Insurance Services Office at many locations under all flow conditions.

Proposed Solution – The proposed project would:
- construct a 750,000-gallon elevated storage tank and associated piping, pressure reducing station, booster station with auxiliary power and pump control system, and
- install a new 600 gpm well with auxiliary power and test well and 240 feet of six-inch distribution main, 700 feet of eight-inch distribution main, and 2,600 feet of 16-inch distribution main, and chlorine disinfection.
- replace four-inch distribution main by installing 450 feet of six-inch and 4,400 of eight-inch main.

Note: Additional distribution main improvements are proposed for future phases.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of inadequately treated surface water such that the system cannot meet the requirements of the Long-Term 2 Surface Water Treatment Rule for the design maximum day demand. Installation of a new well would address this deficiency by providing the city with a source that does not require surface-water treatment; only chlorine disinfection. This component of the proposed project was scored at a level five, since it is an imminent threat; however, it represents only 25% of the construction costs. The remaining components, representing 75% of the construction costs, were scored at a level three since they are considered long-term threats. The scores for these various project components were pro-rated, resulting in a score of 3.5, which was rounded up to a level four.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 55.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 8th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 24.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 7th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including: whether rights-of-way, easements, or leasing agreements, etc., would be needed for the proposed new well and storage tank; adjacent land use for the proposed sites was not mentioned as per the Uniform Application; the management alternative of installing a pressure reducing station and operating the system using the existing tank without a new storage tank was not addressed in the PER; and cost estimates for the supply alternative contained only a lump sum figure, which did not provide sufficient detail to evaluate whether or not the projected cost of this alternative was reasonable.

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 city lacks a capital improvements plan (CIP) and other planning efforts have been recent.

Rationale: The applicant stated that the city raised rates in the mid-1990s for a water system project, and sewer rates were raised in 2007 for a wastewater project; however, no further details or additional information about the rate history was provided. A replacement account is funded when money is available. In 2007, the city had $95,404 in its water system replacement and depreciation account, and $45,092 in cash reserves.

The applicant stated that the city replaced the majority of the water mains and built a storage tank in the mid-1990s. In 2007, the city completed an ultraviolet light disinfection project for the effluent from their wastewater lagoons. The city has service meters.

The applicant stated that the city has operated the water system to the best of its ability given the resources it has available. The MDOC review team concluded that the city's operation and maintenance practices related to the water system appear to be reasonably adequate.

The applicant stated that the city does not have a CIP. The city has been working on a growth policy, which is about to be finalized, and the proposed project is consistent with the draft policy. The applicant commented that the growth policy and the PER support the city's goal of establishing impact fees to help pay for future improvements, but there was no other discussion of impact fees.

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, and RD grants in combination with an RD loan. Even though the applicant is eligible to apply for CDBG funds, 17 of the 21 applicants seeking CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied. The applicant discussed a State and Tribal Assistance Grant (STAG) and/or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant, and came to the conclusion that it would not be prudent to base the funding package on it.

The applicant stated that the TSEP grant is critical in keeping this project affordable. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 is necessary for an expansion of St. Lukes Hospital. The hospital was required to invest $750,000 in public infrastructure improvements in order to proceed, because the existing infrastructure serving the commercial downtown and commercial area where it is located could not support the planned expansion. As a result, the current expansion is not dependent on the proposed project, but future expansion is, since the State Fire Marshal and Montana Department of Environmental Quality (DEQ) stated that further projects of this nature would not be allowed to hook onto the water system until the current deficiencies relative to supply and fireflow availability are fixed. A letter from DEQ was included in the application that discussed the limitations with the city's water system; however, while DEQ expressed serious concerns about water storage and distribution pressure, the letter did not specifically state that further projects of this nature would not be allowed to hook onto the water system. No documentation from the State Fire Marshal confirming the statement was found in the application; however, the DEQ letter referred to the State Fire Marshal granting an exception to the fire flow requirements for the hospital expansion because it is a structure with a sprinkling system. With the current expansion of the hospital, it is anticipated that there would be both new business development and expansion of businesses that either support the medical center activities or the increased number of visitors to the town because of the medical center. These additional businesses could include assisted and senior-care facilities, medical supply companies, and retail services to support the increased visitors and the increase in the number of employees and their families. However, the applicant did not provide any documentation from any businesses stating that they were being prevented from developing.

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 the applicant did not adequately demonstrate that residents were clearly informed about the project.

Rationale: The applicant stated that the city held a public meeting at 6:00 p.m. on April 14, 2008. The minutes of the meeting was the only documentation of the meeting provided in the application; the meeting was a regular council meeting. The MDOC review team cannot ascertain that the public was noticed or that they had been informed of the meeting. The applicant stated that the proposed project alternatives, costs, and the resultant user rates were discussed. The minutes do reflect that the council was informed that user rates might have to be increased $25 to $33, but do not indicate that members of the general public were present. The applicant commented that the city has been discussing the issues with their water system over the last 18 months when the hospital expansion project brought many of the deficiencies to light. The applicant stated that no citizens came forward in opposition at the meeting; however, no citizens appear to have been present. Furthermore, based on the limited amount of documentation in the application, the MDOC review team cannot ascertain that the public was informed of the meeting.

The only letter in support of the proposed project was provided by the local community development corporation. The city does not have a CIP.

Project No. 40
Town of Dutton – Wastewater System Improvements

This application received 3,352 points out of a possible 4,900 points and ranked 40th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
RD	Grant	$ 159,000	Application submitted May 2008
RD	Loan	$ 573,000	Application submitted May 2008
Project Total		**$1,782,000**	

Median Household Income:	$31,419	Total Population:	389
Percent Non-TSEP Matching Funds:	72%	Number of Households:	148

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$28.50	-	Target Rate:	$60.22	
Existing Wastewater Rate:	$6.00	-	Rate with Proposed TSEP Assistance:	$61.50	102%
Existing Combined Rate:	$34.50	52%	Rate without TSEP Assistance:	$81.32	135%

Project Summary

History – Dutton's wastewater collection system was constructed in 1946. A gravity collection system delivers sewage to a main lift station. Using a wet well/dry well configuration, the lift station pumps sewage to the treatment lagoons that are located 0.5 miles east of town through a PVC force main that was constructed in 1972. The treatment system consists of a two-cell facultative lagoon that was also constructed in 1972. The lagoons discharge to Hunt Coulee. In 2002, improvements to the lagoon included the addition of rip-rap to prevent dike erosion and the installation of two windmill type aerators in one cell.

Problem – The town's wastewater system has the following deficiencies:
- aging lift station; the back-up generator for the lift station requires constant monitoring to keep it running and the dry well is a safety risk to the operator because of confined-space issues,
- the force main terminates in the bottom of the lagoon cells near the center of the lagoons resulting in treatment short circuiting,
- insufficient detention time in the lagoons,
- flooded inlet control structure housing the force main piping and control valves for the treatment cells,
- no accurate means of effluent flow measurement,
- some erosion and sloughing on lagoon embankments,
- sludge accumulation in lagoons,
- evidence of seepage at the toe of the dike indicating that the liner integrity may be compromised, and
- one BOD_5 violation in the past five years.

Proposed Solution – The project would:
- construct a new lift station and treatment facility that would spray-irrigate treated effluent on to adjacent cropland,

- install a new back-up generator,
- rehabilitate the existing primary treatment lagoon to meet current standards, and
- remove and land-apply accumulated sludge in the existing lagoons.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies are the lack of disinfection of treated wastewater, and the inability to operate the wastewater lagoon with appropriate freeboard and still have the required detention time in order to provide adequate wastewater treatment. Public contact with undisinfected wastewater does not appear to be likely. The public health and safety consequences of these deficiencies are likely to occur in the long-term.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 51.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 12th highest of the 65 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 25th highest of 65 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 800 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 no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the town financed their wastewater system through the general fund prior to 1995, but since then by user rates. The user rate was increased to $5 per month in 1998 and to $6 per month in 2006. In January 2008, the town passed a resolution to increase the user rate to $14 per month, increase it again in 2009 to $22 per month, and to $31 per month in 2010. The applicant stated the town has been aware of the wastewater system's needs for quite some time. In the last ten years, the lines have been professionally cleaned, an alarm system added to the lift station, the lines and lift station have been degreased, and windmills have been added to the lagoon for aeration. A warning letter dated July 3, 2003 from the Montana Department of Environmental Quality (DEQ) required the town to perform an engineering evaluation of the wastewater system.

The applicant stated that the deficiencies in the wastewater system are not due to inadequate operation and maintenance (O&M), but rather to age and new permit requirements. The MDOC review team concluded that the town's O&M practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that a community needs assessment and a housing assessment was completed in 1998. A community needs assessment survey conducted in the fall of 2007 shows that 90% of the residents felt it was important to very important to improve sewage disposal facilities. According to the applicant, a five-year CIP was first prepared in 1998, but it only covered water, wastewater, and streets. The CIP was updated every year and the planned projects were taken into account during the annual budgeting process; no documentation was provided showing the initial CIP or any updates. In April 2008, the town adopted a comprehensive, five-year CIP that was prepared in 2007. The proposed project is the fourth highest priority in the CIP; the first and third priorities have already been completed. A growth policy was prepared for Teton County in 2003; and the proposed project is consistent with the policy and is specifically mentioned in it.

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 the uncertainty of the other funds and the TSEP funds were not considered to be critical to the project.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, RRGL, and RD grants in combination with an RD loan. The town conducted a full income survey to determine that at least 51% of its households are LMI in order to qualify for the CDBG program; the results show that 51.4% of the households are LMI. As a contingency plan for funding the proposed project, the town applied for $450,000 through the congressional delegation, as either a State and Tribal Assistance Grant (STAG) grant or a U.S. Army Corps Engineers Section 595 Water Resources Development Act (WRDA) grant. This was done to allow the project to move forward if either the CDBG or TSEP applications are unsuccessful. Since there are no other improvements that would need to be made, if all of the primary grants are awarded, the town would return the federal appropriation if it is also awarded.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that the TSEP grant is critically needed in order for the proposed project to proceed. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 did not discuss any specific jobs that would be created or businesses that would be expanded as a result of the proposed project. The applicant stated that long-term business and economic growth is founded on solid public infrastructure, and the existing wastewater system is severely deficient, which limits additional economic development.

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 held its first meeting on the proposed project in 2006. Minutes were included, but there were no details such as a date, time or place where the meeting was held. A public hearing was held October 11, 2006 at 7:00 p.m. at the town hall. A letter announcing the meeting was mailed to all water users. In addition to local officials, six residents were present at the hearing to discuss proposed rate increases. A copy of the presentation shows that the proposed project and its impact on user rates were discussed in detail. A public hearing was held January 3, 2007 at 7:00 p.m. at the town

hall. Besides a legal notice, a letter was mailed to all water users. Minutes from this hearing were not provided, but a sign-up sheet indicates that 13 residents attended the meeting. A copy of the presentation shows that the proposed project and its impact on user rates were discussed in detail. Another public hearing was held December 3, 2007, at 7:00 p.m. at the senior center to obtain public comment on a proposed rate increase. Besides a legal notice, a letter was mailed to all water users that included the increased user rate as a result of the proposed project. In addition to local officials and consultants, 51 residents were in attendance. A public hearing on the community needs assessment was held on January 28, 2008 at 7:00 p.m. at the senior center. In addition to local officials and the consultant, 16 residents were in attendance. The consultant outlined the next steps in the grant application process. The final public hearing was held on March 24, 2008 at 7:00 p.m. at the senior center with 13 residents in attendance. In addition to a legal notice, the public hearing was advertised by posting a flyer at six locations. A sign-in sheet shows that 15 residents attended the hearing. A handout was provided that discussed the proposed project and the impact on user rates. The minutes show that the attendees unanimously approved proceeding with the applications for funding, by way of a show of hands. Each public meeting was advertised in the *Choteau Acantha*, and copies of the affidavits of publication of the meeting notices were included in the application. Except as noted above, minutes, sign-up sheets, notices, and handouts from each meeting were included in the application. The application also included seven newspaper articles that were published in the *Choteau Acantha* between September 2006 and April 2008, which discussed the proposed project and/or the increase in user rates.

The applicant received 41 letters of support for the proposed project that included letters from U. S. Representative Rehberg, the school superintendent, the postmaster, six local business owners, the American Legion Auxiliary, the senior center, the volunteer fire department, the fun day committee, the civic club, the local library, the American Legion post and 25 letters from individual residents. The proposed project was identified as a high priority in the needs assessment and is listed as a high priority in the CIP.

Project No. 41
Blaine County – Bridge System Improvements

This application received 3,324 points out of a possible 4,900 points and ranked 41st out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $384,160 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$384,160	Awaiting decision of Legislature
County	Cash	$194,092	Committed by resolution, partially expended on PER
County	In-kind	$202,300	Committed by resolution
Project Total		**$780,552**	

Median Household Income:	$25,247	Total Population:	7,009
Percent Non-TSEP Matching Funds:	51%	Number of Households:	2,501

Project Summary

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

- The Yantic Road Bridge is located approximately three miles north of Lohman. This structure crosses the Fort Belknap Irrigation Canal on Yantic Road. The 41-foot long timber and steel structure was constructed in 1971. The bridge serves approximately 50 to 75 vehicles per day, including local farm and agricultural traffic. The bridge is posted at nine tons. Closure of the bridge would result in an eight-mile detour.
- The Thirty Mile Road Bridge is located approximately two miles west of Harlem. This single-lane structure spans the Fort Belknap Irrigation Canal on Thirty Mile Road. The 26-foot long timber structure was built in 1931. The bridge serves approximately 50 to 90 vehicles per day, including ranching, agricultural and gas field operations. The bridge is posted at 13 tons. The bridge serves as sole access to the properties beyond.
- The Forgey Road Bridge is located one mile northeast of Harlem. This single-lane structure crosses Thirty Mile Creek on Forgey Road. The 63-foot long timber structure was built in 1930, with reconstructive efforts in 1983. The bridge serves approximately 15 vehicles per day, including three land owners and BLM property. The bridge is posted at 14 tons. Closure of the bridge would result in a seven-mile detour.

Problem – The county's three bridges have the following deficiencies.

- The Yantic Road Bridge has a sufficiency rating of 58. Deficiencies include:
  - deep checks and rotting in timber piles,
  - abutments showing fill pressure from backfill and rotting planks,
  - deep checks in timber caps,
  - steel girders have rust, scale and pitting, and
  - limited load carrying capacity.
- The Thirty Mile Road Bridge has a sufficiency rating of 33. Deficiencies include:
  - rotting and bulging girders,
  - rotting and leaning abutments,
  - rotting and crushing of timber caps,
  - rotting decking, and
  - limited load carrying capacity
- The Forgey Road Bridge has a sufficiency rating of 23. Deficiencies include:
  - rotting timber piles, several of which are not carrying loads,
  - rotting, splitting and rotating of timber girders,
  - rotting and fill pressure at abutments,
  - rotting of wingwalls and timber caps,

- rotting and splitting of decking, and
- limited load carrying capacity.

Proposed Solution – The proposed project would:
- ❑ replace the Yantic and Thirty Mile Road Bridges with aluminum box culverts, and
- ❑ remove the Forgey Road Bridge and close the route.

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 review team noted that the three bridges had sufficiency ratings ranging from 23% to 58%. The structure ratings ranged from two to four, and the lowest element conditions ratings ranged from four to six. TSEP scoring levels for this priority had the Yantic Road Bridge at a level three score; the Thirty Mile Road Bridge at a level four score; and the Forgey Road Bridge at a level five score. A weighted score, based on construction costs, resulted in a level three score for the entire project. The scores were not reduced due to any concerns with low volume usage or minimal detour distances related to these structures.

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 65th 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 65 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 65 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 4th highest of 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 2nd level and received 216 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 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.	58
Total available funds per county maintained bridge.	$56,391

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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 county has established a fund to assist with the implementation of capital improvement projects; however, the applicant stated that the funds have been utilized to repair or replace failed bridges, leaving little funds for general maintenance. Approximately $852,000 was expended on the county's transportation system during calendar year 2007. The MDOC review team noted that this amount included all items related to transportation including employee wages. The county has four full-time employees dedicated solely to bridges, culverts and cattle guards. Approximately $64,000 was expended on road materials, but nothing appears to have been expended on bridge, cattle guard, or culvert materials. The county also stated that it has established a bridge improvement fund as its CIP fund for its bridge system with a current fund balance of over $895,000. Financial records in the application showed a bridge capital project fund with a current balance of over $152,000 as well.

The applicant stated that it has replaced 42 bridges with culverts over the past 20 years. Four bridges have been replaced through the Montana Department of Transportation's off-system bridge program, and three more bridges are scheduled for replacement utilizing this program within the next five years.

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 (O&M) practices related to its bridge system appear to be reasonably adequate.

The county has a five-year capital improvements plan (CIP) that was updated in 2005. Although brief, the comprehensive CIP addresses the county's entire 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. The document has not been updated since 2005 and none of the three proposed bridge replacements were listed in the plan. However, the three are ranked as one, seven, and 27 of 58 bridges listed on the bridge inventory report. The applicant also has bridge design standards; however, it could not be determined when it was created or if adopted. The county has implemented a rotation replacement

program for the technical equipment, heavy equipment, vehicles, fire department, and roads. The county also has a five-year plan for general repairs for the courthouse and the fairgrounds.

The applicant stated that Bear Paw Development Corporation 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.

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.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with local funds. The applicant evaluated six other funding options before selecting its funding package. The county currently levies the highest mills in the region.

The applicant stated that receiving TSEP funding for the proposed project is critical and would allow the county to finance other necessary bridge projects locally. The applicant stated that some of the bridge needs in the county are located in very remote and sparsely populated areas and are not good candidates for receiving some sources of funding, such as TSEP, so the county attempts to resolve these bridge needs with local funds. Because there is more than one bridge involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridge.

The proposed funding package appears viable to the MDOC review team.

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 jobs, but commented that oil and gas companies regularly use the bridge(s) located at Yantic, Thirty Mile, and over Forgey Road and anticipate increased activity in the area. One contractor stated that although the northern part of the county lacks population, it should not be overlooked for continued support and maintenance of its infrastructure.

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 the proposed project is a high local priority or has strong community support.

Rationale: The applicant stated that the county held two public hearings. The first hearing was held at 3:00 p.m. on February 21, 2008 at the county courthouse. News articles dated February 15, from the *Havre Daily News* and from the February 20 edition of *The Blaine County Journal,* discussed the project, announced the February 21 hearing and requested comments from individuals who were unable to attend the meeting. The second hearing was held at 7:00 p.m. on March 13, 2008 at the city hall in Harlem. In addition to local officials and consultants, eight people attended the first hearing and four people attended the second hearing. 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, Havre Daily News,* and *Great Falls Tribune*), slide presentation, sign-in sheets, and the news articles were included in the application.

The applicant included eight letters of support from the area certified regional development corporation, two from oil and gas companies, the Chinook school superintendent, the local ambulance service, the county sheriff, disaster and emergency services coordinator, and State Senator Ken Hanson. The applicant stated that the commissioners have contacted each of the property owners affected by the proposed project and have received their support of the proposed project. A letter from the commissioners confirming the residents' support was included. However, the MDOC review team noted that a list of the contacted property owners was also included in the application, but did not specify what comments they may have had, only if they had been called.

The county has a bridge CIP; however, the document has not been updated since 2005 and none of the three proposed bridge replacements were listed in the plan. However, the three are ranked as one, seven, and 27 of 58 bridges listed on the bridge inventory report. The applicant stated that although 26 bridges have a lower sufficiency rating, the county selected the Yantic Road Bridge because of the dangerous alignment of the roadway. A copy of a *Great Falls Tribune* article published in 1999, describing a fatal accident that occurred on the bridge was included in the application.

Project No. 42
Loma County Water & Sewer District – Water System Improvements

This application received 3,256 points out of a possible 4,900 points and ranked 42nd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Committed (awarded by the 2007 Legislature)
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
RD	Grant	$1,006,110	Application submitted in 2007
RD	Loan	$ 276,690	Application submitted in 2007
Local	Cash	$ 3,000	Committed by resolution
Project Total		**$2,235,800**	

Median Household Income:	$32,115	Total Population:	258
Percent Non-TSEP Matching Funds:	66%	Number of Households:	112

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$45/community $100/rural		Target Rate:	$37.47	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$93.73	250%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$127.74	341%

NOTE: The "rate with proposed TSEP assistance" was derived by multiplying the percentage of users within the community (32) times their rate and multiplying the percentage of users in the rural area (80) times their rate and adding the two together. The actual new rate increase would result in community users paying $49 and rural users paying $112. Once mains are replaced and meters installed, the district would implement a metered rate.

Project Summary

History –The Loma County Water and Sewer District constructed the water system in 1980. The system serves 32 users in Loma and 80 rural users north of Loma. 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 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. All water users utilize on-site septic tanks and drainfields for wastewater treatment. The district currently has a $750,000 TSEP grant for the proposed project that was awarded in 2007. However, the applicant stated that the district does not think that it will be able to secure the matching funds by the deadline of June 30, 2009; therefore, the district elected to re-apply for a new TSEP grant.

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 re-coated,
- the district does not have water meters and average per capita usage is over 400 gallons per day,
- 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 2 Enhanced Surface Water Treatment Rule.

Proposed Solution – The proposed project would:
- install approximately 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 intend 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 has decided to join the Rocky Boy's/North Central Montana Regional Water System. Hence, 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 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. The district has been plagued with 50 to 100 leaks per year over the last 10 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 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 65th 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 65 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 48th highest of the 65 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 11th highest of 65 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 800 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 no issues, or 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 review team thought that the PER was reasonably complete. 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 no capital improvements plan (CIP).

Rationale: The applicant stated that the district implemented a $5 per month rate increase in 2007; documentation was not provided. Water meters would be installed as part of the proposed project, and once installed, the district would be able to implement a metered rate for billing purposes.

The applicant stated that upgrades to the system have been made since boil orders were issued by the Montana Department of Environmental Quality (DEQ) in 1998 and 2001; all of the improvements were paid for with cash reserves. The district was able to keep the cost of some repairs at a minimum because board members donated their time and equipment. Since those improvements were made, the district has not had any treatment violations. The district also incurred $41,919 in repair expenditures between 2002 and 2007. An assessment of joining the regional water system was performed in 2004, and in 2006, the district voted to connect to the regional water system.

The applicant stated that the problems with the distribution system are not a result of inadequate operation and maintenance (O&M). The failure of the distribution system started to occur almost immediately after being constructed. The district was unable to hold the contractor responsible because they filed for bankruptcy after the completion of the project. The district thinks that once the one-inch glued joints are eliminated, the leakage should be substantially reduced. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonable.

The applicant stated that the PER is the basis of the district's CIP. Choteau County updated its comprehensive plan in 2001, which discussed the need for improvements in the district's water system; documentation was not provided. The comprehensive plan was updated to a county-wide growth policy in 2004. The proposed project is consistent with the issues and goals identified in the growth policy, but it doesn't specifically reference the district or the proposed project. In 2002, the proposed project was added to the comprehensive economic development strategy (CEDS) prepared by the Bear Paw Development Corporation.

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 of the uncertainty of the other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL and RD grants in combination with an RD loan and local funds. The district currently has a $750,000 TSEP grant for the proposed project that was awarded in 2007. However, the applicant stated that the district does not think that it will be able to secure the matching funds by the deadline of June 30, 2009; therefore, the district elected to re-apply for a new TSEP grant. The applicant considered other grant and loan programs, and provided reasonable explanations for not applying.

The applicant stated that the district considered refinancing its existing debt, which was originally an RD loan with a 40-year term. The district looked into the SRF program, but was told that the district is not eligible to refinance this debt as it occurred before the program was established.

The applicant stated that the district submitted federal appropriation requests over the past three years and has discussed the project with the congressional delegation staffers. In addition, U.S. Senator Tester is very aware of the failed lines, as his farm is located within the district service area, although the Senator does not receive water from the district. The district submitted a new federal appropriation request for FY 09 and at this time is waiting for a response; the applicant did not discuss how the federal appropriation would be used if it obtained the proposed funding package and the federal appropriation.

The applicant stated that the district submitted a grant application to RD, but one of the RD staff determined that the district was not grant eligible. The district submitted the TSEP median household income information in hopes that the staff would reconsider. No action has been taken on the application that was submitted in November 2007. If the district is eligible for the intermediate rate, then they could potentially receive grant assistance up to 45% of the project cost; the board feels that the users would support a debt election that would result in a monthly rate increase of approximately $10 to $15. Without RD grant assistance, the district's only option is to continue to seek a federal appropriation.

The applicant stated that the TSEP grant is vital to keeping the proposed project affordable. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears questionable until a response is received from RD.

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 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. The district provides water to rural farmers who utilize the water as part of their chemical fallow practices. Without good quality water, farmers must utilize additives, at a substantially increased cost. According to the area farmers, the utilization of chemical fallow has resulted in an increased yield, as the ground is not tilled, which helps retain the moisture and reduces wind erosion. This is especially noteworthy as this area has experienced ten years of below average rainfall but has seen an increase in crop yield. Also, six of the rural users operate a cattle operation. Without access to good water, those operations would probably not exist.

The applicant stated that the district has received eight requests for new water service. However, the board is reluctant to add users if the district is unable to meet the current user's demands. If the engineer is correct and approximately 20 to 40% of the water is lost due to the leakages, the district can potentially add new users to the system.

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 inadequate documentation, and the applicant did not adequately demonstrate that the proposed project is a high local priority or has strong community support.

Rationale: The applicant held an annual meeting on March 28, 2005 with 28 members in attendance. A copy of the presentation shows that the water system's deficiencies and alternative solutions for fixing them were discussed. A public district meeting was held on February 15, 2006, at 7:00 p.m. at the community center. The meeting was advertised with a notice in the *The Mountaineer*, and both the *The Mountaineer* and *The River Press* published articles prior to the meeting describing the engineer's evaluation. The district also sent out a newsletter prior to the meeting to inform the water users. In addition to nine board members and employees, 31 users were in attendance. A handout was provided and the presentation shows that the water system's deficiencies and alternative solutions for fixing them were discussed. The district's public hearing was held at 7:30 p.m. on March 27, 2006, at the memorial hall, with 32 members in attendance. In addition to a legal notice, a flyer was included in the application that may have been posted to announce the meeting. The discussion centered on the problems with the water system, possible solutions and possible funding for those solutions. The application included a one page summary sheet that clearly showed rate increases, although they were approximately $4 lower than the current project rate increases. A public meeting was held at 7:30 p.m. on May 24, 2006 to discuss joining the regional water system and to provide information about the proposed project. The minutes show that a vote was taken, and 49 voted for and 15 against; it appears that the vote was regarding whether to join the regional water system, but the minutes are not entirely clear. A public hearing was held at 7:00 p.m. on April 10, 2008, at the community hall, with 33 members attending, in addition to four board members and a consultant. The district sent out a newsletter prior to the meeting to inform the water users about it. The proposed project and funding for it were discussed, but it did not appear to the MDOC review team that rate increases were clearly discussed. The application included sign-in sheets for all but the May 2006 meeting. The dates when the newsletters were mailed was not provided.

The applicant stated that an informational vote among the district's members that were present at the April meeting. Out of the 37 people attending, there were 20 votes in favor of obtaining a larger loan and increasing the rates. No one voted for the second option, which was to go ahead and try to piece the system together in smaller segments over the next few years. One person voted for leaving the system as is and waiting until better funding was available. Seven letters of support were received in 2008;

including a letter from the county commissioners, Bear Paw Development Corporation, a local business owner and four letters from residents. Three letters of support were received in 2006, when the applicant first applied to TSEP.

The PER serves as the district's CIP.

Project No. 43
City of Harlowton – Water System Improvements

This application received 3,252 points out of a possible 4,900 points and ranked 43rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
CDBG	Grant	$ 9,000	Expended on PER
City	Cash	$ 18,500	Expended on PER
SRF	Loan	$ 331,278	Application submitted May 2008
Project Total		**$1,408,778**	

Median Household Income:	$23,636	Total Population:	1,062
Percent Non-TSEP Matching Funds:	65%	Number of Households:	496

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$20.17	-	Target Rate:	$45.30	
Existing Wastewater Rate:	$25.50	-	Rate with Proposed TSEP Assistance:	$52.54	116%
Existing Combined Rate:	$45.67	101%	Rate without TSEP Assistance:	$58.67	130%

Project Summary

History – Harlowton's original water system was installed in the mid-1930s. The system consists of three bedrock wells with disinfection facilities at each well house, a concrete storage tank, and the distribution system. The city had a metering system installed in 1999, along with a major wastewater improvements project, but the residential meters had not been read until very recently. There are approximately 30 residential services that remain unmetered, and only 47 commercial service meters are read on a regular basis.

Problem – The city's water system has the following deficiencies:
- deteriorating storage tank with inadequate elevation,
- well casing is corroded,
- water metering system has not been fully implemented,
- inadequate fire flow and fire protection,
- poor distribution system pressures,
- deteriorating, undersized, and aging water mains.

Proposed Solution – The proposed project would construct a 575,000-gallon steel standpipe storage tank with booster pumps for a new pressure zone at the existing storage tank site.

Note: Improvements to the wells, distribution system, and metering system are proposed to be addressed in future 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies are low distribution system pressures with deteriorating, undersized and aging water mains, a deteriorating water storage tank, and inadequate fire protection. The deficiencies associated with the water mains create a reasonable potential for backflow contamination in the long-term. Overall, the public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 48.7%. **The applicant's relative concentration of persons living at or below the LMI level is the 17th highest of the 65 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 45th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 inadequate documentation, and the past practices of not reading installed meters.

Rationale: The applicant stated that operating expenses have exceeded revenues by an average of $10,000 for the last three years. However, the city increased the base rate in October 2007, which is anticipated to provide a surplus of approximately $4,000 per year. The additional reserves will allow the city to start a capital improvements program to fund improvements to the distribution system. The applicant stated the city applied for and was successful in a wastewater construction grant application in 1995 and a planning grant in 2006.

The applicant stated that the city had a metering system installed in 1999, but there are approximately 30 residential services that remain unmetered. Approximately 47 meters for commercial services are read on a regular basis. The condition of the residential meters is unknown, but it is anticipated the meters have lost approximately 10% to 15% accuracy as a result of age and the water quality. The city recently started to read meters monthly. A source water protection plan was adopted by the city in 2003.

The applicant stated that the problems are not due to inadequate operation and maintenance (O&M), but rather to natural conditions or age. The MDOC review team concluded that the city's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that a community needs survey was completed in 2006. Water quality was rated poor and water quantity was rated below average in the survey. The applicant stated that the city adopted a comprehensive, five-year capital improvements plan (CIP) in September 2007; however, there was no documentation demonstrating that it has been adopted. In 2007, Snowy Mountain Development Corporation updated its comprehensive economic development strategy (CEDS). The city's water tank and water distribution system improvements were ranked a high priority in the CEDS.

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. 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 other funds.

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 project is ranked 109th on the SRF priority list; therefore, the city is eligible to apply for the loan. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used. The applicant stated since Coal Board funds are limited and there are no significant coal activities nearby, it was recommended they not pursue this source of funding. The applicant stated that it did not think that the city would be eligible for an RD grant.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that a TSEP grant is essential and that without it the project would likely not proceed. Without the TSEP grant, the combined water and wastewater rate would be less than a 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The applicant stated the proposed improvements would provide the basic public infrastructure necessary to support population growth, and possible economic and business 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 held two public meetings. The first meeting was held March 11, 2008 at 7:30 p.m. at the city hall to discuss the feasibility of the improvements presented in the PER, the recommended funding strategy, and the resultant user rates. The minutes show that seven residents, along with local officials and consultants attended the meeting and that the residents voiced their support for the project. A second meeting was held on April 8, 2008 at 7:30 p.m. at the city hall to give citizens an opportunity to offer final comments on the proposed project. The minutes show that two residents, along with local officials and consultants attended the meeting. The recommended funding strategy and the resultant user rate were specifically discussed. Both meetings were advertised in the *Times-Clarion*, the local newspaper. No objections were expressed at the meetings or in writing. Minutes from the meetings, the sign-in sheet for the April 8 meeting, and the public meeting notices were included with the application.

There were 20 letters of support included with the application: nine from area residents, eight businesses, the hospital, one from State Representative Harry Klock, one from State Senator Dave Lewis, and one from U.S. Representative Rehberg. There was also one petition with 42 signatures. The petition did note the project cost and estimated rate increase at the top of the form.

The proposed project is consistent with the needs survey and the CIP.

Project No. 44
Town of Kevin – Water System Improvements

This application received 3,244 points out of a possible 4,900 points and ranked 44th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
SRF	Loan	$ 181,000	On the priority list, but has not applied
RRGL	Grant	$ 15,000	Expended on PER
CDBG	Grant	$ 15,000	Expended on PER
Project Total		**$1,261,000**	

Median Household Income:	$20,417	Total Population:	178
Percent Non-TSEP Matching Funds:	60%	Number of Households:	83

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$25.18	-	Target Rate:	$39.13	
Existing Wastewater Rate:	$13.12	-	Rate with Proposed TSEP Assistance:	$41.97	107%
Existing Combined Rate:	$38.30	98%	Rate without TSEP Assistance:	$77.87	199%

Project Summary

History – The water system in Kevin uses three springs and five wells to supply its water. A seven-mile transmission line conveys water to an 840,000-gallon steel storage tank. A booster pumping station then pumps water into the distribution system. The distribution system consists of PVC and cast iron mains. In 1986, tank repairs were made and much of the distribution system was replaced. The system has only two water meters. The town has agreed to connect to the Rocky Boys/North Central Montana regional water system, which could potentially provide water to Kevin in approximately 10 to 15 years.

Problem – The town's water system has the following deficiencies:
- spring structures and well houses in poor condition,
- inadequate chlorination system,
- leaks in the upper portion of the transmission main,
- confined space at the booster pump station,
- undersized water mains,
- limited fire flows,
- lack of water meters,
- failed coating of storage tank, and
- ice accumulation and overflows at the tank.

Proposed Solution – The proposed project would:
- repair spring boxes,
- replace well pump houses,
- install system telemetry,
- install flow-paced chlorination,

- repair sections of the upper transmission main,
- repair steel storage tank,
- replace booster pump station,
- replace approximately 1,500 feet of cast iron distribution mains, and
- install individual service water meters.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is the lack of sanitary conditions with the town's water sources. Water is currently supplied to the system from three springs and five wells. System deficiencies at each of the springs are similar; i.e., fencing is in poor condition, cattle have access to the spring sites, corrugated metal pipes are corroding and are not sealed, site drainage is poor, overflow lines are not screened and protected, and the covers are not properly sealed. Deficiencies at each of the wells were also similar. Most of the deficiencies such as rodent problems, no water meters, no well vents, no sample taps, inadequate fencing, and the poor condition of the pump houses apply to all of the wells.

Boil water orders were issued to the town in 1991 and 1998. Chlorination equipment was installed by the town to address the 1998 boil water order; however, the existing chlorination system has not been approved by the Montana Department of Environmental Quality (DEQ) and does not provide a reliable residual in the distribution system.

In 2008, DEQ received a report from the county sanitarian stating that gastrointestinal illnesses were reported from residents in Kevin and those illnesses were being attributed to problems with the Kevin public water supply system.

The combined capacity of the sources currently in regular use cannot provide the existing maximum day demand or the 20-year design maximum day demand. Watering restrictions such as odd/even day watering with hour limitations are imposed during the summer when necessary to reduce water use.

The pump in the booster station is not capable of providing adequate fire flows. The existing booster pump station is a confined space. An entry plan has not been implemented and no confined space entry or testing equipment is available. The station is not ventilated and lacks adequate rescue access.

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 65th 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 65 applicants.**

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 54.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 10th highest of the 65 applications.**
- The percent of persons living at or below the *Poverty* level is 19.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 13th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 1 and received 140 points out of a possible 700 points.

Conclusion: The applicant did not demonstrate that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, or to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the team thought that the district's operation and maintenance practices have been inadequate.

Rationale: The applicant stated that Kevin's population has steadily declined since the 1960s, and as it declines, revenues for public facilities decline, along with the ability to pay for, operate and maintain its public facilities. As a result, the town has found it difficult to maintain qualified maintenance personal. The town currently has a certified water and wastewater operator, who is responsible for the day-to-day monitoring, and operation and maintenance (O&M) of the facilities. The town paid off an SRF loan in 2006, but elected to leave the rates as is in order to increase personal services and materials in the water O&M budget, which is $23,710. The town currently has a total of $137,788 invested for any immediate, unexpected situation of any of their public facilities. The applicant listed several short-term needs that would cost approximately $10,750, and stated that a water system master plan is needed, which would cost approximately $30,000.

The applicant stated that the DEQ conducted a sanitary survey of the water system in March 2008, and determined that the chlorination practices were inadequate and that minor repairs completed in 2007 were inadequate. Additional DEQ compliance letters had been received in January 2006 and February 2007. The 2006 letter requested that the town obtain approval of plans for their chlorination system. The existing system was never approved by DEQ and is not flow-paced, which results in widely fluctuating chlorine residual levels. The 2007 letter requested that improvements be made to the springs and wells to provide protection against influence by surface water. These improvements were similar to those requested in the report from the previous sanitary survey conducted in 2005.

As a result of the most recent sanitary survey, DEQ required that a compliance plan be submitted for all improvements. On May 1, 2008, the town entered into an administrative consent order with DEQ for

completion of numerous improvements that were to be completed between April and August of 2008. In addition, DEQ wellhead protection mandates and upgrades still exist.

The applicant stated that the absence of water meters at individual service connections prevents the town from accurately identifying unaccounted-for water losses and from billing appropriate rates for water use. The absence of meters also results in a lack of incentive for voluntary water conservation. One component of the proposed project is to have meters installed.

The applicant stated that the town signed an agreement in 2007 to become member of the Rocky Boy/North Central Montana (RBNCM) regional water system. The current schedule for construction of the RBNCM system could potentially provide water to Kevin in nine to 15 years, depending upon appropriations from Congress. The town will be responsible for operating and maintaining their entire existing system until the regional system is available.

The applicant stated that the town exercises water valves and flushes hydrants on a scheduled rotation current, and that the deficiencies with the water facility are largely due to infrastructure age and the impending groundwater rule. The MDOC review team concluded that the town's O&M practices related to the water system appear to have been inadequate, based at least in part on the sanitary surveys in past years and the recent administrative consent order with DEQ. The sanitary survey conducted in 2005 noted a variety of deficiencies. Numerous deficiencies were found at the well sources, including poor condition of livestock fences, rodent burrows under the well houses, lack of vents on wellheads, and electrical items not enclosed. Numerous deficiencies were found at the spring sources, including poor condition of livestock fences, no gaskets on the hatches, no screens or screens in poor condition at outlet pipes, poor surface drainage, and an unsealed observation hole. Problems were also noted with treatment, storage and distribution systems. Problems were also noted with safety, maintenance and management. A field inspection was performed by DEQ in 2007, at which time it was determined that the spring sources are under the threat of surface water contamination due to infiltration and surface run-off. DEQ cited construction deficiencies, corrosion, poor maintenance, and intrusion by livestock and other animals into the vicinity of these sources. DEQ noted that these deficiencies provide grave potential for contamination.

The applicant stated that the local economic development group mailed out a needs assessment survey to all residents in North Toole County in 2006. Due to the low number of responses, another mailing of the survey was sent to all Kevin residents in their April 2007 bills. Through 28 responses (34% of the households), the town's residents voiced their opinions about community needs, including: education, health-related issues, recreation, economic development, housing, and public facilities and services. The applicant noted that community priorities identified in 2007 were very similar to the ones identified in 2000 when the last needs assessment survey was completed.

The applicant stated that the town prepared its first capital improvements plan (CIP) in 2002; however, it does not appear that the comprehensive, 10-year CIP has been updated since it was prepared and no documentation was provided showing that it had been adopted. The applicant commented that the town completed a large wastewater system improvement project in 2005. The town noted that many of the needs previously identified have yet to be met, and that additional needs have been identified, and therefore, has decided to update the CIP and to prepare a growth policy; the town was awarded a CDBG planning grant in 2008. The 2000 needs assessment survey and the CIP cites two water system issues as very important priorities: water quantity (pressure and volume), and water quality (taste and clarity).

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and CDBG grants in combination with an SRF loan. The project is ranked 5th on the SRF priority list; therefore, the town is eligible to apply for the loan. Even though the applicant is eligible to apply for CDBG funds, 17 of the 21 applicants seeking CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that TSEP funds are not essential to obtain funds from other sources, but it is essential for the implementation of the project and keep its residents from being financially overwhelmed. Without the TSEP grant, the combined water and wastewater rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 without a reliable water system, businesses and residential development opportunities would not flourish and new sources of jobs would not materialize. The applicant also stated that the proposed project would not directly result in the creation or retention of long-term jobs. It does not appear that business expansion would occur resulting directly from 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 the team did not think that the applicant adequately demonstrated that residents were clearly informed about the projected cost of the proposed project.

Rationale: The applicant stated that as a follow-up to the needs assessment survey, a public hearing was held in March 28, 2007 to solicit public input concerning community needs. A newsletter was mailed to all residents and notices were posted at four locations. However, only one person attended, so the council decided to have a second hearing on April 18, 2007. Prior to the second hearing, notices were published twice in the *Shelby Promoter*, two newsletters were sent out, two separate notices were again posted at four locations, and notice was broadcast on the local radio station, several times a day for three days. The applicant commented that the second hearing was much better attended with attendees reviewing the survey results and expressing their comments; six residents attended this meeting in addition to local officials, staff and consultants. An article describing the April 18 meeting was published in the *Shelby Promoter* on April 26. Another public hearing was held on May 2, 2007 in order to submit an application to CDBG for a project with a smaller scope of work than the proposed project; the CDBG

application was not funded. Five residents attended, in addition to local officials, staff and consultants, to discuss the proposed project. Notice of the hearing was published twice in the *Shelby Promoter*, posted at four locations, and broadcast on the local radio station, several times a day for two days. Documentation included the affidavit of publication of the meeting notices, posted notices, newsletter, radio announcement, minutes, and a sign-in sheet.

The applicant stated that a more recent public hearing was held at 6:00 p.m. on April 8, 2008 at the senior center in conjunction with the regular council meeting. In addition to local officials, staff and consultants, 15 residents attended the meeting to hear more about the proposed project. Minutes show that the public was informed that rates would have to be raised slightly, and the applicant stated in the application that some increases would be necessary, but exactly how much would not be known until project completion and meters are installed; however, the documentation provided does not demonstrate that they were informed of a specific amount. Notice of the hearing was published twice in the *Shelby Promoter*, posted at four locations, and included in a newsletter. Notice of the meeting was also broadcast on the local radio station, several times a day for two days. Documentation included the affidavit of publication of the meeting notices, posted notices, a newsletter, a radio announcement, minutes, and a sign-in sheet. A mini presentation about the proposed project was also provided that same day at the senior center during their lunchtime meal; notice was provided in the radio announcement of the hearing. The nine seniors were present and the consensus was to proceed with the proposed project. At a special council meeting on April 24, 2008, the council decided to begin raising water rates each year by small increments, rather than raising a large amount at project completion, in order to begin building a reserve; other than minutes, no other documentation was provided. It does not appear that any residents other than council members attended the meeting.

The application contained letters in support of the proposed project from: State Senator Jerry Black, State Representative Edith Clark, the county commissioners, Shelby Mayor Larry Bonderud, Sunburst Mayor Gary Iverson, and 34 form letters from local residents.

Both water quantity and water quality are considered to be very important priorities in both the needs assessment survey from 2000 and the CIP. Water system improvements were the highest ranked priority in the needs assessment survey.

Project No. 45
Flathead County – Stormwater System Improvements in Bigfork

This application received 3,228 points out of a possible 4,900 points and ranked 45th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
County	Cash/In-kind	$ 14,000	Committed by resolution
SRF	Loan	$ 776,000	On the priority list, but has not applied
Project Total		**$1,515,000**	

Median Household Income:	$36,116	Total Population:	2,225
Percent Non-TSEP Matching Funds:	59%	Number of Households:	1,568

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$36.82	-	Target Rate:	$69.22	
Existing Wastewater Rate:	$51.89	-	Rate with Proposed TSEP Assistance:	$93.18	135%
Existing Combined Rate:	$88.71	128%	Rate without TSEP Assistance:	$96.00	139%

Project Summary

History – The unincorporated community of Bigfork is located on the northeast corner of Flathead Lake at the mouth of the Swan River. The stormwater system in Bigfork includes inlets and stormwater pipes along Grand Drive, River Street and Bridge Street. The stormwater pipe discharge point for Grand Drive is at the public boat dock at Lake Avenue. The River Drive discharge point is approximately 100 feet to the east and the Bridge Street discharge point is near the Bridge Street Crossing. All three pipes discharge directly into the Swan River and Bigfork Bay, and ultimately Flathead Lake. Three other storm water pipes are thought to exist, but have not been located. The stormwater runoff from Bigfork contributes to the non-point source pollution entering Flathead Lake.

Problem – The community's stormwater system has the following deficiencies:
- the Grand Drive and Bridge Street stormwater conveyance facilities do not have the pipe capacity to meet Montana Department of Environmental Quality's (DEQ) minimum design standards,
- flooding has occurred along Grand Drive as a result of inadequate inlet and storm sewer capacity, and
- Flathead Lake has been identified as impaired by the Federal Clean Water Act (CWA) section 303(d) and stormwater is not being treated property before discharging into the Lake.

Proposed Solution – The proposed project would:
- replace and upgrade of the storm pipe system along Grand Drive, and
- install hydrodynamic devices for providing treatment of stormwater.

Note: The proposed project does not include improvements for River and Bridge Streets, which are proposed to be accomplished 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 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 stormwater system are likely to occur in the long-term if the deficiencies are not corrected.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is contaminated stormwater entering the Swan River and/or Flathead Lake. The stormwater from Bigfork is untreated and may be contributing to the pollution of Flathead Lake. The stormwater is being discharged into a public use area in the Swan River near where the Swan discharges into Flathead Lake. The discharge contains pollutants such as fecal coliform bacteria, nitrates, phosphates, and zinc. The proposed treatment devices are likely to remove approximately two-thirds of the total suspended solids and metals and approximately one-third of the nutrients and pathogens. Untreated stormwater contributes to the pollution and contamination of Flathead Lake and poses a long-term health hazard to the public recreating in the area.

In addition, the stormwater pipe conveyance system along Grand Drive has inadequate pipe capacity and inadequate inlet capacity. In 2007, flooding along Grand Drive resulted in two properties being swamped with stormwater. A recent paving project at the school has likely exacerbated run-off conditions in the area.

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 65th 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 65 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 57th highest of the 65 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 51st highest of 65 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 3 and received 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. These included, but are not limited to, the following: no discussion or description of the location of the wastewater treatment facility outfall, no discussion on possible backwater created by restricted flows due to the hydrodynamic devices, and minimal discussion on whether there was sufficient room to install the three hydrodynamic devices.

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 capital improvements plan (CIP) was relatively recent.

Rationale: According to information obtained from the Bigfork Steering Committee (BSC) website, neither the Pacific Power Company, nor Flathead County, has installation records of the Bigfork stormwater system. The assumption is that the stormwater system was installed in the mid-fifties at the same time as the water system for the Bigfork Village area.

The applicant stated that none of the deficiencies are related to inadequate operation and maintenance (O&M) practices. A stormwater maintenance district would be created by the county to ensure long-term O&M of the upgraded stormwater system. The Bigfork Stormwater Advisory Committee (BSAC), which was appointed in January 2008, assists with identifying stormwater problems, evaluating suggested solutions, reviewing mitigation costs, and initiating public education and outreach programs related to the stormwater project.

The applicant stated that the county focuses on the development of overall county management plans, while working together with unincorporated communities to address individual community planning and infrastructure needs. A comprehensive, five-year CIP was adopted in February 2007, which includes all capital purchases of $10,000 or more for equipment and $15,000 or more for capital projects. The proposed project is included in the CIP. The CIP is scheduled for a bi-annual update, which will coincide with the annual budgeting process. A long-range planning task force, created to advise the county commissioners, addresses overall countywide objectives for capital improvements.

The applicant stated that the BSC was formed in 1990 to create an area land use plan, which came to fruition in 1993 and lead to the creation of the Bigfork Land Use Advisory Committee (BLUAC) in 1995. In 2004, the BSC initiated a revision of the 1993 land use plan. In order to update the plan, BLUAC conducted a comprehensive community planning survey. The survey focused on a wide range of community issues including housing, land use, public utilities, transportation, and vital statistics. Information gathered from the survey was used to revise the local land use plan, which became the neighborhood plan for Bigfork. A goal of the plan is to encourage development practices to preserve water quality, especially where affected by street runoff. The neighborhood plan is currently awaiting final approval by the county commissioners and the planning board for inclusion in the revised county growth policy that was adopted in 2007. Upon approval, BLUAC would utilize the plan as a guiding document for

growth and development in Bigfork. The county planning board hopes to use Bigfork's neighborhood plan as a model for other communities throughout the county.

The applicant stated that the county participated in the preparation of a comprehensive economic development strategy (CEDS) in 2007. The report was initiated as a guideline to assist with economic development for the county. Annual updates to the CEDS report will be submitted and reviewed by 10 committees created as a result of the report.

The proposed project is consistent with the county's current planning efforts.

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

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 71st on the SRF priority list; therefore, the county is eligible to apply for the loan. The applicant discussed the fact that the proposed project area is not eligible for a CDBG or RD grant. Congressional appropriations were also discussed. The applicant stated that appropriated funds are very difficult to secure; therefore, they did not include them in the funding strategy. However, if successful, appropriated funds would be used to implement additional system upgrades, which are not part of the proposed project.

The applicant stated that DEQ nonpoint source grants were also discussed, since DEQ considers the proposed project a top priority for funding. These grants have been used in the past by the county for preliminary engineering, and the county was recently notified it was awarded an additional grant toward preconstruction project tasks, including the development of the final basis of design plan, development of the sample analysis testing plan, advanced education and outreach and project management services. At this time, DEQ nonpoint source grants are not being considered for the construction phase of the proposed project, because the funds are limited. However, if the county is successful in obtaining another nonpoint source grant, it would be used to implement additional upgrades.

The applicant stated that a TSEP grant is not essential to obtaining funds from other sources, but is essential for completing the project. Without a TSEP grant, the project would be too expensive, and therefore, would necessitate re-applying in 2010 if unsuccessful this year. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 stormwater 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 benefit everyone in the community by providing increased treatment quality. This would enhance the area's tourism economy through the protection of water quality for Flathead Lake basin. However, no specific businesses have plans for expansion at this time.

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 the proposed project has strong community support from the residents.

Rationale: The applicant stated that public meetings were held on April 1 and April 23, 2008. In addition to local officials, staff, and consultants, five residents attended the first meeting and eight residents attended the second. Both meetings were held at 7:00 p.m. at a local church, to present information about the condition and concerns with the stormwater facilities in Bigfork. Alternatives were discussed, and project funding options, along with the estimated costs per household, were explained. The applicant stated that after a question and answer process on April 23, it was noted that there was a great deal of community support for the project and no objections to the proposed project were raised; however, no documentation was provided to verify that statement. County commissioners also discussed the project at their April 28, 2008 meeting when they authorized the submittal of the application. Documentation included an affidavit of posting the meeting notice, affidavit of notice of advertisement, sign-in sheets, presentation slide materials, and minutes. In addition, the proposed project was discussed at monthly Bigfork Steering Committee meetings that are open for public input. Copies of minutes and agendas were included in the application. The application included multiple newspaper articles about the proposed project that were published by the *Bigfork Eagle*.

Letters of support for the proposed project were received from: Bigfork Land Use Advisory Committee, Bigfork Steering Committee, Bigfork Stormwater Advisory Committee, Bigfork Water & Sewer District, Flathead County Commissioners, Flathead Lakers, Greater Woods Bay Lake County Sewer District, Montana Fish, Wildlife & Parks, National Organization to Save Flathead Lake, Northwest Regional RC&D, North Lake County Planning & Zoning Committee, Whitefish Lake Institute, U.S. Representative Rehberg, U.S. Senator Baucus, and seven residents.

The county's CIP lists the proposed project as a priority.

Project No. 46
Woods Bay Homesites Water & Sewer District – New Wastewater Collection System

This application received 3,220 points out of a possible 4,900 points and ranked 46th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP hardship grant of $730,000 if there are sufficient funds. The applicant met all three of the required tests to qualify for a hardship grant as discussed in Statutory Priority #5. If a TSEP grant is awarded, a supplementary requirement should be added to the district's start-up conditions: A complete funding package for the first phase of the proposed multi-phased project must be firmly committed and the construction contract awarded.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$730,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
RD	Loan	$130,000	Application submitted May 2008
District	Cash	$ 14,000	Committed by resolution
Project Total		**$974,000**	

Median Household Income:	$31,000	Total Population:	115
Percent Non-TSEP Matching Funds:	25%	Number of Households:	44

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$49.00	-	Target Rate:	$59.42	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$110.99	187%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$184.16	310%

Project Summary

History – The Greater Woods Bay Planning Area (GWBPA) consists of three sewer districts (Sheaver's Creek Water and Sewer District created in 2000, Woods Bay Homesites Water and Sewer District created in 2002, and Greater Woods Bay Sewer District created in 2006). Woods Bay is located along the east shore of Flathead Lake approximately five miles south of Bigfork. All of the homes in the Woods Bay Homesites Water and Sewer District depend on the use of individual on-site septic tank systems and drainfields, but are served by a public water system. The community interest in a public sewer system is in response to failing septic tanks and drainfields, increased nutrients in Flathead Lake and nitrate in public water supply wells; nitrate concentrations in one well for the Woods Bay Resort were reported to be over 10 mg/L in 2005. The proposed project is the second phase of a multi-phase project. In the first phase, a trunk main that would collect sewage from the entire GWBPA (all three districts) would be constructed that would eventually transport the sewage to Big Fork, where it would be treated by the Bigfork Water and Wastewater District. The proposed project would provide a collection system that serves approximately 40% of the total number of properties in the Woods Bay Homesites Water and Sewer District (the total number of properties in the district is 121), and the remainder of the district would have collection lines installed in later phases. The proposed collection system would be able to serve 44 homes with full-time residents, four vacant lots, and one lot that cannot be built on.

Problem – The lack of a centralized wastewater system in the Woods Bay Homesites Water and Sewer District has resulted in the following deficiencies:

- some drainfields with inadequate vertical separation from ground water may be hydraulically connected to surface water,

- poor soil conditions for effluent treatment, and
- Insufficient replacement drainfield set-aside areas.

Proposed Solution – The proposed project would:
- construct 2,594 feet of eight-inch PVC gravity sewer,
- construct 2,400 feet of six-inch PVC force main,
- install one lift station,
- install eight manholes, and
- provide one emergency generator.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is the lack of a central wastewater collection system. The district's public water supply generally exhibits nitrate concentrations above background levels, but less than 50% of the MCL , which is 10 mg/L; it is in the range of three to four mg/L. The water supply for the Woods Bay Resort, located within the project boundary, did exhibit one sample that exceeded the MCL at 10.7 mg/L in 2005, but this appears to be anomalous because all sample results since that time have been in the range of one to two mg/L for the Woods Bay Resort. There have been no detections of total coliform in the Woods Bay Homesites public water supply. The elevated levels of nitrate indicate that ground-water contamination from wastewater is likely occurring, and the consequences attributable to the deficiency are likely to occur in the near-term.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 43.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 27th highest of the 65 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 19.1%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 16th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. The PER indicates that the members of the Greater Woods Bay Steering Committee (GWBSC) have stated a desire to ensure that no central sewer system be constructed without some form of land use planning in place. According to the PER, the concern of the GWBSC members is that population growth and density within the Greater Woods Bay Planning Area may substantially increase as a result of a public sewer system and no land use restrictions. The PER notes that this effect has been seen in other communities surrounding Flathead Lake and is generally viewed very unfavorably by the residents of the Greater Woods Bay Planning Area. The PER did not address whether such land use planning or zoning had taken place or whether these specific concerns of the GWBSC and the residents have been addressed. Locations for many of the sampling sites that were used to document nitrate contamination with respect to the three project areas were not provided in the PER. The PER does not describe the Woods Bay Homesites public water system as required in the Uniform Application, nor does it include the microbial sampling history for the water system.

The applicant did not adequately assess the potential environmental impacts. Except for a letter from the State Historic Preservation Office indicating some possible concerns about doing an inventory, documentation showing that letters had been sent to the other pertinent agencies, as required by the Uniform Application, was not found in the PER. This documentation was provided after the initial engineers' review comments, but the documentation indicates that the letters were not sent out until May 19, 2008, two weeks after the deadline for TSEP application submittal.

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 applicant stated that the district is currently constructing improvements to its water system. The problems related to the on-site septic systems have developed due to the inadequate installation, operation, and maintenance of septic systems and drainfields, which is the responsibility of individual land owners. Since there are no existing public wastewater facilities in place, there is no history of operation and maintenance (O&M) practices to evaluate.

The applicant stated that the Lake County Community Development Corporation held a public hearing at 10:00 a.m. on February 8, 2008 in Polson regarding Lake County's needs related to economic development, housing, and public infrastructure project. In addition to local officials, 20 people (two of which represented the Woods Bay area) attended the hearing. The problems related to the lack of a centralized wastewater system in the Woods Bay area was identified as one of the needs in the county. The PER serves the purpose of a capital improvements plan (CIP) for the district. The Woods Bay community recognizes the need for long-term land use plans and is currently working toward creating those plans through the North Lake Valley planning and zoning district subcommittee.

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 has concerns about the district's ability to pass a bond election.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an RD loan and local funds. The applicant discussed an SRF loan, but determined that the RD loan had better terms. The applicant also discussed CDBG grants and determined that it is not eligible due to a low percentage of LMI households, but that it may apply in the future to target LMI residents. The applicant also mentioned the possibility of applying for a State and Tribal Assistance Grant (STAG) or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant if the TSEP hardship grant is not received. However, the applicant thought that the ability to obtain one of the grants was slim.

The applicant has requested 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 met all three of the tests, and therefore, is eligible for a hardship grant.

Meeting the three tests does not guarantee that applicants will be recommended for a hardship grant. Other factors may be taken into account, including issues such as whether the project area is comprised of a high percentage of second homes that are not the primary residence of their owners, or is comprised of a high percentage of un-developed, vacant lots. The district is located along the east shore of Flathead Lake, in an area that is valued for its recreational attributes, especially during the summer months. The proposed collection system would be able to serve approximately 44 homes with full-time residents, four vacant lots, and one lot that cannot be built on. Approximately 100% of the homes in the project area are estimated to be the primary residence of the owners, and 91% of the total numbers of properties in the project area are developed. As a result, the MDOC review team did not think that these additional factors were an issue.

Residents would be charged a monthly sewer rate once the core system is completed, which includes the main lift station and force main from the GWBPA planning area to the Bigfork wastewater treatment facility. The total cost of the core system is $3,394,000, which is estimated to be $22.04 per month per household assuming funding through a RD loan. After the core system is complete, the proposed project would be constructed in order to extend the collection system to serve individual residences within the district. The cost of the collection system is estimated to be $12.04 per month per household. Once the residences are connected there would be an additional estimated charge of $27 per month per household, which is equivalent to the rate charged to current Bigfork Water and Sewer District customers. Lastly, Woods Bay Homesites residents pay $49.00 per month for existing water service. The combined monthly rate would be $110.99 per month per household, which is 187% above the target rate.

The applicant stated that the TSEP grant is not essential to obtaining funds from other sources, but without the TSEP hardship grant the chances of being able to pass the assessment would decrease because the costs would be deemed too high by the public. Without the TSEP grant, the combined user

rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the proposed funding package generally appears viable to the MDOC review team, the team has concerns about the district's ability to pass a bond election.

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 affordable wastewater services, protect present and future potable water sources, and protect Flathead Lake, the main attraction for local tourism, all of which would increase the community's ability to grow and create more jobs. The investment in the community would encourage business relocation and expansion to the area. However, the applicant did not discuss any specific firms that have plans for expansion as a result of the proposed project at this time. In addition, the applicant stated that 100% of the projected revenues would come from residential hookups.

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 has greatly encouraged active citizen participation in the proposed project and maintaining public knowledge about the issue by creating two separate websites, advertising and holding public meetings, publishing project updates, and posting state of the Flathead Lake reports. There were five public hearings that were advertised in multiple newspapers, television stations, and radio stations.

The applicant stated that the first public meeting was held at 7:00 p.m. on September 16, 2005 and was attended by approximately 50 to 60 members of communities in the area; the number of people was not documented. The overall objective of the meeting was to ascertain the level of interest in providing centralized wastewater service beyond Sheaver's Creek and Woods Bay Homesites Water and Sewer Districts. Documentation included the content of the public service announcement and the presentation. The second public meeting was held at 7:00 p.m. on January 20, 2006. During this meeting the planning area, PER status, technical findings, project funding and status, a general overview of costs to the public, wastewater district formation, and community planning survey were reviewed and discussed. Documentation included the content of the public service announcement and the presentation. The third public meeting was held at 7:00 p.m. on April 19, 2006. An overview of the project was provided with general information about the cost of the project; an estimated range of $26 to $98 dollars per month per household was given. Wastewater district formation for the Greater Woods Bay Sewer District was also discussed. Documentation included the content of the public service announcement and the presentation. The fourth public meeting was held at 7:00 p.m. on November 29, 2006 and was attended by 33 people; the number of people was not documented. An overview of the project was provided with general information about the cost of the project. Documentation included the content of the public service announcement and the presentation. The fifth public meeting was held at 7:30 p.m. on April 24, 2008. The meeting was advertised by posting flyers in 58 locations throughout the general area,

publishing legal advertisements and meeting announcements multiple times in the *Bigfork Eagle*, *Flathead Beacon*, *Lakeshore County Journal*, and Kalispell's *Daily Interlake*. Sixty-two people from the Woods Bay area and Bigfork attended the meeting. A thorough overview of the entire project was provided, with the costs for all phases of improvements, the funding strategy, and the cost per household in each of the three districts. Documentation included the legal advertisements and public service announcements, 58 affidavits verifying where and for how long flyers were posted for the meeting, the presentation, and the sign-in sheet. All of the meetings were held in Bigfork at the Bethany Lutheran Church. Information about the websites was also included in the application, which provided links to the minutes for all meetings held.

Letters in support of the project were received from the following: Confederated Salish and Kootenai Tribes, Lake County Health Department, Flathead Lakers, Flathead Lake Lodge, Woods Bay Charters, Montana Wilderness Association, Woods Bay Homesites Homeowner's Association, Lake County Community Development Corporation, and five residents.

The PER serves as the CIP for the district. The problems related to the lack of a centralized wastewater system in the Woods Bay area was identified as one of the needs in the county at the needs assessment hearing.

Project No. 47
City of Shelby – Wastewater System Improvements

This application received 3,216 points out of a possible 4,900 points and ranked 47th out of 65 applications in the recommendations to the 2009 Legislature. **The applicant does not meet the requirements for the $750,000 grant requested as discussed in more detail in Statutory Priority #5. As a result, if a TSEP grant is awarded, MDOC recommends that it should be for no more than $625,000.**

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	$ 650,000	Application was submitted in August 2008
Project Total		**$1,500,000**	

Median Household Income:	$29,219	Total Population:	3,327
Percent Non-TSEP Matching Funds:	50%	Number of Households:	1,350

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$56.20	-	Target Rate:	$56.00	
Existing Wastewater Rate:	$19.24	-	Rate with Proposed TSEP Assistance:	$84.63	151%
Existing Combined Rate:	$75.44	135%	Rate without TSEP Assistance:	$87.16	156%

Project Summary

History – Approximately 50% of the wastewater collection system in Shelby is constructed of vitrified clay tile pipe that was installed between 50 and 90 years ago. There are five lift stations, and treatment consists of a three-cell facultative lagoon system with discharge to Medicine Rock Coulee. The lagoons were constructed in 1952, with minor improvements in 1985.

Problem – The city's wastewater system has the following deficiencies:
- aging sewer lines are developing fractures and joint separations,
- excessive quantities of infiltration and inflow into the trunk main and sewer lines, and
- treatment lagoons do not meet current Montana Department of Environmental Quality (DEQ) standards for retention time.

Proposed Solution – The proposed project would:
- replace approximately 7,500 feet of trunk and sewer main with 18 to 24-inch PVC sewer lines,
- rehabilitate approximately 2,500 feet of 18-inch clay pipe,
- bore underneath railroad tracks, and
- install approximately 16 new manholes and rehabilitate approximately nine existing manholes.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is excessive infiltration and inflow that potentially results in inadequately treated wastewater. Line replacement is the top priority for the city's wastewater system. About one half of the collection system consists of vitrified clay pipe installed between 50 and 90 years ago. Much of the lines have developed fractures, joint separations and other problems, which are a threat to the health and safety of area residents. The aging lines are causing infiltration and inflow into the system, which has adversely affected the treatment facility cells. The potential exists for groundwater contamination and for property loss if the system causes sewage to back up into residences. There is also a potential for collapse of the deteriorating trunk line creating potential threats to human health and safety.

Current wastewater flows into the existing wastewater treatment ponds do not meet DEQ standards for required detention times. Eliminating the excessive infiltration and inflow volume through line replacement would reduce wastewater flows. Reducing infiltration and inflow may allow the existing treatment ponds to meet the required detention time.

The public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 25th lowest of the 65 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 44th highest of the 65 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 56th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there

were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. These included, but are not limited to, the following: there was no discussion found on the capacity of the sewer lines; there was no discussion found on other potential issues with the treatment system, such as lagoon leakage, conditions in future discharge permits, sludge accumulation, disinfection, etc; the analysis of the existing wastewater collection and treatment system lacked detail normally seen in a PER; there was no alternative screening section and the alternatives analysis section lacked detail normally seen in a PER; potential construction issues due to high groundwater were not discussed; and the environmental checklist was very brief and had minimal or no explanations in the various categories.

Considering the type of project, i.e. pipe replacement, it can still be said that 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 applicant did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the city has increased monthly wastewater user charges four times in the last seven years; however, no details were provided. Increases already initiated are to apply to the service debt and to create a reserve for future infrastructure improvements. The city maintains funds within the capital projects budget to address public facilities repairs and replacement needs. The current reserve is $296,000, with the city annually budgeting additional funds for anticipated projects. Current reserves have been allocated in anticipation of the tremendous cost expected when a fourth cell may need to be built at the treatment facility. The city is almost fully metered, with the exception of a few public parks.

The applicant stated that the need for the proposed project is not the result of inadequate operation and maintenance (O&M), but rather the 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 reasonable.

The applicant stated that the city completed its first comprehensive land use plan in 1971 with a section for capital improvements. More recently, a growth policy was prepared in February 2007, and a comprehensive CIP was revised in April 2008; no time frame for the CIP was stated. The CIP is updated annually during the budget process and utilized as a guide for future development; however, no documentation was provided to demonstrate it is updated annually. According to the April 21, 2008 minutes, the city council approved moving the proposed project to the top priority for fiscal year 2008-2009. The CIP shows that the proposed project is the top priority in the sewer/wastewater category; projects were prioritized for each type of facility.

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 was not eligible for a $750,000 grant.

Rationale: The applicant is proposing a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The city is ranked 68th 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 is ineligible at this time because they have an outstanding grant for neighborhood rehabilitation. The city also considered other loan programs, but the loan terms were less favorable than SRF and the city will seek RD funding for other projects. However, the applicant stated that an RD grant and loan would be pursued if the other funding options are not available.

A problem noted with the TSEP application is that the applicant does not qualify for the $750,000 grant that was requested, because the TSEP application guidelines specifically state that the applicant cannot raise user rates beyond the amount necessary to complete the proposed project in order to qualify for a larger TSEP grant. The application states that O&M expenses would increase by $5.41 as a result of this project; however, the PER states that there would be no change in O&M costs as a result of the project. The city elected to set user rates at an amount that is higher then required for the proposed project, in order to build reserves in anticipation of a fourth cell that may need to be built at the treatment facility; although, the PER states that the fourth cell may be inappropriate. After subtracting out the amount associated with the reserve for the future project, the projected user rate for the proposed project would be only 140% of the target rate. In order to qualify for a $750,000 grant, the projected user rates must be at least 150% or greater of target rate. However, based on the increase in the user rate associated with the debt service for the proposed project, the applicant meets the criteria for a $625,000 grant. Therefore, if a TSEP grant is awarded it should be for the decreased amount of $625,000 and not $750,000.

The applicant stated that the TSEP grant is essential, and replacement of the deteriorating lines cannot be delayed another two years. After subtracting out the additional reserve amount, without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team concluded that even with a reduced TSEP grant the proposed funding package still appears viable, assuming that the applicant is willing to borrow an additional $125,000. The additional amount that would need to be borrowed to make up the difference would only increase user rates by approximately $0.63 per user per month.

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 reliable infrastructure is essential for the future expansion and job creation of any city. The Crossroads Correctional Center, the U.S. Department of Homeland Security's border patrol complex, and the Federal Bureau of Investigations offices in Shelby rely on the adequacy of the city's water and wastewater systems to meet their needs. The applicant also stated that economic development prospects including a pork processing facility, bio-diesel plant, fuel distribution facility, mini-refinery and egg production facility are under consideration for Shelby; however, there was no documentation in the application discussing these potential economic development projects.

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 the proposed project has strong community support from its residents.

Rationale: The applicant stated that the city held two public hearings; both took place at 7:30 p.m. at the city hall. Five residents, along with local officials and consultants, attended the hearing on March 17, 2008, which discussed the overall needs of the community. A hearing on April 21 was attended by six residents, as well as local officials and consultants. The proposed project was discussed at both hearings, and the estimated cost per household was discussed at the April hearing; a newspaper article in the *Shelby Promoter* stated that the increased cost was more than $2 lower than the amount presented at the hearing. According to the applicant, presentations were also given at the merchant association and the local chamber of commerce meetings; no documentation was provided regarding these additional presentations. The applicant utilized the local newspaper and radio station to inform the public of the proposed project 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; however, it is impossible to verify what comments were made during the shows. The application included a newsletter that informed the community about the public hearing in March. Affidavit of publication for the two advertised public hearings, sign-in sheets, agendas, and minutes were included in the application.

Letters of support for the proposed project were included from State Senator Jerry Black, the county commissioners, the Port of Northern Montana, the North Central RC&D, the area certified regional development corporation, the local chamber of commerce, the economic community development director, the Cross Road Corrections Center, and the Marias Medical Center. The CIP shows that the proposed project appears to be a high priority.

Project No. 48
City of Whitefish – Wastewater System Improvements

This application received 3,200 points out of a possible 4,900 points and ranked 48th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$ 900,650	On the priority list, but has not applied
City	Cash	$ 99,000	Committed by resolution
Project Total		**$1,599,650**	

Median Household Income:	$33,038	Total Population:	6,220
Percent Non-TSEP Matching Funds:	69%	Number of Households:	2,703

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$41.26	-	Target Rate:	$63.32	
Existing Wastewater Rate:	$31.11	-	Rate with Proposed TSEP Assistance:	$74.39	117%
Existing Combined Rate:	$72.37	114%	Rate without TSEP Assistance:	$75.31	119%

Project Summary

History – Whitefish's aerated lagoon facility was constructed 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 Montana Department of Environmental Quality (DEQ) in response to unpermitted overflows and bypasses during high flow events. Since then, the city has implemented numerous projects to rectify problems with the wastewater system, including inflow mitigation, long-term solids handling, upgrading the aeration system, influent structure, main lift station pump capacity, and control improvements. In 2006, the city initiated a project to add pretreatment and bypass capability to the main lift station, and to add a redundant flocculating clarifier in order to further enhance dependability. Later in 2006, the city experienced 10 separate sanitary sewer overflows that resulted in the DEQ taking enforcement action. The resultant administrative compliance order required the city to implement a series of improvements to the lift station network, and to evaluate methods for reducing the amount of infiltration and inflow being introduced into the sewer system. In 2007, the DEQ issued the city a new discharge permit that contains limitations and a compliance schedule for pathogens.

Problem – The city's wastewater system has the following deficiencies:
- excessive water infiltration and inflow into sewer system,
- surcharging lift stations due to infiltration and inflow,
- reduced treatment efficiency due to infiltration and inflow, and
- inability to meet future permit limits for *E.coli*.

Proposed Solution – The proposed project would:
- replace or rehabilitate approximately 10,200 feet of sewer mains,
- rehabilitate up to 44 manholes, and
- construct a new ultraviolet light disinfection facility at the wastewater treatment plant.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are related to the numerous spills or discharges from the wastewater collection system. The DEQ issued an administrative compliance order in 2006 in response to a series of violations pertaining to spills or discharges from the wastewater collection system. Ten separate incidents were noted and a variety of remedial actions were required. In general, the problems were caused by failure of control systems in the wastewater lift stations or excessive flow in the collection system during storm events. The incidents resulted in discharges of untreated sewage into Cow Creek, Whitefish Lake or the Whitefish River, or onto the ground. The city has addressed, or is addressing, lift station deficiencies. The focus of the proposed project is to address problems with infiltration and inflow in the collection system. The potential for public health or safety problems due to the deficiencies noted in the sewage collection system exist, especially given the number of violations involving the discharge of untreated sewage entering state waters or spilling onto the ground surface. The flow of untreated wastewater into a nearby stream or lake also constitutes an environmental problem.

The other project component includes new disinfection facilities for the wastewater treatment plant, in direct response to the recently issued discharge permit and a settlement agreement negotiated between the city and the DEQ. The regulatory agency has mandated the city to reduce bacterial concentrations in their wastewater effluent by 2011. The new limits are being imposed to protect users of the Whitefish River that might come in direct contact with the water in the river downstream of the effluent discharge. Lack of adequate disinfection facilities in a wastewater treatment plant has the potential to create a public health hazard.

All of these deficiencies are likely to result in public health and safety problems in the long-term if not corrected.

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 65th 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 47th lowest of the 65 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 41st highest of the 65 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 17th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 annual revenues increased by 131% between 2000 and 2006; no further details were provided about what the rates were before they were changed. The wastewater utility generates approximately $1,766,000 in total annual revenues and has an operating budget of $1,300,766, which appears to provide adequate funds for O&M as well as funds for system planning and capital improvements.

The applicant stated that the city completed sewer separation projects in 1996 and 1997. In 1997, the city completed a wastewater facilities plan that evaluated the entire wastewater system from collection to discharge. A long-term solids handling project was completed in 1998. A wastewater system PER was prepared in 2000, which was followed by a lagoon aeration and solids removal project. An infiltration mitigation study and a comprehensive utility master plan were completed in 2006. The master plan looked at the city's water, wastewater and storm water systems to address problems associated with deterioration of existing infrastructure and expansion of service areas. A lift station upgrade project and a $1.8 million Texas Avenue water main improvements project was completed in 2007. Just recently, the city completed a $3 million wastewater pretreatment and flocculating clarifier project. The $350,000 long-term solids handling project was completed without the help of outside funding sources.

The applicant stated that the problems with infiltration are the result of the original collection system installation, as well as poor sewer construction practices in some of the privately-funded developments that contribute to the wastewater system. The city has been aware of and worked to identify and address the problem for the past 15 years. The disinfection project is the result of a newly-established permit limitation that becomes effective in 2011. The MDOC review team concluded that the city's O&M past practices related to the wastewater system appear to be less than adequate, but has shown improvement in the last two years.

The applicant stated that the city's five-year wastewater capital improvements plan (CIP) has over $10.7 million dollars in construction projects scheduled for the next five years; however, the document is simply a list of wastewater projects that they expect to complete between 2008 and 2013.

The applicant stated that the city adopted a city-county master plan in 1996; no documentation was included in the application.

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.

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 56th on the SRF priority list; therefore, the city is eligible to apply for the loan. The applicant stated the city has a local resort tax that primarily is earmarked for street reconstruction projects. When streets have been constructed, the city has frequently reconstructed the water and sewer lines located beneath the street where necessary to address deteriorating buried utilities. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used.

The applicant stated that the TSEP grant is necessary to make the proposed project viable for system users. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 no long-term jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic infrastructure necessary to support population growth, and possible economic and business 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 of a lack of documentation showing residents had been informed of projected user rates.

Rationale: The applicant held a public hearing on April 28, 2008 at 7:10 p.m. in conjunction with the regular council meeting to discuss the need for the proposed project and the rate increase necessary to fund the proposed project. An excerpt from the minutes show the proposed improvements were discussed in detail, as were project costs, but do not indicate that user rates were discussed; they also do not indicate who was present at the hearing, either local officials or residents. The applicant stated that based on reactions at the rate increase public meeting and conversations with the city staff, the citizens appear to be largely in support of the project, but there were understandable concerns about increased user rates; however, the application did not include any documentation to verify the statement. A flyer type notice, minutes, an agenda, a press release advertising the public hearing, and the published notice were included in the application. The MDOC review team noted that there was no documentation included in the application demonstrating that residents had been informed about the user rates.

Letters of support for the proposed project from State Senator Dan Weinberg and the Whitefish Lake Institute were included in the application. The CIP shows that the proposed project is a priority; however, the CIP is only a list of wastewater projects.

Project No. 49 (Tied)
Town of Eureka – Water System Improvements

This application received 3,192 points out of a possible 4,900 points and ranked 49th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $625,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 625,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application submitted May 2008
RD	Loan	$ 610,000	Applied in June 2008
Project Total		**$1,785,000**	

Median Household Income:	$27,120	Total Population:	1,157
Percent Non-TSEP Matching Funds:	65%	Number of Households:	550

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$32.89	-	Target Rate:	$51.98	
Existing Wastewater Rate:	$33.64	-	Rate with Proposed TSEP Assistance:	$68.05	131%
Existing Combined Rate:	$66.53	128%	Rate without TSEP Assistance:	$74.23	143%

Project Summary

History – The water supply in Eureka is obtained from groundwater through both a well and a two-train infiltration gallery located in the Tobacco River alluvium. The water from the infiltration gallery is disinfected with ultraviolet light and gaseous chlorine, and the well is disinfected using liquid chlorine. The 510,000-gallon storage tank was constructed in 1972. The majority of the distribution system is more than 36 years old.

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

- undersized water mains in some areas do not allow for the maintenance of the minimum pressures under all conditions of flow, including fire flows,
- the primary commercial and business area located along U.S. Highway 93 north of the town limits lacks water service and fire protection,
- the public water supply for the Mountain View Trailer Court, which is also north of the town limits, has experienced 24 coliform positive samples since 2001; five health advisories have been issued by the Montana Department of Environmental Quality (DEQ) as a result.

Proposed Solution – The proposed project would:

- extend the town's distribution system approximately 5,100 feet along the Highway 93 corridor to Mountain View Drive,
- install safety improvements in the chlorination room.

Note: Improvements to the existing distribution system and increased storage capacity are proposed to be addressed in future 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies are recurring, non-acute violations of the Total Coliform Rule at the Mountain View Trailer Court, which is not connected to the Eureka water supply. There have been no total coliform positive samples from the water system of the Mountain View Trailer Court since 2006. The Mountain View Trailer Court could consider full time disinfection as a management strategy in lieu of distribution main extension to address the public health problems associated with recurring microbial problems; however it is noted that this would not address the need for fire protection. There is no fire protection at the trailer court and along U.S. Highway 93, a commercial area north of the town limits. As such, continued operation of the systems without the proposed project has a likelihood of causing illness or injury in the long term.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 50.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 14th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 22.9%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 10th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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's planning efforts have been relatively recent, and because of inadequate documentation.

Rationale: The applicant stated that the town ensures that revenues exceed expenses in order to build and maintain a reserve fund in each of its utility accounts; approximately 10% to 20% of the income is placed in reserves. These reserves have allowed the town to complete two major upgrade projects to its water and sewer systems in the past 10 years.

The applicant stated that studies of the water system were completed in 1999 and 2008. In 2003, a $1 million upgrade to the water system was completed. Other water system related projects have included: new computer equipment for the water system and fencing around the water treatment facility in 2005, and surge suppression for the water plant, fencing around the water tank, and painting the tank's exterior in 2007. A source water protection plan was submitted to DEQ in 2002. The water system is metered.

The applicant stated that studies of the wastewater system were completed in 1997 and 2007. In 2005, a $1.5 million project was completed on the sewer system. Other wastewater system related projects have included: constructing an outfall line in 1998, constructing a new lift station and fencing around the entire wastewater treatment facility and ponds in 2004, and extension of sewer mains in 2004 and 2008.

The applicant stated that the current deficiencies with the town's water facilities are largely due to community growth, the age of the system components, and the era of the system's original construction. The MDOC review team concluded that the town's operation and maintenance practices related to the water system appear to be reasonably adequate.

The applicant stated that a comprehensive, five-year capital improvements plan (CIP) was adopted in 2006, and the town is in the beginning stages of updating it. The applicant commented that the CIP is updated as part of the town's annual budgeting process; however, the CIP included in the application does not reflect having been updated since it was adopted in 2006. In addition, the proposed project is not included in the CIP. A tax increment finance district around the downtown core and south to the town's limits was established in 2005 to help fund infrastructure improvements, especially lights, sidewalks, and roads; no documentation related to the tax increment finance district was included in the application.

The applicant stated that an area-wide needs assessment and a resource team assessment for the town were both completed in 2007; however, the proposed project was not discussed in either document. The town also participates in the Tobacco Valley Community Development Council (TVCDC) strategic planning process. The applicant stated that the TVCDC conducted a community strategic planning process in 2005 and now updates the strategic plan annually. The first priority for the TVCDC, as seen in the strategic plan, is infrastructure, specifically the water and wastewater expansion into Midvale. The

annual update of the strategic plan was part of the comprehensive economic development strategy process for the regional development organization in 2007. The strategic plan has been handed out at a variety of events and is presented at various organizational meetings. Only the most basic concept of the proposed project (only the Highway 93 corridor portion) was discussed in the strategic plan. The applicant stated that the town is participating in the development of a county-wide growth policy that was started in 2007; no additional information or documentation was provided.

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 of the uncertainty of the other funds, the funding package was not clear, and the TSEP funds were not considered to be critical to the project.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG and RRGL grants in combination with an RD loan. It appears that the applicant intends to target the CDBG grant to assist the LMI residents in the Mountain View Trailer Court to pay the fees associated with connecting to Eureka's water system. However, 17 of the 21 applicants seeking CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated that an Economic Development Administration (EDA) grant was not considered, because the proposed project does not meet EDA requirements of direct job creation. The applicant would consider applying for State and Tribal Assistance Grant (STAG) and/or a U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grants if not successful in obtaining the TSEP or CDBG grant.

The application was not completely clear in describing how the proposed project is to be funded. The applicant stated in the funding strategy that an SRF loan was considered, but concluded that an RD loan was preferable because of the associated RD grant; however, the applicant lists only an RD loan in the funding package. Later in the application, the applicant states that an RD grant and loan would be available in January 2009 (on page six of the application). The applicant also stated that the town would contribute $250,000 through an RD loan (on page seven of the application), but shows the loan amount in other parts of the application as $610,000. These conflicting references and statements leave the MDOC review team questioning whether the applicant ultimately intends to try to obtain a portion of the RD amount as a grant.

The applicant stated that the proposed project would likely not proceed without the TSEP grant. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 ensure that the water system has sufficient capacity to meet the needs of the community in general, and more specifically to meet the needs of the project area north of town, which has been designated as the community's primary area of growth. The Highway 93 corridor is a key in the economic growth of North Lincoln County and already has two large commercial subdivisions in the works. One of the subdivision owners has expressed an interest in having the water line extended beyond what would be installed in the proposed project in order to service his 40-acre commercial development and a 40-acre residential development. The area north of town will also see three successful businesses expanding to new locations which will retain and create new jobs. For example, on Highway 93, Steins IGA plans on building a new facility that will also include a branch of the Lincoln County Credit Union and a pharmacy, both creating new jobs for the Eureka area; the applicant did not state where this development of three businesses is to be located or if it is dependent on the proposed project. The town recognizes that future demands would extend the water and wastewater services all along the Highway 93 corridor, but until the developers contribute financially, the town is concentrating on the public health risk and fire flow problems in the area. The applicant did not discuss any immediate job creation or business expansion that would occur as a direct result of the proposed project, or provide any documentation regarding any of the proposed development discussed above.

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 demonstrate that the proposed project is a high local priority.

Rationale: The applicant held a public hearing at 4:30 p.m. on March 6, 2008 at the Lincoln Electric Cooperative meeting room. Various planning documents were discussed including the area strategic plan, needs assessment, the regional economic development strategy, and the town's resource assessment. There was also a discussion of various proposed projects applying for funding in 2008. A second public hearing was held at 7:00 p.m. on March 12, 2008 in the high school auditorium, to specifically discuss the proposed water project. In addition to local officials, staff and consultants, 18 residents attended the hearing. The recommended funding strategy and the resultant user rate were specifically discussed. A third public hearing was held on April 14, 2008 to provide members of the public the opportunity to voice their opinions and/or ask questions regarding the annexation process of the Highway 93 corridor. That public hearing was followed by another public hearing on the proposed project. In addition to local officials, staff and consultants, 29 residents attended the hearing. The recommended funding strategy and the resultant user rate were specifically discussed. A handout was provided about the proposed project and impact of the proposed project on the user rates. The application included copies of the affidavits of publication of the meeting notices, lists of attendees, meeting minutes, and handouts/slide presentations.

The applicant stated that other outreach has been done to incorporate public comments, involvement and community planning. The TVCDC has monthly meetings at which updates on water and wastewater projects are often provided. The minutes of the TVCDC are forwarded on to an e-mail list of 72 people on a monthly basis. An annual "all organization" meeting of the TVCDC was held February 12, 2008 at which an update on the proposed water project was provided. The town also presented information about the proposed project on April 8, 2008 at a monthly mixer of the chamber of commerce that had 17 people in attendance. The first priority for the TVCDC, as seen in the strategic plan, is infrastructure, specifically the water and wastewater expansion into Midvale.

The applicant stated that extending water and wastewater service north of the town would require annexation, which has resulted in some opposition to the project. Based on the minutes and a news article concerning the April 14 hearing, it appeared to the MDOC review team that several landowners along the Highway 93 corridor may be opposed to the proposed project. The applicant stated that two main concerns have been voiced: taxes will increase and business owners who are not residents have no vote in town business. To address the first concern, the town developed a brochure to highlight the estimated additional costs if residents/businesses are annexed into the town. The brochure was provided to residential areas affected and the brochure was made available at the county fair.

The applicant stated that at no time has the town received any written comments for or against the proposed project beyond the written letters of support; the town clerk also stated that no letters in opposition to the annexation were received. The application included letters of support for the proposed project from the owner of Mountain View Trailer Court, State Representative Chas Vincent, both the electric and telephone cooperatives, the area chamber of commerce, the local community development council, the local economic development organization, the county fair board, First Interstate Bank, and one other business. The application also included 12 form letters from residents of the Mountain View Trailer Court, in addition to, a letter from one other resident.

The proposed project is not included in the CIP. The strategic plan prepared by the TVCDC discussed only the basic concept of the proposed project and only the Highway 93 corridor portion of it. There were no planning documents submitted in the application, with the exception of the PER, that show that the proposed project is a high priority.

Project No. 49 (Tied)
City of Troy – Water System Improvements

This application received 3,192 points out of a possible 4,900 points and ranked 49th out of 65 applications in the recommendations to the 2009 Legislature. **Hypochlorination disinfection for the two water supply wells was approved for funding through a previous TSEP grant as discussed in Statutory Priority #1. Therefore, MDOC recommends a reduced grant in the amount of $715,000, if there are sufficient funds, to reflect a reduction in the cost of the project associated with removing the disinfection component of the proposed project. The $35,000 reduction represents 50% of the cost of that component of the project being proposed by the applicant.**

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
STAG/WRDA	Grant	$ 236,000	Applied for $400,000 from both in March 2008
CDBG	Grant	$ 450,000	Application submitted in May 2008
Project Total		**$1,536,000**	

Median Household Income:	$19,635	Total Population:	1,114
Percent Non-TSEP Matching Funds:	53%	Number of Households:	560

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$34.50	-	Target Rate:	$37.63	
Existing Wastewater Rate:	$34.27	-	Rate with Proposed TSEP Assistance:	$69.08	183%
Existing Combined Rate:	$68.77	183%	Rate without TSEP Assistance:	$73.95	197%

Project Summary

History – The City of Troy's water system was originally constructed in the 1950s and miscellaneous upgrades have occurred periodically since then. The most recent improvements were completed in 2007, which included an 180,000-gallon storage tank, well pump replacement, and leaking main replacements. The current infrastructure includes two above ground tanks (the north tank contains 125,000 gallons and the south tank contains 180,000 gallons), two wells with capacities of 1,000 gpm and 900 gpm, water meters, and distribution mains consisting of PVC, steel, and wood.

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

- source does not meet the Montana Department of Environmental Quality (DEQ) design standards,
- dead end mains,
- excessive leakage in mains,
- undersized mains,
- inadequate storage capacity,
- recurrence of bacteria in the water system,
- lack of main redundancy,
- storage does not meet DEQ design standards,
- leaking fire hydrants, and
- minimal fire flow capabilities.

Proposed Solution – The proposed project would:

- ❑ replace approximately 2,650 feet of eight-inch main and 850 feet of 10-inch main along Kootenai Avenue, Yaak Avenue, Third Street, and Fourth Street,
- ❑ install approximately 3,700 feet of eight–inch pipe to loop water mains from well # 2 to Spokane/Kalispell alley, the elementary school and across Callahan Creek,
- ❑ install hypochlorination disinfection systems at each of the two water supply wells, and
- ❑ install approximately 23 hydrants.

Note: The proposed solution does not intend to resolve the problems related to storage or source water design standards. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is that fire protection is below standards in some areas of the commercial district. Leakage is also a stated need, but leakage comprises only 13% of the unaccounted-for water, a loss that is within the range of 10% to 20% of acceptable losses that are typical in a public drinking water utility. There have also been numerous total coliform violations in the system with two health advisories issued in 2008 alone. However, these microbial occurrences are not being considered as part of public health and safety issue, because they were supposed to have been previously addressed by the applicant through the installation of hypochlorination units at both wells. The applicant was awarded a TSEP grant in 2003 to install hypochlorination units at both wells. Further, the installation of hypochlorination units at both wells, as presented in the current PER, is estimated to cost $69,000; as a result, this amount represents approximately 5% of the construction costs. The remaining 95% of the project address long-term, level three public health and safety needs. As a result, the overall score is pro-rated to a level three, since the majority of the consequences of continued operation of the system without the proposed project are likely to occur in the long-term.

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 65th 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 65 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 61.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 3rd highest of the 65 applications.**
- The percent of persons living at or below the *Poverty* level is 27.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 5th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including the locations of the existing wells (important in assessing potential sources of microbial contamination), and the PER did not articulate why full-time disinfection had not been constructed in the first phase of water system improvements as proposed and funded by TSEP through the 2003 Legislature.

Considering the costs involved in repairing the leaks ($724,000) and the relatively low current leakage rate of 13%, it does not appear as if the design represents the most cost-effective option for resolving the health and safety need associated with microbial contamination. The technical design does not thoroughly address the deficiencies because the PER did not provide a defensible link between microbial contamination and the existing main leakage. The PER does not address the potential need for contact time in addition to chlorination to address the coliform sampling history that indicates an ongoing source of coliform contamination. While the installation of chlorine disinfection should reduce the number of total coliform positive samples collected in the water system, chlorination alone does not eliminate the source of contamination.

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 inadequate documentation.

Rationale: The applicant stated that the city raised water rates to $34.50 to be able to pay for the first phase of improvements to the water system, and currently has no reserves in its water account. Prior to the current project, the city had been building up reserves to meet funding agency reserve requirements and to perform operation and maintenance (O&M), and its goal is to rebuild those reserves.

The applicant stated that the city has been very proactive in addressing the problems with the water system. In 2001, a water system PER was completed, which made recommendations for improvements

to its storage, supply and distribution systems. Those improvements are currently in progress and nearing completion. In 2008, another PER was completed to address the remaining deficiencies of the system. The applicant stated that the city has a wellhead protection area established, and that the city is in the process of creating a wellhead protection plan for its supply wells; however, there was no evidence in the application to verify the statement. The city has recently installed water meters on the majority of its services and meters would be installed on service lines in the area of the proposed project.

The applicant stated that the problems related to the water system are due to old age and not due to inadequate O&M. Sanitary survey inspections were performed by the Montana Department of Environmental Quality in 2000, 2003, and 2006; the last one conducted in 2006 stated that the water system is well operated and getting near the end of its useful life. The MDOC review team concluded that the city's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that the city is in the process of updating its capital improvements plan (CIP) and that the improvements to the water system are included in it as a very high priority. However, the application did not include a copy of the CIP to confirm this statement.

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 other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, CDBG, and RRGL grants in combination with either a State Tribal Assistance Grant (STAG) or a U.S. Army Corps of Section 595 Water Resource Development Act (WRDA) grant. The MDOC review team noted that $400,000 was requested from both the STAG and WRDA programs; however, only $236,000 of the $800,000 is currently estimated to be needed for the proposed project. The applicant did not state what the additional funds would be used for if all requested grant funding was received. The applicant also evaluated other grant programs, but determined that the city was ineligible. They also do not want to incur additional debt, so dismissed any loan funding as an option.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

Without the TSEP grant, the water rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 business expansion; however, a properly functioning water system would encourage existing businesses to remain as well as attract new businesses, which would result in the retention or an expansion of the private property tax base.

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 did not adequately demonstrate that the proposed project is a high local priority or has strong community support.

Rationale: The applicant stated that the PER was discussed at a public meeting on March 31, 2008 at 7:00 p.m. in the city hall. Five residents, along with local officials and the consultant, were informed about the proposed project and potential funding scenarios. The proposed project was also described in detail in a *Western News* article on April 4, 2008. A second meeting was held on April 16, 2008 at 7:15 p.m. at city hall, in which 11 residents joined local officials to see the consultants' slide presentation regarding the proposed project. Meeting minutes, affidavits of publication of the meeting notices in the *Western News*, and a copy of the presentation were included in the application. Meeting minutes from five meetings held between April 2001 and February 2002, discussing the 2001 PER and the water system were also included in the application.

One letter of support from the area certified regional development corporation was included in the application. The applicant stated that the proposed project is a high priority in the CIP currently being updated. However, the application did not include a copy of the CIP to confirm this statement.

Project No. 51
Fallon County North Baker Water and Sewer District – Wastewater System Improvements

This application received 3,180 points out of a possible 4,900 points and ranked 51st out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP hardship grant for the Fallon County North Baker Water and Sewer District. The applicant does not meet the three tests required for a hardship grant as discussed in detail in Statutory Priority #5. Therefore, if a TSEP grant is awarded, MDOC recommends that the award not exceed $120,000, which is based on the six households and the $20,000 limit per household.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
RD	Grant	$ 50,000	Application submitted May 2008
RD	Loan	$ 226,760	Application submitted May 2008
County	Cash	$ 908,825	Committed by Fallon County
Project Total		**$1,785,585**	

Median Household Income:	$29,944	Total Population:	Not provided
Percent Non-TSEP Matching Funds:	93%	Number of Households:	6

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$19.06	-	Target Rate:	$57.39	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$69.00	120%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$104.54	182%

Project Summary

History – The Fallon County North Baker Water and Sewer District was formed in May 2004. The district is an area that lies immediately north of the City of Baker. Residents and commercial entities located in the district currently rely on individual septic tanks and drain fields to treat all wastewater. The district receives potable water from the city's water system. The water is supplied to the users through two four-inch pipes and one three-inch pipe, all of which are dead end lines.

Problem – The district's water and wastewater systems have the following deficiencies:
- stagnant water conditions in the dead-end mains,
- lack of adequate fire flows in the planning area,
- no sanitary sewer system,
- failures of septic tanks and drainfields resulting in sewage surfacing on the ground surface, and
- existing soils have severe limitations for septic systems with drain fields resulting in the sanitarian for Fallon County condemning the installation of future septic systems.

Proposed Solution – The proposed project would install approximately 10,000 feet of sewer lines throughout the district and connect those lines to the city's wastewater treatment system.

Note: The proposed solution does not intend to resolve the deficiencies related to the water system; those improvements would be addressed in a separate project that is also supposed to be constructed at the same time as the proposed project. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is failing septic tank systems. There are two health and safety issues to be addressed by installing a wastewater collection system. The first is the potential for sewage to leak out of septic tanks with drain fields and contaminate surface water and the underlying groundwater. The second is the potential for sewage to leak out and contaminate the existing water system through leaks in the pipelines. The potential for these issues to occur in the short-term is ongoing and will not change until the wastewater system is constructed. During the winter months, effluent from failing septic tanks and drain fields surfaces and is visible until mid-summer. The in-situ soils have severe limitations for septic systems with drain fields. The environmental health officer for Fallon County has prohibited the installation of future septic systems. The public health and safety consequences attributable to these deficiencies are likely to occur in the near-term if they are not corrected.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 46.0%. **The applicant's relative concentration of persons living at or below the LMI level is the 22nd highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 13.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 27th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 information in general.

Rationale: The applicant stated that the district was created in 2004 and has been providing water service since then. Currently, there is no centralized wastewater infrastructure is in place. The district currently does not have a different user rate for residential and commercial users, but thinks the commercial users should pay a higher rate.

The applicant stated that Fallon County has a growth policy that was adopted in 2005, and the proposed project is consistent with it; no documentation was provided 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 the proposed funding package does not appear to be viable to the MDOC review team**.**

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and RD grants in combination with an RD loan and county funds. While there is a memorandum of understanding between the city and the district for connecting to the city's water and wastewater systems, the application did not include any documentation from the county specifically committing the amount indicated in the funding package. Other than mentioning Coal Board grants, the applicant did not discuss any other funding possibilities.

The applicant is requesting the equivalent of $83,333 per household, which makes this a hardship grant request. The reason that the amount per household is so high, when compared to other TSEP applications, is that this project is primarily an economic type of project; it is primarily serving a commercial and industrial area north of the town. The TSEP application guidelines have a provision that when projects primarily benefit commercial and industrial development, and there are few or no households, the $20,000 per household limit does not apply, and instead is evaluated in the same way that the financial analysis under Statutory Priority #2 is accomplished for economic development related projects. However, because no information was provided in the application to evaluate the proposed project as an economic development type of project, it was instead evaluated as a hardship grant

request; the applicant did not provide any documentation or financial information about any existing businesses or from ones that potentially would locate in the project area.

In cases of demonstrated hardship, MDOC may allow an amount greater than $20,000 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 does not meet the second test, since the projected user rates are only proposed to be 120% of the target rate, and therefore, the applicant is not eligible for a hardship grant. As a result, the MDOC review team does not recommend the hardship grant, and instead, recommends that any award to the applicant be limited to $120,000, which is based on six households.

The applicant stated that if a TSEP grant is not attained, the district would be forced to seek other funding sources and would delay the much needed project for an extended period of time. Without the TSEP grant, the combined water and wastewater rate would be at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package does not appear to be viable to the MDOC review team, since the applicant is not eligible for a hardship 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: This applicant stated that the district primarily consists of commercial users and the proposed project is essentially an economic development project. The businesses in North Baker currently employ 97% of Baker's residents; that statement was not documented and could not be verified. The applicant stated that Conoco Phillips has recently expressed a desire to build a 25-unit office building in the district; Conoco Phillips provided a letter of intent to purchase the land, along with blueprints of the building that they anticipate erecting. NALCO has also expressed a desire to expand their current operation. The applicant did not provide any documentation from any businesses to verify these statements.

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 the proposed project is a high local priority.

Rationale: The applicant held a public meeting at 7:00 p.m. on March 25, 2008 in the county library, to discuss the proposed project and its cost. In addition to three board members, a county commissioner, and consultants, 15 residents attended the meeting. The presentation did not break down costs by each project; both water and wastewater were lumped together and it was not clear what the impact on user rates would be from just the proposed wastewater project; in addition, the projected combined water and wastewater user rate stated was $7.50 less than the amount ultimately decided upon. A second public meeting was held at 7:00 p.m. on April 24, 2008 in the county library. In addition to two board members and a county commissioner, eight residents attended the meeting. The presentation did not provide any information about the impact of the proposed project on user rates, even though the applicant stated that the purpose of the meeting was to discuss the proposed sewer and water rate structure. The cost of the two projects was shown, but there was nothing in the presentation on user rates. The applicant stated that the rate structure separates residential and commercial users, with residential rates approximately $65 per user per month for both sewer and water, and commercial users paying roughly $150 and up depending on water usage. Both meetings were advertised in the *Fallon County Times*. The application included a copy of the affidavits of publication of the meeting notices, sign-in sheets, and presentations.

The application included comment sheets from 21 people and businesses in support of the project. The application also included letters in support of the proposed project from U.S. Representative Rehberg, the Eastern Plains Economic Development Corporation, and the Midwest Assistance Program.

Project No. 52
Sheaver's Creek Water & Sewer District – New Wastewater Collection System

This application received 3,168 points out of a possible 4,900 points and ranked 52nd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP hardship grant of $600,000. The applicant met all three of the required tests to qualify for a hardship grant as discussed in Statutory Priority #5. If a TSEP grant is awarded, a supplementary requirement should be added to the district's start-up conditions: A complete funding package for the first phase of the proposed multi-phased project must be firmly committed and the construction contract awarded.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$600,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
RD	Loan	$ 84,500	Application submitted May 2008
District	Cash/In-kind	$ 14,000	Committed by resolution
Project Total		**$798,500**	

Median Household Income:	$33,958	Total Population:	127
Percent Non-TSEP Matching Funds:	25%	Number of Households:	50

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$40.00	-	Target Rate:	$65.09	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$96.69	149%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$151.36	233%

Project Summary

History – The Greater Woods Bay Planning Area (GWBPA) consists of three sewer districts (Sheaver's Creek Water and Sewer District created in 2000, Woods Bay Homesites Water and Sewer District created in 2002, and Greater Woods Bay Sewer District created in 2006). Woods Bay is located along the east shore of Flathead Lake approximately five miles south of Bigfork. All of the homes in the Sheaver's Creek Water and Sewer District depend on the use of individual on-site septic tank systems and drainfields, but are served by a public water system. The community interest in a public sewer system is in response to failing septic tanks and drainfields, increased nutrients in Flathead Lake and nitrate in public water supply wells; nitrate concentrations in one well for the Woods Bay Resort were reported to be over 10 mg/L in 2005. The proposed project is the second phase of a multi-phase project. In the first phase, a trunk main that would collect sewage from the entire GWBPA (all three districts) would be constructed that would eventually transport the sewage to Bigfork, where it would be treated by the Bigfork Water and Wastewater District. The proposed project would provide a collection system that serves approximately 40% of the total number of properties in the Sheaver's Creek Water and Sewer District (the total number of properties in the district is 137), and the remainder of the district would have collection lines installed in later phases. The proposed collection system would be able to serve 42 homes with full-time residents, eight homes with part-time residents and five vacant lots.

Problem – The lack of a centralized wastewater system in the Sheaver's Creek Water and Sewer District has resulted in the following deficiencies:

- some drainfields with inadequate vertical separation from ground water may be hydraulically connected to surface water,

- poor soil conditions for effluent treatment, and
- Insufficient replacement drainfield set-aside areas.

Proposed Solution – The proposed project would:
- construct 6,765 feet of eight-inch PVC gravity sewer, and
- install 21 manholes.

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 review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that the lack of a centralized wastewater system has a high potential of contaminating the water supply sources for the Sheaver's Creek public water system. The documented ground-water contamination for Sheaver's Creek includes numerous total coliform violations that have resulted in five health advisories and one boil order issued by the Montana Department of Environmental Quality (DEQ) in the period from 2002 to 2008. There is a high likelihood that the microbial results are indicating fecal contamination of the ground water and has a high potential to cause immediate illness. The consequences attributable to this deficiency are clearly documented and are imminent.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 23.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 62nd highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 13.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 27th highest of 65 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 3 and received 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. The PER indicates that the members of the Greater Woods Bay Steering Committee (GWBSC) have stated a desire to ensure that no central sewer system be constructed without some form of land use planning in place. According to the PER, the concern of the GWBSC members is that population growth and density within the Greater Woods Bay Planning Area may substantially increase as a result of a public sewer system and no land use restrictions. The PER notes that this effect has been seen in other communities surrounding Flathead Lake and is generally viewed very unfavorably by the residents of the Greater Woods Bay Planning Area. The PER did not address whether such land use planning or zoning had taken place or whether these specific concerns of the GWBSC and the residents have been addressed. Locations for many of the sampling sites that were used to document nitrate contamination with respect to the three project areas were not provided in the PER. The PER does not describe the Sheaver's Creek public water system as required in the Uniform Application nor does it include the microbial sampling history for the water system.

The applicant did not adequately assess the potential environmental impacts. Except for a letter from the State Historic Preservation Office indicating some possible concerns about doing an inventory, documentation showing that letters had been sent to the other pertinent agencies, as required by the Uniform Application, was not found in the PER. This documentation was provided after the initial engineers' review comments but the documentation indicates that the letters were not sent out until May 19, 2008, two weeks after the deadline for TSEP application submittal.

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 applicant stated that the district is currently constructing improvements to its water system. The problems related to the on-site septic systems have developed due to the inadequate installation, operation, and maintenance of septic systems and drainfields, which is the responsibility of individual land owners. Since there are no existing public wastewater facilities in place, there is no history of operation and maintenance (O&M) practices to evaluate.

The applicant stated that the Lake County Community Development Corporation held a public hearing at 10:00 a.m. on February 8, 2008 in Polson regarding Lake County's needs related to economic development, housing, and public infrastructure project. In addition to local officials, 20 people (two of which represented the Woods Bay area) attended the hearing. The problems related to the lack of a centralized wastewater system in the Woods Bay area was identified as one of the needs in the county. The PER serves the purpose of a capital improvements plan (CIP) for the district. The Woods Bay community recognizes the need for long-term land use plans and is currently working toward creating those plans through the North Lake Valley planning and zoning district subcommittee.

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 has concerns about the district's ability to pass a bond election.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an RD loan and local funds. The applicant discussed an SRF loan, but determined that the RD loan had better terms. The applicant also discussed CDBG grants and determined that it is not eligible due to a low percentage of LMI households, but that it may apply in the future to target LMI residents. The applicant also mentioned the possibility of applying for a State and Tribal Assistance Grant (STAG) or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant if the TSEP hardship grant is not received. However, the applicant thought that the ability to obtain one of the grants was slim.

The applicant has requested 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 met all three of the tests, and therefore, is eligible for a hardship grant.

Meeting the three tests does not guarantee that applicants will be recommended for a hardship grant. Other factors may be taken into account, including issues such as whether the project area is comprised of a high percentage of second homes that are not the primary residence of their owners, or is comprised of a high percentage of un-developed, vacant lots. The district is located along the east shore of Flathead Lake, in an area that is valued for its recreational attributes, especially during the summer months. The proposed collection system would be able to serve approximately 42 homes with full-time residents, eight homes with part-time residents and five vacant lots. Approximately 84% of the homes in the project area are estimated to be the primary residence of the owners, and 91% of the total numbers of properties in the project area are developed. As a result, the MDOC review team did not think that these additional factors were an issue.

Residents would be charged a monthly sewer rate once the core system is completed, which includes the main lift station and force main from the GWBPA planning area to the Bigfork wastewater treatment facility. The total cost of the core system is $3,394,000, which is estimated to be $22.04 per month per household assuming funding through a RD loan. After the core system is complete, the proposed project would be constructed in order to extend the collection system to serve individual residences within the district. The cost of the collection system is estimated to be $7.65 per month per household. Once the residences are connected there would be an additional estimated charge of $27 per month per household, which is equivalent to the rate charged to current Bigfork Water and Sewer District customers. Lastly, Sheaver's Creek residents pay $40.00 per month for existing water service. The combined monthly rate would be $96.69 per month per household, which is 149% above the target rate.

The applicant stated that the TSEP grant is not essential to obtaining funds from other sources, but without the TSEP hardship grant the chances of being able to pass the assessment would decrease because the costs would be deemed too high by the public. Without the TSEP grant, the combined user

rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the proposed funding package generally appears viable to the MDOC review team, the team has concerns about the district's ability to pass a bond election.

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 affordable wastewater services, protect present and future potable water sources, and protect Flathead Lake, the main attraction for local tourism, all of which would increase the community's ability to grow and create more jobs. The investment in the community would encourage business relocation and expansion to the area. However, the applicant did not discuss any specific firms that have plans for expansion as a result of the proposed project at this time. In addition, the applicant stated that 100% of the projected revenues would come from residential hookups.

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 has greatly encouraged active citizen participation in the proposed project and maintaining public knowledge about the issue by creating two separate websites, advertising and holding public meetings, publishing project updates, and posting state of the Flathead Lake reports. There were five public hearings that were advertised in multiple newspapers, television stations, and radio stations.

The applicant stated that the first public meeting was held at 7:00 p.m. on September 16, 2005 and was attended by approximately 50 to 60 members of communities in the area; the number of people was not documented. The overall objective of the meeting was to ascertain the level of interest in providing centralized wastewater service beyond Sheaver's Creek and Woods Bay Homesites Water and Sewer Districts. Documentation included the content of the public service announcement and the presentation. The second public meeting was held at 7:00 p.m. on January 20, 2006. During this meeting the planning area, PER status, technical findings, project funding and status, a general overview of costs to the public, wastewater district formation, and community planning survey were reviewed and discussed. Documentation included the content of the public service announcement and the presentation. The third public meeting was held at 7:00 p.m. on April 19, 2006. An overview of the project was provided with general information about the cost of the project; an estimated range of $26 to $98 dollars per month per household was given. Wastewater district formation for the Greater Woods Bay Sewer District was also discussed. Documentation included the content of the public service announcement and the presentation. The fourth public meeting was held at 7:00 p.m. on November 29, 2006 and was attended by 33 people; the number of people was not documented. An overview of the project was provided with general information about the cost of the project. Documentation included the content of the public service announcement and the presentation. The fifth public meeting was held at 7:30 p.m. on April 24, 2008. The meeting was advertised by posting flyers in 58 locations throughout the general area,

publishing legal advertisements and meeting announcements multiple times in the *Bigfork Eagle*, *Flathead Beacon*, *Lakeshore County Journal*, and Kalispell's *Daily Interlake*. Sixty-two people from the Woods Bay area and Bigfork attended the meeting. A thorough overview of the entire project was provided, with the costs for all phases of improvements, the funding strategy, and the cost per household in each of the three districts. Documentation included the legal advertisements and public service announcements, 58 affidavits verifying where and for how long flyers were posted for the meeting, the presentation, and the sign-in sheet. All of the meetings were held in Bigfork at the Bethany Lutheran Church. Information about the websites was also included in the application, which provided links to the minutes for all meetings held.

Letters in support of the project were received from the following: Confederated Salish and Kootenai Tribes, Lake County Health Department, Flathead Lakers, Flathead Lake Lodge, Woods Bay Charters, Montana Wilderness Association, Woods Bay Homesites Homeowner's Association, Lake County Community Development Corporation, and five residents.

The PER serves as the CIP for the district. The problems related to the lack of a centralized wastewater system in the Woods Bay area was identified as one of the needs in the county at the needs assessment hearing.

Project No. 53
Yellowstone County – Bridge System Improvements

This application received 3,136 points out of a possible 4,900 points and ranked 53rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $228,753 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$228,753	Awaiting decision of the Legislature
County	Cash	$228,754	Committed by resolution
Project Total		**$457,507**	

Median Household Income:	$36,727	Total Population:	138,213
Percent Non-TSEP Matching Funds:	50%	Number of Households:	55,050

Project Summary

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

- The Yeoman Road Bridge is located approximately seven miles northwest of Huntley. This single-lane structure crosses the Billings Bench Water Association Canal on Yeoman Road. The 32-foot long timber and steel structure was built in 1935. The bridge serves a neighborhood currently being developed for residential use. The bridge provides sole access to the residential area to the west.
- The Davis Creek Bridge is located approximately four miles south of Laurel. This single-lane bridge spans Davis Creek on Davis Creek Road. The 30-foot long, two-span, timber structure was built in 1958. The bridge serves range and farm land, and is a school bus route, but significant areas are being developed for residential use. The bridge is posted for a 13-ton load limit. Closure of the bridge would result in a 10-mile detour.

Problem – The county's two bridges have the following deficiencies.

- The Yeoman Road Bridge has a sufficiency rating of 47. Deficiencies include:
  - cracking of abutments, and
  - scour damage to pilings.
- The Davis Creek Road Bridge has a sufficiency rating of 49. Deficiencies include:
  - significant movement between piling and caps,
  - heavily abraded wooden deck, and
  - bridge alignment that no longer matches the creek.

Proposed Solution – The proposed project would:

- replace the Yeoman Road Bridge with precast tri-deck superstructure on steel piles, and
- replace the Davis Creek Road Bridge with a 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 review team noted that the two bridges had sufficiency ratings ranging from 47% to 49%. The structure rating for each bridge was a four and the lowest element condition ratings ranged from a four to a five. TSEP scoring levels for this priority had both the Davis Creek and Yeoman Road Bridges at a level three score. The score for the Yeoman Road Bridge was reduced from a level

four to a level three score partly because the purpose of TSEP is not for funding future development. The Yeoman Road Bridge project appeared to be proposed partly to act as a connector to Highway 87. An additional factor in lowering the score was the relatively low average daily traffic counts. The overall score for this priority was a level three.

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 65th 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 58th lowest of the 65 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 50th highest of the 65 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 40th highest of 65 applications.**

Indicator #2. Financial Analysis: The applicant placed in the 4th level and received 432 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 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.	78
The number of bridges over 20 feet that the county is responsible for maintaining.	154
Total available funds per county maintained bridge.	$10,400

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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including an alternative analysis section that did not consider letters from environmental agencies, lack of NBI data for the Davis Creek Bridge, and lack of average daily traffic or information on the number of permanent households served by each bridge. The applicant prepared an environmental checklist for each bridge. 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 inadequate documentation and limited discussion of planning related efforts.

Rationale: The applicant stated that approximately $600,000 has been allocated each year for bridge maintenance and replacement. Funding for bridge replacement is provided for by a dedicated bridge replacement fund, which is funded primarily by the state's gas tax. The bridge fund is also funded by a tax levy that is 4.4 mills, which is the upper limit available without voter approval in a countywide election.

The county's road and bridge department performs the majority of maintenance work using a full-time bridge crew. The county has replaced 36 bridges since 1996. Nine of them were replaced with concrete culverts. A grant from the U.S. Forest Service funded the replacement of three timber bridges. Four bridges have been replaced with TSEP participation and a fifth is currently being replaced. The county plans to replace a total of five more bridges in 2008.

The applicant stated that the county has provided maintenance for the two bridges, but they are essentially worn out because they are an older style of non-engineered bridges that generally have only a 50-year life expectancy. The MDOC review team concluded that the county's operation and maintenance practices related to the bridge system appear to be reasonably adequate.

The applicant stated that the county has three-year and 10-year replacement plans, and is currently inspecting all bridges less than 20 feet in length and providing a rating for each bridge. The information gathered will be used to revise the replacement plans. These plans prioritize the bridge replacement projects and provide preliminary cost estimates. The county has been progressing towards the replacement of these bridges and the subsequent road work since 1995. Both bridges are listed as top priorities and are slated for replacement ahead of all but one other county bridge. The only bridge that is a higher priority is the 12 Mile Road Bridge, which is complicated by issues related to acquisition of right-of-way. Therefore, these two bridges will likely be replaced before the 12 Mile Road Bridge.

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.

Rationale: The applicant has proposed a funding package consisting of the TSEP grant in combination with local funds. The applicant stated that the county currently uses all of the funding sources available for bridge projects, including the Montana Department of Transportation (MDT) off-system bridge replacement program.

The applicant stated that if a TSEP grant is not awarded, the county would likely have to abandon plans to replace one or both of these sub-standard structures. Because there is more than one bridge

involved in the proposed project, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package, since a bridge could be removed from the proposed project and those funds re-allocated to complete the remaining bridge.

The proposed funding package appears viable to the MDOC review team.

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 long-term jobs, nor is the county aware of any business that are planning to expand as a result of the proposed project. However, it would have a positive impact on economic development efforts in the county.

The applicant stated that the Davis Creek Road Bridge lies on a route designated by MDT as a mandatory route for commercial trucks carrying over-height loads traveling between Laurel and Silesia. These over-height vehicles cannot clear an overpass in Laurel and thus must travel over the bridge in order to reach Silesia or any point beyond. Because of the sub-standard nature of this bridge, many of the over-height trucks that are required to pass over it exceed the load capacity, creating a situation that is hazardous to health and human safety. Replacement of this bridge is essential to the continued operation of this route, and thus to the economic development of the county and the surrounding counties.

The applicant stated that the Yeoman Road Bridge provides the only access to residential property west of the bridge, and it is also in an area that is in the midst of ongoing residential development.

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 held a public hearing about the proposed project at its regularly scheduled commissioner's meeting at 9:30 a.m. on February 26, 2008 in the county courthouse. The meeting was advertised in *The Billings Gazette,* the *Yellowstone County News,* and the *Laurel Outlook*. In addition to local officials and staff, seven residents attended the hearing. The county also held two other public meetings in Shepherd and Laurel, which are in close proximity to the bridges that are proposed to be replaced. The meeting in Shephard was held at 6:30 p.m. on February 13, 2008, at a regularly held school board meeting. The meeting was advertised in *Yellowstone County News.* In addition to local officials and staff, 15 residents attended the hearing (11 of them represented the Shepherd school). The meeting in Laurel was held at 6:30 p.m. on April 1, 2008, at a regular meeting of the city council. The meeting was advertised in *The Billings Gazette* and the *Laurel Outlook*. In addition to local officials and staff, two residents attended the hearing. At each of these meetings, details about the proposed projects were presented, and public comment was solicited. The application included copies of the meeting notices, agendas, and sign-in sheets for all three meetings, and the minutes of the hearing on February 26.

The application included comment sheets in support of the proposed project from five people that attended the Shephard meeting. The application also included letters in support of the proposed project from the both the Billings and Laurel chambers of commerce, Laurel public schools, the county sheriff, the Laurel volunteer ambulance, and four businesses.

The applicant stated that the county does not currently avail itself of an officially adopted capital improvements plan, but it does have a replacement plan and these two bridges are listed as a high priority.

Project No. 54
Gore Hill County Water District – Water System Improvements

This application received 3,128 points out of a possible 4,900 points and ranked 54th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $250,300 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$250,300	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
SRF	Loan	$545,600	Application to be submitted in May 2009
Project Total		**$895,900**	

Median Household Income:	$51,500	Total Population:	550
Percent Non-TSEP Matching Funds:	72%	Number of Households:	220

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$39.16	65%	Target Rate:	$60.08	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$60.25	100%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$70.20	117%

Project Summary

History – The Gore Hill County Water District was created in 1974 and is located approximately 1.5 miles south of the Great Falls International Airport. The water supply is derived from two wells, each producing 150 gallons per minute. Two 50,000-gallon concrete tanks at each well provide a total of 200,000 gallons of storage system-wide. Pumping facilities at each well deliver water from the storage tanks to the distribution system. The water is treated and disinfected using gaseous chlorine. The system is metered.

Problem – The district's water system has the following deficiencies:
- detections of arsenic above the state and federal primary maximum contaminant level (MCL) for arsenic in drinking water,
- water system does not provide for fire protection,
- iron levels exceed EPA secondary drinking water standards, and
- dead-end mains.

Proposed Solution – The proposed project would:
- install central treatment for arsenic removal, and
- install approximately 1,700 feet of water main to remove loop mains.

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 water system have occurred or are imminent.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of violation of the maximum contaminant level for arsenic in well #1, and water samples from well #2 have

indicated arsenic levels in excess of the primary maximum contaminant level of 10 µg/L. Arsenic at levels above the maximum contaminant level is a documented carcinogen (bladder and lung cancer) and the public health and safety consequences attributable to the deficiencies are imminent and highly likely to recur.

Statutory Priority #2: Reflects greater financial need.
The applicant received 288 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 65th 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 64th lowest of the 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 13.8%. **The applicant's relative concentration of persons living at or below the LMI level is the 65th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 4.5%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 64th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including: the potential need for a ground-water discharge permit for disposal of potentially arsenious backwash water via a drainfield, projected estimated concentrations of arsenic in backwash water or volumes of backwash water for disposal to subsurface, other water quality changes, if any, that may occur as a result of the water treatment such as decreases in TDS or other parameters that could affect lead and/or copper concentrations in delivered water, a schematic layout for the selected alternative, whether new well pumps are needed to overcome the additional head loss encountered by pumping through the proposed pressure filters, for the selected Macrolite treatment alternative for solids

disposal at a sanitary landfill site, a discussion of expected solids production rates, sludge density, sludge arsenic concentration and whether the sludge would pass the toxicity characteristic leaching procedure. 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 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 district does not have a capital improvements plan.

Rationale: The applicant stated that it has paid off all bonded debt and has been generating adequate revenue to pay expenses and build a reserve; approximately $23,000 is placed in depreciation reserves annually. The district has been able to utilize these reserves for substantial capital improvements to the system and for periodic equipment replacement. An engineering report was produced in 1997, which resulted in the construction of two new 50,000-gallon water tanks and installation of approximately 2,600 feet of eight-inch PVC water main. The district completed the improvements in 2000 utilizing $200,000 of reserve funds. A source water protection plan for the district was approved by the Montana Department of Environmental Quality (DEQ) in 1999.

The applicant stated that the deficiencies are not a result of inadequate operation and maintenance (O&M) practices, but rather lie with original system design, poor ground water quality, inadequate supply due to growth within the district, and new regulations placed on water systems in 2001. A sanitary survey inspection was conducted by DEQ in October 2005, the inspector concluded that the district's system was very well maintained and operated. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonably adequate.

The PER serves as the district's planning instrument, since roads and other area infrastructure are not the district's responsibility. The applicant stated that the growth policy of Cascade County, adopted in 2006, defines community goals and objectives that give planning direction to the district. The MDOC review team noted that although the growth policy does not specifically mention the Gore Hill Water District, it does encourage the formation of rural water districts in developing areas. The proposed project would help Cascade County implement its policy, in particular by providing a reliable water supply.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The project is ranked #11 on the SRF priority list; therefore, the district is eligible to apply for the loan.

Because the district does not meet basic eligibility requirements for CDBG or Economic Development Administration funding, it did not pursue those sources. The applicant also stated that it could apply for federal appropriations through State and Tribal Assistance Grants, and U.S. Army Corps of Engineers Section 595 Water Resource Development Act; but, the process was lengthy and that the district is under a compliance schedule to address the arsenic issue.

The applicant stated that if funding is not secured from the TSEP and/or RRGL grant programs, it would re-evaluate and re-apply for funding during the next grant cycle. Without the TSEP grant, the combined water and wastewater rate would be below 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 completing the proposed project would provide the opportunity for new entities to move into the community, and increase the tax base; however, no new businesses or jobs would be created as a direct result of the proposed project. The applicant did not state whether there are any businesses within the subdivision, but it appears that this is strictly a residential subdivision. In addition, the application states that 100% of the annual revenues are from residential hookups.

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 the lack of documentation, and the applicant did not adequately demonstrate that the proposed project is a high local priority or has strong community support.

Rationale: The applicant stated that a work session on the proposed project was held on October 2, 2007. A cover sheet, tables, and narrative of funding strategy was included in the application, but the MDOC review team could not verify that this information was presented to anyone or if any residents were in attendance at the October work session since there was no other documentation related to the work session. According to a sign-in sheet, 34 residents attended a preliminary water system analysis meeting on February 26, 2008. The MDOC review team noted that a copy of the presentation was included in the application, which discussed cost per household and funding strategy; however, there was no other documentation related to the meeting. The applicant stated that a letter was sent to all residents in the district announcing public meeting on March 5, 2008; a copy of the letter dated March 1, 2008 was included in the application. The MDOC review team noticed that the letter did not indicate any user rates, but did discuss that an income survey would be forthcoming. The public meeting was held on March 5, 2008, the sign-in sheet indicated 66 attendants were present. The applicant stated that the alternatives being considered were discussed at the meeting and comments from the district board and members of the public were solicited. The MDOC review team noted that 16 people attended a meeting on March 12, 2008; however, there was no indication what that meeting was about, only a sign-in sheet was provided. A newsletter was sent to all residents in the district and an advertisement was published in the legal section of the *Great Falls Tribune,* announcing the public meeting held on April 21, 2008 at 7:00 p.m. Although, the notice was published in the local paper, it was not published twice with a minimum of six days separation. The applicant stated that a handout was distributed to the 25 attendees that contained a description of the water system, its deficiencies, proposed project alternatives, the recommended funding strategy and the resultant user rate. The applicant stated that it was discussed during the meeting that the project would address all of the recommended improvements. The applicant also stated that most of

the residents in attendance at the meeting indicated their approval and support of the district's proposed improvements. The MDOC review could not verify any of the statements made by the applicant, because no meeting minutes were included in the application or the accompanying PER.

Nine letters of support for the proposed project were included in the application. Letters were received from the Cascade County Commissioners, State Representative Deborah Kottel, the area certified regional development corporation, and six residents of the district.

Project No. 55
South Chester County Water District – Water System Improvements

This application received 3,116 points out of a possible 4,900 points and ranked 55th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for the South Chester County Water District due to the proposed project lacking technical feasibility as discussed in detail under Statutory Priority #3.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$131,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
District	Cash	$ 7,000	Expended on PER
District	Cash	$ 6,072	Committed by resolution
Project Total		**$244,072**	

Median Household Income:	$38,654	Total Population:	65
Percent Non-TSEP Matching Funds:	46%	Number of Households:	26

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$83.33	185%	Target Rate:	$45.10	
Existing Wastewater Rate:	NA		Rate with Requested TSEP Assistance:	$83.33	185%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$123.37	274%

Project Summary

History – The South Chester County Water District was created in 2004. It is located in southern Liberty County along Highway 223 and serves rural residents from the Marias River north to within five miles of the Town of Chester. Constructed in 1975, the water system consists of an intake structure/infiltration gallery, main pump house, two booster stations, a 22,000-gallon storage tank, and nearly 30 miles of transmission piping. The source water is classified as ground water under the direct influence of surface water (GUDISW). The system has a wintertime boil order (for the first two service connections).

Problem – The district's water system has the following deficiencies:
- insufficient chlorine contact time for the first two users during winter months,
- no filtration,
- no flow meter at the Marias River pump house as required by Montana Department of Environmental Quality (DEQ),
- the existing erosion-type chlorinator at the Marias River pump house does not maintain a consistent chlorine residual and the system does not meet the required values for chlorine concentration and contact time,
- storage tank is undersized,
- no service meters, and
- the 2.3-mile Osterman/Anderson service line is undersized (this service line was designed to deliver water to no more than one resident).

Proposed Solution – The proposed project would:
- relocate the intake and install in-bank filtration,
- replace the chlorinator and install a flow meter at the Marias River pumphouse,
- install ultraviolet (UV) disinfection,
- replace a section of pipe in two service lines with 12-inch PVC pipe to provide needed chlorine

contact time,
- install water meters, and
- replace the Osterman/Anderson service line.

Note: The proposed solution does not intend to resolve the storage tank deficiencies. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is that of being classified as ground water under the direct influence of surface water (GUDISW) without providing filtration, a violation of the federal and state public water supply rules. Additionally, the existing erosion-type chlorinator does not maintain consistent chlorine residuals and the system does not meet the required values for chlorine concentration and contact time. Typically, this type of a deficiency is scored at a level five, but because of the technical infeasibility of the proposed solution the MDOC review team downgraded this score to a level four since the problem is not likely to be solved by the proposed project. Furthermore, only 59% of the construction costs addressed the most imminent public health issues. The remaining 41% of the projected construction costs received a level three score. The various project components were pro-rated, resulting in a score of 4.21. The overall score also rounded down to a level four.

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 65th 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 60th lowest of the 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 35.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 54th highest of the 65 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 16.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 21st highest of 65 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 2 and received 400 points out of a possible 800 points.

Conclusion: The Applicant inadequately demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs; or, the preliminary engineering report (PER) is incomplete and there were some significantly important issues that were not adequately addressed. These issues raised questions regarding the appropriateness of the solution selected by the Applicant.

Rationale: The MDOC review team thought that the proposed project was technically infeasible after consulting with the engineering section supervisor for the Public Water Supply Bureau of DEQ. The proposed solution of relocating the intake using in-bank filtration and UV disinfection would likely result in another GUDISW system and if so, the Surface Water Treatment Rule would require filtration. The DEQ staff person explained that DEQ does not have the ability to allow in-bank filtration. And since the new source would be within 100 feet of a surface water body, the system may face difficulties in getting the source approved from DEQ as a "ground-water" source without a deviation from DEQ rules. The DEQ rules state that continued protection of the well site must extend for a radius of at least 100 feet around the well and that DEQ must be consulted prior to design and construction regarding a proposed well location as it relates to required separation between existing and potential sources of contamination and ground-water development. The DEQ staff person indicated that neither the district nor the engineer has contacted her for advice about the approvability of the proposed project. According to the DEQ staff person, the intention to use in-bank filtration with approximately eight feet of bury (presumably below river level) and approximately 50 feet horizontally from the river would likely classify this system as GUDISW and by law would be required to satisfy all of the same requirements as any surface water system. That is, install full-scale filtration with 4-log virus removal. It is clear that the proposed project costs would not address the likely requirements of filtration of this new source. Furthermore, a plan to operate the infiltration gallery in the event that the source is classified as GUDISW was not presented. DEQ requires a GUDISW source to filter and disinfect to remove/inactivate 4-log virus; this plan is not compatible with the proposed project budget.

The MDOC review team thought that other inadequacies in the PER included: a floodplain map was not included, a discussion of local hydrology and hydrogeology, and the alternative of using cartridge filtration along with UV light disinfection was not included.

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 planning related efforts and what has been done has been done only recently.

Rationale: The applicant stated that the South Chester Water Users Association voted to create the South Chester County Water District in 2004, in order to provide representation on the North Central Montana Regional Water Authority, and to access state and federal funding. The district approved one rate increase in January of 2007, when the rate was increased from $800 per year to the current rate of $1,000 per year. The district had $27,731 in reserves in 2007.

The applicant stated several improvements have been made to the system within the last ten years. In 2001, it replaced 300 feet of four-inch main. In 2002, it re-coated the clear well at Marias River pump house. In 2003, it replaced 900 feet of four-inch main. In 2005, it replaced the pump. In 2007, it installed

monitoring equipment including an on-line turbidimeter, an on-line chlorine analyzer, a peristaltic pump to provide raw water sampling, and a double-pen chart data recorder. The upgrades made to the system in 2003 and 2007were completed with cash reserves. A groundwater protection plan was completed in 2005. The proposed project includes the installation of water meters.

The applicant stated that many of the water system's deficiencies are not associated with inadequate operation and maintenance practices (O&M), but of system design and changes to regulations. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that the PER is the basis for a capital improvements plan for the district. The project was added to Bear Paw Development Corporation's comprehensive economic development strategy (CEDS) in 2003. In 2008, Liberty County adopted a growth policy. The district, which was referred to as the Marias-Chester Water District, was included with the document. The document references the North Central Montana Regional Water System as a solution to address the rural systems water needs.

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 had concerns about the high user fee and the ability to pass a bond election.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with local funds. The applicant stated that with the small number of users and the high existing user rate, the board of directors did not believe that a debt election would be successful, especially given that the district is facing a substantial rate increase when it joins the Rocky Boy/North Central Montana regional water system. The applicant also evaluated the use of other grant and loan funds to finance the proposed project and reasonable explanations were given as to why they were not being sought. In particular, the applicant is not eligible for a CDBG grant due to the low percentage of LMI households, and the MHI is too high for an RD grant.

The applicant has requested a hardship grant, whereby it would provide a 46% 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 met all three of the tests, and therefore, is eligible for a hardship grant. The combined monthly rate would be 184% above the target rate.

The applicant stated that the TSEP grant is necessary to ensure that all of the required work can be completed and keep user rates affordable. Members were informed at the hearing that if TSEP does not provide the hardship grant as requested, the district would be required to obtain a loan for the gap; the applicant stated in the application that the scope of work would probably be reduced. Without the TSEP grant, the water rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package generally appears to be viable to the MDOC review team; however, the team had concerns about the high user fee and the ability to pass a bond election.

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. With a reliable water source, the district would be able to accommodate private sector development, such as value added agriculture products including the potential development of ethanol; however, there is not a specific firm who is proposing to develop an ethanol plant within the district at this time. One of the rural users operates a cattle operation, and without access to good water, those operations would probably not exist. With the exception of farms and ranches, it appears that the district is composed of only residential customers. In addition, the applicant stated that 100% of the projected revenues would come from residential hookups.

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 there is no capital improvements plan (CIP).

Rationale: The district held a public hearing on June 12, 2006, to discuss joining the regional water system. A presentation was given on the regional system, along with a summary of the district's current water system needs. Copies of the minutes and the presentation were included in the application. More specifically related to the proposed project, the district held a public hearing at 8:00 p.m. on April 24, 2008 at the youth center in the Town of Chester. Notice of the meeting was provided by a legal notice in the *Liberty County Times*, that was published once, and a newsletter that was mailed to the members prior to the meeting. In addition to seven board members, 13 members of the district attended the hearing (56% of the customers were represented at the hearing). The executive summary of the PER was provided to those attending. The proposed project was discussed and users were informed that if TSEP does not provide the hardship grant as requested, the district would be required to obtain a loan for the gap; the applicant stated in the application that the scope of work would probably be reduced. There is no increase in the user rates as a result of the project with the proposed funding package. The application included copies of the legal notice, newsletter, minutes, handout, and a sign-up sheet.

The applicant stated that in 2004, 71 eligible voters participated in the election to create the district, with 96% of those voting in support of its creation. The application included five letters from residents in support of the proposed project, in addition to letters from the county commissioners and Bear Paw Development Corporation. The PER is the district's CIP.

Project No. 56
City of Livingston – Wastewater and Solid Waste System Improvements

This application received 3,100 points out of a possible 4,900 points and ranked 56th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
SRF	Loan	$ 868,250	On the priority list, but has not applied
Project Total		**$1,468,250**	

Median Household Income:	$28,980	Total Population:	6,851
Percent Non-TSEP Matching Funds:	66%	Number of Households:	3,084

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	Only a combined rate provided	-	Target Rate:	$62.79	
Existing Wastewater Rate:			Rate with Proposed TSEP Assistance:	$73.20	117%
Existing Solid Waste Rate:					
Existing Combined Rate:	$55.06	88%	Rate without TSEP Assistance:	$74.18	118%

Project Summary

History –The wastewater treatment plant in Livingston generates approximately 220 tons of sludge per year. Currently, the city spreads the sludge on property owned by the city, or on property the city has contracted to use with private landowners. The city also operates a yard waste composting facility. Its municipal solid waste is hauled to a landfill in another community.

Problem – The city's composting and sludge disposal system has the following deficiencies:
- the current sludge land application program may not comply with future Montana Department of Environmental Quality (DEQ) permitting requirements,
- odor and vector problems are reported as part of the current yard waste-only composting system, and
- the anaerobic digesters at the wastewater treatment plant have been in service for nearly 50 years and are in need of some rehabilitation.

Proposed Solution – The proposed project would:
- construct an in-vessel co-composting facility,
- install a gravity filter dewatering container, and
- rehabilitate the primary anaerobic digester.

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 wastewater and solid waste 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 review team noted that there are various deficiencies that could affect the public's health and safety, including odor and vermin complaints with the existing composting system and a digester at the wastewater treatment plant that is in poor condition. Public health or safety problems with the existing windrow composting system have been limited to complaints about odors and vermin, particularly in the summer months. The objectives of the co-composting plan for the city are as follows: reduce transportation and labor costs associated with the current land application program, produce a compost that can be used by the city as a soil conditioner, comply with potential future more stringent biosolid regulations, reduce vector and odor issues associated with the current yard waste composting system, and divert garbage from the landfill.

Public health or safety problems have not been documented due to the deficiencies with the anaerobic digester at the wastewater treatment plant. However, the existing digester was noted to be in poor condition and in need of rehabilitation. Continued deterioration has resulted in the cover leaking methane gas through cracks due to corrosion.

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 65th 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 65 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 39th highest of the 65 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 35th highest of 65 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 3 and received 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. These included, but are not limited to, the following: minimal or no maps on the proximity of homes to the existing or future compost sites; no schematic showing the existing compost site; minimal or limited information on improvements to the primary digester; no updated cost estimate for the digester improvements; no re-evaluation or discussion of the wastewater treatment plant project components found in the 2008 application; poorly supported costs for the wastewater treatment plant project components and digester improvements; no indications that 2001 costs were adjusted for inflation; and no indication that all letters were sent to the appropriate regulatory agencies.

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 did not meet the requirement related to having a comprehensive capital improvements plan (CIP) for at least four years that is updated annually.

Rationale: The applicant stated that the city has reasonable operation and maintenance budgets to provide reserves for repair and replacement, and uses those funds to the maximum extent possible to accomplish improvements as funds become available; no additional details were provided. The city increased its water and wastewater rates in 2005; no additional details were provided. In 2007, the city increased residential solid waste management fees from $13.62 to $14.62 per month. The applicant stated that the city proposes to raise water and wastewater rates on July 1, 2008: water rates 14% a year for three years and wastewater rates 19% a year for three years. The city has water service connection meters to encourage conservation and a more equitable assignment of user costs.

The applicant stated that a PER was prepared in 2001 to identify improvements to the wastewater collection system and treatment plant for a 20-year planning period. The PER presented a prioritized list of 19 projects totaling over $6.7 million. Since the plan was prepared, approximately $3 million has been spent to accomplish six of those projects: replace lines, improve the Hellsmark lift station, rehabilitate the headworks and the primary and secondary clarifiers, and construct ultraviolet light disinfection facilities. Four studies were completed in 2006: a PER looked at removing glass from the waste stream and reuse it in the form of cullet for construction projects in the community; a model of the municipal water distribution system; a model of the municipal sanitary sewer collection system; and a PER which provided a 20-year plan for collection, waste diversion and recycling, handling, transportation and disposal of solid waste in Park County. In 2008, a PER was prepared to determine the feasibility of composting the city's green waste (yard waste and food scraps) with the biosolids (treated sewage sludge). A solid waste transfer station was also designed in 2008, and it is estimated that it would cost $580,000. The city also stated that it has adopted and implemented a wellhead protection plan for ground water; documentation for the plan was not found in the application, but DEQ confirmed that a source water assessment and delineation was prepared in 2001.

The applicant stated that the need for the proposed project is not caused by inadequate operation and maintenance practices. The MDOC review team concluded that the city's operation and maintenance practices related to the wastewater and solid waste systems appear to be reasonably adequate.

The applicant stated that the city prepared a CIP map in 2004 to identify and prioritize areas in the city that need improvements to the following infrastructure: water, wastewater, storm drain, curbs and gutters, street lights, alley approaches, and streets. Accompanying the map is a list of water and wastewater projects for the next three years. The MDOC review team noted that the CIP map and list provides little information and does not include many of the components that a CIP typically contains.

The city annually reviews the CIP map, in conjunction with the budget development process, and determines what it can accomplish in upcoming years with the reserves it is expected to have and the availability of loans and grants. The CIP map review process was recently conducted by the city and a summary of the proposed improvements have been included with the 2008-2011 map; the map itself does not appear to be revised, but it does appear that an annual review occurs since the list of projects begins with 08-09.

The applicant stated that the city adopted a growth policy in 2004. The proposed project is consistent with and works to carry-out infrastructure improvements identified in the growth policy. The following is an excerpt: Develop infrastructure and community services to enhance the quality of life for Livingston residents.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The project is ranked 15th on the SRF priority list; therefore, the city is eligible to apply for the loan. The applicant discussed the fact that the city does not qualify for a CDBG grant, and also concluded that the possibility of receiving State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grants are unreliable.

The applicant stated that no other funds are contingent on receiving a TSEP grant, but that without TSEP funds this project may not be financially viable. Without the TSEP grant, the combined water, wastewater, and solid waste rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team.

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 and solid waste system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that employment opportunities would be created only during the construction of the proposed project and that no businesses have approached the city regarding intentions to expand.

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 the proposed project is a high local priority or has strong community support.

Rationale: The applicant stated that the city held a public meeting on March 3, 2008 at 6:00 p.m. to present information about the proposed community composting system. The meeting was advertised in the *Livingston Enterprise*, and an announcement was inserted in every utility bill and mailed to households and businesses in February. In addition to local officials and consultants, 25 residents attended the meeting. A copy of the legal advertisement, mailing insert, sign-in sheets, minutes, and the presentation were included in the application. The city held a second public meeting on April 28, 2008 at 6:00 p.m. to discuss proposed improvements to the city's water, wastewater, and solid waste systems. The meeting was advertised in *The Livingston Enterprise*. In addition to local officials and consultants, five residents attended the meeting. During the meeting, the proposed projects and cost estimates were discussed. The city also discussed rate increases of 14% per year for three years ($3.18 per month average increase) for water customers and 19% per year for three years ($4.72 per month average increase) for sewer customers. A comparison of various cities water and wastewater rates were included in the application, which the MDOC team assumed was presented at the meeting. *The Livingston Enterprise* published a short article the day of the meeting to notify residents and another article (on the front page) the day after describing the meeting. The amount of the rate increases was included in the advertisement, minutes, and both newspaper articles. A copy of the legal advertisement, sign-in sheet, minutes, handout, and newspaper articles were included in the application.

The applicant stated that the city did not receive any negative feedback (letters, emails, phone calls, letters to the editor, etc.) concerning the proposed rate increases. The application included letters in support of the proposed project from: Vision Livingston Downtown Partnership, the local economic development district, the area chamber of commerce, Park County Environmental Council, and nine residents.

The proposed project is consistent with city's list of improvements over the next three years.

Project No. 57
Flathead County Water District #8 (Happy Valley) – Water System Improvements

This application received 3,020 points out of a possible 4,900 points and ranked 57th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RD	Loan	$ 694,000	Application submitted May 2008
District	Cash	$ 18,000	Committed by resolution
Project Total		**$1,212,000**	

Median Household Income:	$41,383	Total Population:	483
Percent Non-TSEP Matching Funds:	59%	Number of Households:	193

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$30.00	62%	Target Rate:	$48.28	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$49.59	103%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$62.31	129%

Project Summary

History – The Happy Valley subdivision is located five miles south of Whitefish. Originally constructed in 1964, the users of the water system formed a county water district in 1971 and purchased the system in 1973. The water system consists of two active, and two inactive wells, with a total capacity of 87 gallons per minute (gpm). Two storage tanks provide a total of 232,000 gallons of storage after the water is pumped from the wells through booster pumps. The system is not currently using full-time disinfection.

Problem – The district's water system has the following deficiencies:
- water supply is inadequate to meet maximum day demand or average day demand with the largest producing well out of service,
- inadequate flows for fire protection,
- booster pump station does not currently meet peak demand,
- lack of emergency power for booster station,
- including undersized mains for fire flow, dead end mains, and lack of auxiliary valves for fire hydrants,
- un-metered system,
- lack of a splash pad on the overflow for one of the storage tanks.

Proposed Solution – The proposed project would:
- construct one new well with a minimum design pumping capacity of 140 gpm and abandon three of the existing wells,
- provide two new variable frequency drive booster pumps with totalizer and flow meter following booster pumps,
- install manual auxiliary diesel generator,
- install approximately 1,700 feet of six-inch water main,
- replace fire-hydrants including auxiliary valves,
- install individual service water meters (and curb stops where necessary),
- install splash pad on overflow at 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 water system are likely to occur in the near-term if the deficiencies are not corrected.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are the inability to meet the system average day demand with the largest producing well out of service and the lack of backup power for the booster station. Power outages or low water in the storage tank can cause booster pump failure and system de-watering for parts of the distribution system and low pressures for 95% of the residents. The public health and safety consequences of these deficiencies are likely to occur in the near-term if not corrected.

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 65th 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 62nd lowest of the 65 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 57th highest of the 65 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 52nd highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 1 and received 140 points out of a possible 700 points.

Conclusion: The applicant did not demonstrate that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, or to resolve its infrastructure problems with local resources. The MDOC review team did not score this priority higher primarily because the team thought that district's operation and maintenance practices have been inadequate.

Rationale: The applicant stated that the district has historically raised it user rates periodically as the need arose to fund repairs and improvements to the system; other then the last increase, no further details about rate increases was provided. It recently raised user rates and hookup fees in an attempt to begin developing a capital improvement fund. Prior to this increase, the district did not have adequate reserve funds to cover costs in the event of an emergency repair.

The applicant stated that the district hired a well driller to deepen the highest producing wells in 1978, but the attempt was unsuccessful. Summer irrigation watering restrictions were implemented in 1987, and are still in place during summer months of peak use. Even with the water restrictions, in August 2006, the demand exceeded supply and the system ran out of water supply. During the summer of 2007, under water restrictions and strict enforcement, water supply nearly failed to meet the demand. A second 132,000-gallon water storage tank was added in 1989 to buffer the demand on the water system. The recent PER was prepared in response to a letter from the Montana Department of Environmental Quality (DEQ) in 2006 requiring a study be completed. The applicant stated that the district has implemented a wellhead protection plan for the two existing wells; however, no documentation was included in the application and DEQ's web site only lists a source water delineation and assessment report that was prepared by DEQ in 2006.

The applicant stated that the district has made several efforts in the past to mitigate problems with their system, but the solutions have been temporary. The MDOC review team concluded that the district's operation and maintenance practices related to the water system appear to be inadequate. The district was not enforcing watering restrictions when they experienced negative pressures in 2006. This condition was experienced twice in 2006 and almost again in 2007. The watering restrictions were in place, but the district did not enforce them. Public health and safety problems would be reduced by strict enforcement of watering restrictions during summertime use and by voluntary full-time disinfection. Neither of these practices were employed during the three pressure-loss events of 2006 and 2007. It appears as if the district had to be directed by the DEQ to enforce the watering restrictions even though the booster pumps had shut down on three previous, separate occasions.

The applicant stated that the growth policy for Flathead County includes the provision of adequate water facilities for residents. The PER is the equivalent of the capital improvements plan for the district.

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.

Rationale: The applicant has proposed a funding package consisting of a TSEP grant in combination with an RD loan and local funds. The applicant identified several other funding sources and provided a reasonable explanation for not applying for those funds; in most cases the applicant was simply not eligible. However, the applicant dismissed RRGL grants as a viable source even though the proposed project includes the installation of meters on service lines. Metering is a way to conserve water, making this portion of the proposed project potentially viable for an RRGL grant.

The applicant stated that the TSEP grant is not essential to securing funds from other sources, but it would aid in making the project financially feasible for the users. The applicant did not think that the district would be able to complete the proposed project without the TSEP grant. Without the TSEP grant, the water rate would be less than 150% of the applicant's water target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 project would not result in creation or retention of long-term, jobs, or that the proposed project would result in the expansion of business within the area. The application states that there are two commercial hookups, but there was no discussion about them.

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 holds monthly board meetings that are open to the public, and notices are posted at several locations in the district. The proposed project was discussed at numerous regular board meetings; minutes were included for several meetings. A formal public meeting was held at 7:00 p.m. on April 14, 2008, to discuss the proposed project and the impact on user rates. Notice of the meeting was provided through an advertisement in the *Daily Interlake* and a newsletter that was sent out with the April billing notices; both the advertisement and the newsletter simply lists a report by the engineer as one of the agenda items of what is essentially a regular monthly meeting. In addition the board members, the operator, and the consultants, six residents attended the meeting. Attendees were told that they would need to increase water user rates to a minimum of $48.28 a month to qualify for the TSEP grant, with the anticipated fee being less than $50.00 per month; the minutes reflect the $48.28 monthly fee. The applicant stated that the increase in user fee was acceptable to those in attendance; the minutes do not reflect that the general membership voiced an opinion. A copy of the affidavit of publication of the meeting notice, newsletter, sign-in sheet, and minutes were included in the application.

The PER is the equivalent of the district's capital improvements plan.

Project No. 58
Bynum/Teton County Water & Sewer District – New Water System

This application received 2,960 points out of a possible 4,900 points and ranked 58th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $567,000 if there are sufficient funds. The MDOC review team has concerns about the location that the district plans to drill for water as discussed in detail under Statutory Priority #3. Therefore, if the project is funded, only one well would be allowed to be drilled with TSEP funds. Furthermore, no additional TSEP funds would be allowed to be used for construction related expenses until an adequate source of water is obtained.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 567,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDGB	Grant	$ 195,000	Application submitted May 2008
RD	Grant	$ 500,000	Application submitted May 2008
RD	Loan	$ 18,000	Application submitted May 2008
BOR	Grant	$ 70,000	Funds committed
Project Total		**$1,450,000**	

Median Household Income:	$28,242	Total Population:	45
Percent Non-TSEP Matching Funds:	61%	Number of Households:	17

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA		Target Rate:	$32.95	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$58.17	177%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$166.82	506%

Project Summary

History – The Bynum Teton County Water and Sewer District is located approximately 13 miles north of the City of Choteau. The district was created in 2004 to serve the unincorporated community of Bynum. The community's residents and businesses currently utilize shallow individual wells for their water supply and individual septic tanks and drainfields for wastewater treatment and disposal. Test drilling in 2007 attempted to find adequate water quantity and quality in the Virgelle Sandstone west of Bynum, but only one well out of three boreholes produced sustained yields.

Problem – The lack of a drinking water system in the district has resulted in the following problems:
- no central water source, distribution system, storage or provision for fire protection,
- two shallow wells have a documented history of maximum contaminant level violations for nitrate and total coliform, and
- reported decreasing well water-levels associated with diminished ground-water recharge because of drought and/or changes in irrigation practices.

Proposed Solution – The proposed project would:
- install two wells and approximately 23,650 feet of transmission main to the storage tank,
- install point-of-use reverse osmosis (RO) cartridge filters at 26 service connections to remove fluoride,
- install individual water meters,

- install a 20,000-gallon fiberglass buried storage tank, and
- install approximately 10,500 feet of PVC distribution 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public health and safety, but the most serious problems are those of having no central public water system and an aquifer that has exhibited nitrate contamination at this location. The nitrate record for the Bynum School ends in July 2003 when nitrate levels were 5.98 milligrams per liter (mg/L), although the nitrate levels ranged widely from 1.01 to 17.0 mg/L. The maximum contaminant level for nitrate is 10 mg/L. Nitrate values for well water at the JDS Sanctuary (a bar) for the period from January 2001 to January 2008 ranged from 0.77 to 14.5 mg/L, though it appears that nitrate levels have been falling since 2004. The average nitrate level of 2.22 mg/L for the period 2006 to 2008 in untreated water at the JDS Sanctuary is less than one-half of the maximum contaminant level for nitrate (5.0 mg/L). Aquifer vulnerability to nitrate contamination has been adequately proven at this location, even though nitrate values fluctuate widely. The potential health risks to children under the age of six months from consuming water with nitrate greater than the maximum contaminant level of 10 mg/L are likely to occur in the near-term.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low* and *Moderate-Income* (LMI) level is 58.3%. **The applicant's relative concentration of persons living at or below the LMI level is the 5th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 8.3%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 58th highest of 65 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 2 and received 400 points out of a possible 800 points.

Conclusion: The applicant inadequately demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs; or, the preliminary engineering report (PER) is incomplete and there were some significantly important issues that were not adequately addressed. These issues raised questions regarding the appropriateness of the solution selected by the applicant.

Rationale: The MDOC review team thought that there was inadequate documentation of a proven source of ground water. As a result, there is significant uncertainty that the proposed project would provide a complete, cost-effective and long-term public water supply for the district.

In 2007, the Montana Bureau of Mines and Geology (MBMG), in a project funded by the Montana Department of Natural Resources and Conservation, performed test drilling in an attempt to find adequate ground water at the proposed well site in the Virgelle Sandstone approximately 4.5 miles west of Bynum. Two of the three boreholes were dry. One of the three boreholes produced sustainable yields of 20 gallons per minute during the 72-hour pump test. As noted in the MBMG report summary, "Of the three boreholes drilled only well #1 has yieldable ground water from the Virgelle Sandstone. The single well that did produce water appeared to be able to sustain a yield of 25 to 30 gpm, but the areal extent of the saturated portion of the formation could not be determined. Therefore, the long-term (months or years) yield of this well is unknown. The variability of depth to the Virgelle Sandstone, well yield, and apparent water quality based on a few boreholes make it impossible to project the long-term success of the aquifer in this area…The Virgelle Sandstone in the Bynum area has not been investigated as a public water-supply source."

In addition, based on an evaluation of water quality samples, the water quality from the Virgelle Sandstone at this locale appears to be poor, with corrosivity likely to be a problem that could be compounded by the need to treat for fluoride. A water sample from the producing well contained fluoride in excess of the maximum contaminant level of 4 mg/L. The applicant has proposed to install point-of-use RO treatment units on service connections to remove fluoride from drinking water. A revised present-worth analysis for all three alternatives was not presented in the PER to reflect increased costs based on the need for treating fluoride in the proposed new water source.

In summary, the applicant did not adequately demonstrate that there would be a sufficient quantity of ground-water at the proposed well site in the Virgelle Sandstone. Therefore, the MDOC review team had serious concerns that the proposed project would not provide a complete, cost-effective and long-term public water supply for the district

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 recently formed.

Rationale: The applicant stated that the district has been aware of the deficiencies of their drinking water source for some time. The district obtained a grant to have the MBMG conduct a test drilling program west of Bynum and the results were provided in a report in 2007. The deficiencies with the existing water supply are not due to inadequate or improper operation and maintenance (O&M), but rather the widespread contamination of on-site wells utilizing a highly susceptible aquifer.

A public needs hearing was held in March 2008 at the Teton County courthouse. Eight residents mentioned that water infrastructure improvements were needed for the district; the minutes do not reflect the rational used to prioritize the project components. The applicant stated that since the district's responsibility is focused wholly on the water system, a capital improvements plan (CIP) has little to no

value for the district. The district is not considering any sewer improvements for at least a decade as the residents of the district currently have individual privately-owned septic tanks and drain fields for wastewater treatment.

The applicant stated that the primary planning document for the district is the Teton County growth policy which was adopted in 2003. The proposed project is consistent with the growth policy.

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 of concerns over the viability of the funding package.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, BOR, and RD grants in combination with an RD loan. The funds from the Bureau of Reclamation (BOR) are committed for construction of one of the two water supply wells. The applicant conducted an income survey that demonstrated that the district has a sufficient number of LMI households for the county to apply for a CDBG grant on behalf of the district. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated the district applied for U.S. Army Corp of Engineers Section 595 Water Resources Development Act (WRDA) grant and State and Tribal Assistance Grant (STAG) monies as a contingency plan to allow the project to go forward if any of the RD, CDBG or TSEP applications are unsuccessful. If the district successfully obtains all of the proposed grants and the congressional request, the federal funds would be returned or the district would petition the agencies to construct a full fire flow system. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used.

The applicant is requesting the equivalent of $33,353 per household, based on 17 households, which makes this application a hardship grant request. In cases of demonstrated hardship, MDOC may allow an amount greater than $20,000 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 MDOC review team determined that the applicant met all three tests for a hardship grant.

The applicant stated that the TSEP grant is essential and without it the proposed project would not proceed. Without the TSEP grant, the water rate would at or above 150% of the applicant's water target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since there is a limited amount of funding for the CDBG program, which restricts the number of applicants that can be funded, and RD has stated they have concerns regarding the proposed project and may not be willing to fund 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 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 no full-time jobs would be created and no specific businesses have been identified for expansion as a result of the proposed project. The proposed improvements would provide the basic public infrastructure necessary to support population growth, and possible economic 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 the applicant did not adequately demonstrate that the proposed project is a high local priority.

Rationale: The applicant stated the district has held over 50 public meetings since the district was formed in 2004. The majority of these meetings were conducted during the board meetings. A public meeting was held on January 16, 2006 at 6:00 p.m. to describe and discuss the proposed project and funding process to members of the public. The minutes reflect that five residents attended the meeting, in addition to board members and consultants. The consultants presented the guidelines for the proposed project as well as potential funding alternatives. A newspaper article from the *Choteau Acantha*, dated January 11, 2006 briefly mentioned possible user rates. The minutes, a flyer type notice, newspaper article announcing the meeting, and handout for the meeting were included in the application. The results of the PER were presented to the district board at a meeting on March 20, 2006 at 7:00 p.m. A handout shows that the recommended preferred alternative, the initial proposal for a funding strategy, and possible impacts on user rates were discussed. The minutes reflect that one resident attended the meeting, in addition to board members and consultants. The minutes and handout for the meeting were included in the application. A public hearing was held on March 27, 2006 at 7:00 p.m. to discus the feasibility of the improvements presented in the PER. The application included a letter addressed to all district members announcing the meeting. The minutes reflect that eight residents attended the meeting, in addition to board members and consultants. A handout shows that the recommended funding strategy and the first estimate of the projected user rate were discussed. Copies of the minutes and handout were included in the application. A special meeting was held at 2:00 p.m. on November 19, 2007, that was attended by one resident, in addition to board members and the consultant. A handout shows that well data and possible alternative were discussed. A public meeting was held April 7, 2008 at 7:00 p.m. to discuss the final project scope, estimated cost, funding strategy and cost to users. Five residents attended the meeting, in addition to five board members and consultants. A handout was provided that reflect that the projected user rates were discussed. The minutes reflect that a vote was taken at the end of the meeting and the residents unanimously supported the project by a show of hands. Copies of the affidavit of publication, minutes, sign-in sheet, and the handout were included in the application. All meetings were held at the Two Medicine Dinosaur Center.

There were 12 letters of support for the proposed project included in the application; six from residents, three from businesses, two from fire departments, and the county sanitarian.

Project No. 59
City of Bozeman – Wastewater System Improvements

This application received 2,944 points out of a possible 4,900 points and ranked 59th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 750,000	Awaiting decision of the Legislature
SRF	Loan	$19,073,000	Committed
STAG	Grant	$ 5,000,000	Application submitted May 2008
City	Cash	$33,392,000	Committed by resolution
Project Total		**$58,215,000**	

Median Household Income:	$32,156	Total Population:	34,900
Percent Non-TSEP Matching Funds:	99%	Number of Households:	8,358

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$39.27	-	Target Rate:	$61.63	
Existing Wastewater Rate:	$17.11	-	Rate with Proposed TSEP Assistance:	$62.80	102%
Existing Combined Rate:	$56.38	91%	Rate without TSEP Assistance:	$63.20	103%

Project Summary

History – The wastewater treatment facility in Bozeman was originally constructed in 1970. The treatment facility, which utilizes an activated sludge process, has been expanded or modified five times. The proposed project is the first of three phases; the next phase would address even more stringent permit limits and additional growth.

Problem – The city's wastewater system has the following deficiencies:
- treatment facility has severe capacity limitations,
- inadequate land area for sludge disposal,
- aging equipment within the facility, and
- stringent ammonia, nitrogen and phosphorous limits that were recently imposed on the facility.

Proposed Solution – The proposed project would:
- construct a new headworks building,
- construct a new primary effluent lift station,
- construct a new biological nutrient reactor (BNR) bioreactor basins with advanced nutrient removal capacity,
- modify the existing aeration basins and add aeration system capacity including modifications to the blower building,
- construct two new 85-foot diameter clarifiers and a new sludge pump station,
- install a new ultraviolet light (UV)disinfection and standby power system,
- install a new chlorine feed system,
- install a new 42-inch outfall pipeline,
- construct new anaerobic digester and digester control building,
- construct new dewatering and solids storage facility, and
- construct a new fermentation unit.

Note: The proposed solution does not intend to resolve all of the problems related to the treatment plant. The next phase of improvements would address even lower phosphorous limits, among other things.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problems are use of a gaseous chlorination system and long-term protection of the East Gallatin River. Bozeman's existing water reclamation facility needs to be reconstructed to allow the city to continue to meet effluent discharge limits, increase treatment capabilities to meet more stringent discharge limits, replace treatment plant components that have already exceeded their design life, and eliminate use of chlorine gas for effluent disinfection. The city currently practices year-round disinfection using their existing gaseous chlorination system. The handling of chlorine gas is one of the most hazardous operations facing their staff. This project would install a new UV light disinfection system and eliminate the gas chlorination facility.

The majority of the project is about long-term protection of the East Gallatin River. The project would ensure that wastewater borne pollution associated with operation of the water reclamation facility does no harm to this waterway. The State has already determined that the quantities of certain constituents discharged by the water reclamation facility to the East Gallatin River would be frozen. This means that as the Bozeman area grows and wastewater flows increase, the discharge concentration of certain critical pollutants must decrease so that the total quantity of pollutants remains the same. Eventually, it is expected that these kinds of requirements would result in the city having one of the most stringent discharge limitations in the State.

The deficiencies associated with the use of a gaseous chlorination system are considered the most serious public health and safety problems; these types of deficiencies are typically scored at a level four, since they are considered a near-term public health and safety problem. However, the costs associated with resolving these deficienies are approximately 4% of the total construction costs. The remainder of the project is primarily resolving problems associated with deficiencies that relate to long-term health and safety problems, which are typically scored at a level three.

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 65th 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 65 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 46.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 20th highest of the 65 applications.**
- The percent of persons living at or below the *Poverty* level is 20.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 12th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 referenced an annual budget adopted August 2007, but provided no specific discussion related to it. A wastewater rate study was also referenced. The study, which was adopted in April 2007, projects wastewater system revenues, operating and capital costs, and reserve requirements for a five-year time-span. A wastewater impact fee study was also referenced. The document, which was adopted in August 2007, outlines the methodology for calculation of wastewater development impact fees, including funding the proposed project. The applicant stated that in the mid-1990s, the city implemented development impact fees for sewer services in an attempt to shield rate-payers from the large expense of system capacity expansion. The city charges sewer impact fees of roughly $2,700 per residential unit. Since being initiated, fees have been accumulating for the capacity-expanding elements of the proposed project, and there would be approximately $15 million in impact fee cash available for this project.

The applicant stated that it has a long-standing history of developing comprehensive planning documents for the management and construction of its wastewater facilities, and cited the most recent comprehensive wastewater facilities plan (20-year plan) that was adopted in the summer of 2006. The previous plan, prepared in 1998 had become obsolete within eight years, due to the unprecedented growth in the community.

The applicant stated that the city seeks out best-practices for management of its wastewater system. To that end, the facility would be re-built at its existing location and reuse existing facilities. Life-cycle cost savings would be achieved through green energy components (microturbines) that would add upfront costs, but would allow for recycling of 250 kW of power at the plant site, a substantial savings of future

operating costs. The MDOC review team concluded that the city's operation and maintenance practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that from the information and recommendations in its facility-wide plans, the city developed a five-year capital improvements plan (CIP), which was adopted in March 2008. The CIP is updated during each annual budget. This system of long-range planning that is implemented in short-term plans and annual budget segments has proven successful for the city and the community.

No documentation was provided by the applicant for any of the information presented above.

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.

Rationale: The applicant has proposed a funding package consisting of TSEP and STAG grants in combination with an SRF loan, and local funds. The project is ranked 8th on the SRF priority list; therefore, the city is eligible to apply for the loan. The city has applied for a State and Tribal Assistance Grant (STAG) in the amount of $5 million, but the applicant stated that it was told that the full amount of the request was unlikely and that a $500,000 grant would be more likely. If TSEP and/or the STAG grant are not received, the applicant stated that it intends to increase user rates to pay for the proposed project.

Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The proposed funding package appears viable to the MDOC review team, since the city could obtain a larger loan if the STAG grant is not received without it causing a severe financial hardship on the system's 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 wastewater system. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

Rationale: The applicant stated that the availability of an adequate wastewater treatment service would allow reasonable economic recovery and development in the greater Bozeman area. The applicant also referred to construction jobs resulting from the proposed project and staffing of the facility; however, MDOC does not consider these types of jobs in the scoring of this priority. The applicant did not discuss any other specific long-term jobs or business expansion that would occur as a direct result of the proposed project.

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.

Rationale: The applicant did not discuss any hearings or meetings regarding the project. The MDOC review team noted that minutes were included for a hearing that took place in May 2006 on the wastewater facilities plan. The minutes state that rate increases would pay for two-thirds of the proposed project, and that a rate study and impact fee study would need to be completed. There was no discussion of specific user rate amounts that would result from the proposed project.

The applicant stated letters of support for using STAG funding for the proposed project were received from the following: Greater Gallatin Watershed Council, Gallatin Local Water Quality District, Greater Yellowstone Coalition, Montana Water Course, State Representatives Bob Hawks, Mike Phillips, and JP Pomnichowski. The applicant stated that no significant opposition has surfaced; however, the Montana River Action Network (MRAN) has done some in-stream sampling and testing and has formally requested that a public hearing be held before the State reissues the city's discharge permit. The applicant stated that the facility, once built, would address the issues raised by MRAN.

The applicant stated that the city's impact fee advisory board and the Bozeman city commission have defined the proposed project as the top priority for wastewater impact fee funds.

With the exception of the May 2006 hearing, no documentation was provided by the applicant for any of the information presented above.

Project No. 60
Fort Smith Water & Sewer District - Water System Improvements

This application received 2,936 points out of a possible 4,900 points and ranked 60th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $500,000 if there are sufficient funds.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$ 500,000	Awaiting decision of the Legislature
RRGL	Grant	$ 100,000	Awaiting decision of the Legislature
CDBG	Grant	$ 450,000	Application to be submitted May 2009
SRF	Loan	$ 532,757	On the priority list, but has not applied
Project Total		**$1,582,757**	

Median Household Income:	$24,810	Total Population:	598
Percent Non-TSEP Matching Funds:	68%	Number of Households:	203

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$10.43	-	Target Rate:	$47.55	
Existing Wastewater Rate:	$10.43	-	Rate with Proposed TSEP Assistance:	$47.86	101%
Existing Combined Rate:	$20.86	44%	Rate without TSEP Assistance:	$65.14	137%

Project Summary

History – The Fort Smith Water and Sewer District and the Yellowtail Water and Sewer District are located in Big Horn County. The districts municipal water systems served the community of Yellowtail and the Fort Smith Trailer Park, which were constructed in the 1960s to house workers employed in the construction of the nearby Yellowtail Dam. The two districts joined under the name of the Fort Smith Water and Sewer District in 2007. The district is located wholly within the Crow Indian Reservation and has a year-round population of approximately 105 people, with summertime populations peaking to approximately 585.

Problem – The district's water system has the following deficiencies:
- insufficient supply to meet maximum day demands if the largest producing well were to be out of service,
- lack of emergency power at the wells,
- lack of storage for the Yellowtail system and insufficient storage for fire protection for the Fort Smith system if fire protection were to be provided,
- distribution system constructed of two-inch and four-inch mains that cannot provide fire flows,
- numerous dead-end lines,
- lack of valves for isolating sections of the system for repairs, and
- no service water meters.

Proposed Solution – The proposed project would:
- drill a new well and construct a wellhouse with a generator,
- connect the two water systems with an eight-inch highway crossing and booster station supplied with a backup generator,
- provide distribution system improvements including valves and hydrants, and
- install curb boxes and meters on services adjacent to new mainlines.

Note: The proposed solution does not intend to resolve the problems related to additional storage for increased fire protection or all of the improvements to the distribution system, which are proposed for additional 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies that would be addressed by the proposed project is insufficient supply to meet maximum day demands if the largest producing well is out of service after the two systems are connected and a distribution system that does not support fire hydrants and cannot provide sufficient fire flows. The lack of emergency power at the wells is also a deficiency that has caused the Yellowtail system to be de-pressurized and to be without water during a power outage in 2006. There was a serious fire in 2006 that resulted in loss of life and property. But it is not clear that the loss of life is a direct result of the lack of fire flow as much as perhaps the lack of a fire alarm or fire suppression system. As pointed out in the PER, because of the rapid progression and heat of the fire it is very unlikely that having a water system with fire flows would have altered the outcome. Having fire hydrants and fire flows may have lessened the property damage, however. Neither the Fort Smith, nor the Yellowtail systems, appear to have been originally designed to provide fire flows, as evidenced by the lack of fire hydrants. As such, the health and safety risks of continuing to operate the water systems without the proposed improvements are long-term in nature.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 59.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 4th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 39.2%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 2nd highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed, including the location and type of wastewater collection and treatment system as required by the Uniform Application, a discussion of the local fire fighting capabilities, and a rationale for not recommending full-time chlorination to address total coliform violations and previous health advisories. The alternative of connecting the systems without installing a new well and using smaller booster pumps was not thoroughly evaluated, nor was the alternative of rehabilitating an existing Fort Smith well without installing a new 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 district was only recently formed and does not have a capital improvements plan (CIP).

Rationale: The applicant stated the two districts have placed a combined average of just under $11,000 in reserves each year. Past operation and maintenance (O&M) budgets did not include monies for any system upgrades and were strictly used to keep the existing system operational. Source water delineation and assessment reports were completed for the former districts in 2005.

The applicant stated that the installation of meters is included in the recommended improvements, and would be added in three phases. In each phase, meters would be installed on all services adjacent to new mainlines.

The applicant stated that the problems have not developed because of O&M practices, which have enabled the district to get by with a substandard system for many years past its useful life. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonably adequate.

The applicant stated that the district only maintains a municipal water and sewer system, so a traditional CIP is not applicable to their situation. The district is using the comprehensive PER prepared for both water systems for long-term planning.

The applicant stated that Big Horn County has a current growth policy that was originally adopted in 2002. It was reviewed in 2007 and extended with no changes. The proposed project would be consistent with the growth policy.

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. 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 other funds and the TSEP funds were not considered to be critical to the project.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, and CDBG grants in combination with an SRF loan. The project is ranked 110th on the SRF priority list; therefore, the district is eligible to apply for the loan. The applicant discussed several other funding sources and provided reasonable explanations as to why those funding sources are not being used. Big Horn County must apply to CDBG on behalf of the district, but is not eligible until 75% of an existing grant is spent. The applicant anticipates that the district would be able to apply to CDBG in May 2009.

Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied.

The applicant stated the TSEP grant is not essential to obtaining other funding, but not receiving a TSEP grant would cause a hardship for the overall project. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 result in the creation of long-term jobs. The district has placed a moratorium on new service connections due to concerns over meeting peak day demands. Several requests for service have already been denied, including a business requesting water and sewer service for an expansion of their existing business. The applicant included a letter from a business owner as documentation to support this statement; the letter is from individuals without reference to any business. The letter requesting a water connection refers to providing service for a garage planned for in the near future and for the purpose of fire suppression and irrigation for the existing facility. The letter does not reference any business, expansion of a business, or any jobs that would be created. The requests for service and denial letters were included with the application. The proposed improvements would provide the basic public infrastructure necessary to support population, economic, 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 the applicant did not adequately demonstrate that the proposed project is a high local priority.

Rationale: The applicant held three public hearings. The first hearing was held on March 3, 2006 at 6:00 p.m. at the Big Horn Baptist Church to discuss the PER, the recommended funding strategy, and the resultant user rates. The minutes show that the 16 residents who attended the hearing voiced their support for the project. The minutes and presentation do not reflect if user rates were discussed. A second hearing was held May 11, 2007 at 7:00 p.m. at the Big Horn Baptist Church to present the findings and recommendations of the PER. The minutes show that 26 residents were present in addition to seven board members. The hearing presentation indicates that user rates were discussed. The third hearing was held April 18, 2008 at 7:00 p.m. at the Big Horn Baptist Church and presented the amendment to the PER, proposed project, funding strategy, and the resultant user rates. The minutes show that the 19 residents who attended the hearing voiced their support for the project. The hearing presentation indicates user rates were discussed. The hearings were advertised in the local newspaper, the *Big Horn County News,* and a notice was mailed to each user of the system before every hearing. Minutes from the hearings, sign-in sheets, hearing handouts, and the public hearing notices were included with the application.

There were 15 letters of support included with the application: nine from area residents, four businesses, the board of commissioners, and the Midwest Assistance Program. There was one form letter signed by 21 residents, and one petition with 14 signatures. The petition noted the project cost and estimated rate increase at the top of the form.

Project No. 61
Jette Meadows/Lake County Water & Sewer District – Water System Improvements

This application received 2,876 points out of a possible 4,900 points and ranked 61st out of 65 applications in the recommendations to the 2009 Legislature. **MDOC recommends the requested TSEP grant of $750,000 if there are sufficient funds.**

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
CDBG	Grant	$ 308,490	Application submitted May 2008
RD	Grant	$ 300,000	Application to be submitted May 2008
RD	Loan	$1,075,000	Application to be submitted May 2008
Project Total		**$2,533,490**	

Median Household Income:	$29,943	Total Population:	300
Percent Non-TSEP Matching Funds:	70%	Number of Households:	120

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$54.17	155%	Target Rate:	$34.93	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$56.65	162%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$77.53	222%

Project Summary

History – The Jette Meadows Subdivision was developed in the early 1980s, and is located approximately five miles northwest of Polson. The district was formed in 2006. The water system consists of three wells with a combined capacity of 172 gpm, two partially buried storage tanks with a combined volume of 84,000 gallons, three booster stations and two pressure reducing stations. The Montana Department of Environmental Quality (DEQ) issued health advisories in August and November of 2003 and June of 2008 as a result of total coliform maximum contaminant level violations.

Problem – The district's water system has the following deficiencies:
- three violations of the total coliform maximum contaminant level rule since 2003,
- source does not meet DEQ 1 maximum day demand (600 gpcd) with largest producing well out of service,
- dead end mains,
- undersized mains,
- storage tanks reportedly cracking and seeping, leaking overflow valve, sediment buildup, improper vent screen, and confined space entry and egress problems in pressure reducing stations,
- booster stations and pressure reducing stations in disrepair,
- system not designed for fire protection,
- some meters are inaccessible, and
- inadequate number of valves, air relief valves, and blow off hydrants.

Proposed Solution – The proposed project would:
- de-commission the old storage tanks,
- construct a new 250,000-gallon storage tank connected by 750 feet of 12-inch transmission main,
- install 9,300 feet of eight-inch distribution main, a new booster station, pressure reducing station, and

- install 10 fire hydrants and a tanker recharge unit.

Note: The proposed solution does not intend to resolve all of the problems related to providing full district fire protection, secondary system looping, increased water supply from a new well, and radio read meters. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is the lack of fire protection. The existing storage tanks already provide sufficient storage of the average day's consumption, and therefore, meets DEQ's minimum requirements for a system that does not provide fire protection. The existing water system was not designed for fire protection; this is an area of low density housing. The public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 38.9%. **The applicant's relative concentration of persons living at or below the LMI level is the 46th highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 6.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 60th highest of 65 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 800 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 to its public facility needs. The preliminary engineering report (PER) is generally complete and there were no issues, or 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 review team thought that the PER was reasonably complete. 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 applicant stated that when the district took over from the homeowners association in 2006, it was discovered that past financial records were not in existence or were not transferred to the district. Prior to the formation of the district, user rates were $17 per month. Soon after its formation, the district changed from a quarterly billing system to a monthly billing system. With meters on all connections, customers are billed on a base rate plus usage above the base rate. With the proposed project, all 180 lots would be assessed the same amount, which would cover both the loan and operation and maintenance (O&M).

The applicant stated that while all service connections have meters, the district needs to standardize the meters so that only one type is being used. Some of the meters are in locations that are difficult to access. The applicant stated that new meters would be installed in locations making it easier to take readings; however, the proposed project does not include any mention of new meters. The district is currently drilling a new well, and an updated source water protection plan is being prepared by DEQ; no documentation was provided for the original source water protection plan.

The applicant stated that the problems with the water system are a result of age and not poor O&M practices. The MDOC review team concluded that the district's O&M practices related to the water system appear to be reasonably adequate.

The applicant did not discuss any other related planning efforts.

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 the uncertainty of the other funds.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, and RD grants in combination with an RD loan. The applicant submitted a separate project budget showing CDBG funding as part of the funding package. The CDBG program received an application from Lake County on behalf of the district requesting $308,490 in order to pay for LMI assessments related to the proposed project and to prepare a capital improvements plan. However, 17 of the 21 applicants seeking

CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied. The applicant plans to obtain an RD loan large enough to refinance an SRF loan that was obtained in 2007 to drill a new well.

The applicant briefly discussed other sources of funding and provided reasonable explanations for not using them. In particular, the applicant discussed State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grants, and concluded that these grants are extremely competitive and the district would not be applying for either.

The applicant stated that without the TSEP grant some of the project improvements would have to be reduced or eliminated entirely. Without the TSEP grant, the water rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

Even though the TSEP grant may be critical to the overall funding package, the MDOC review team has some concerns about the viability of the proposed funding package, since the limited amount of funding for the CDBG program restricts the number of applicants that can be funded.

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 district is a residential subdivision without any businesses, and that the proposed project would not directly result in any business expansion. In addition, the application states that 100% of the connections are residential hookups.

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 lack of documentation and the applicant did not adequately demonstrate that residents were informed about the proposed project.

Rationale: The applicant stated that the district has been kept informed of the preparation of the PER at monthly meetings, and two public meetings were held to discuss the alternatives. The meetings were open to all district members and often drew large numbers of local residents. Residents and effected property owners were informed of the estimated increase in user rates resulting from the proposed project. However, the applicant provided little information or documentation about any of these meetings, including how many residents attended, what residents were told, or what residents said.

It appears that the two public meetings that the applicant referred to were held on December 17, 2007 and January 24, 2008, with both meetings taking place in Polson at 7:00 p.m.; however, the only documentation of the meetings were notices of the meeting from a newspaper. The only related meeting with minutes provided occurred on September 24, 2007. The problems with the system were discussed, but nothing about the proposed project or what it would cost. Based upon the small amount of information and documentation contained in the application, the MDOC review team was not able to determine the number of residents that may have attended these meetings, whether residents were adequately informed about the proposed project or the impact the proposed project would have on user rates, or what residents had to say about the proposed project.

The application included letters of support for the proposed project from two residents, plus another letter from the homeowners association. Other than the PER, there is no documentation demonstrating the proposed project is a high priority.

Project No. 62
Greater Woods Bay Sewer District – New Wastewater Collection System

This application received 2,744 points out of a possible 4,900 points and ranked 62nd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP hardship grant for the Greater Woods Bay Sewer District. The applicant did not meet the three tests required for a hardship grant as discussed in detail in Statutory Priority #5. Therefore, if a TSEP grant is awarded, MDOC recommends that the award not exceed $488,000. That amount would allow the district to provide a dollar-for-dollar match. If a TSEP grant is awarded, a supplementary requirement should be added to the district's start-up conditions: A complete funding package for the first phase of the proposed multi-phased project must be firmly committed and the construction contract awarded.**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$732,000	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
District	Cash	$ 14,000	Committed by resolution
RD	Loan	$130,000	Application submitted May 2008
Project Total		**$976,000**	

Median Household Income:	$33,958	Total Population:	262
Percent Non-TSEP Matching Funds:	25%	Number of Households:	90

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	NA		Target Rate:	$25.47	
Existing Wastewater Rate:	NA		Rate with Proposed TSEP Assistance:	$54.72	215%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$86.90	341%

Project Summary

History – The Greater Woods Bay Planning Area (GWBPA) consists of three sewer districts (Sheaver's Creek Water and Sewer District created in 2000, Woods Bay Homesites Water and Sewer District created in 2002, and Greater Woods Bay Sewer District created in 2006). Woods Bay is located along the east shore of Flathead Lake approximately five miles south of Bigfork. All of the homes in the Greater Woods Bay Sewer District depend on the use of individual on-site wells and septic tank systems and drainfields. The community interest in a public sewer system is in response to failing septic tanks and drainfields, increased nutrients in Flathead Lake and nitrate in public water supply wells; nitrate concentrations in one well for the Woods Bay Resort were reported to be over 10 mg/L in 2005. The proposed project is the second phase of a multi-phase project. In the first phase, a trunk main that would collect sewage from the entire GWBPA (all three districts) would be constructed that would eventually transport the sewage to Big Fork, where it would be treated by the Bigfork Water and Wastewater District. The proposed project would provide a collection system that serves approximately 22% of the total number of properties in the Greater Woods Bay Sewer District (the total number of properties in the district is 509), and the remainder of the district would have collection lines installed in later phases. The proposed collection system would be able to serve 64 homes with full-time residents, 26 homes with part-time residents and 21 vacant lots.

Problem – The lack of a centralized wastewater system in the Greater Woods Bay Sewer District has resulted in the following deficiencies:

- some drainfields with inadequate vertical separation from ground water may be hydraulically

connected to surface water,
- poor soil conditions for effluent treatment, and
- Insufficient replacement drainfield set-aside areas.

Proposed Solution – The proposed project would:
- construct 7,190 feet of eight-inch PVC gravity sewer ,
- construct 805 feet of ten-inch PVC gravity sewer, and
- install 25 manholes.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, including the lack of a centralized wastewater system. There are limited locations for replacement drainfields. Ground water that is used for private wells may be contaminated, but there were no data presented to document that this is occurring within the project boundaries of the Greater Woods Bay project area. As a result, the consequences attributable to this deficiency are considered to be long-term threat.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 23.4%. **The applicant's relative concentration of persons living at or below the LMI level is the 62nd highest of the 65 applications.**
- □ The percent of persons living at or below the *Poverty* level is 13.0%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 27th highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. The PER indicates that the members of the Greater Woods Bay Steering Committee (GWBSC) have stated a desire to ensure that no central sewer system be constructed without some form of land use planning in place. According to the PER, the concern of the GWBSC members is that population growth and density within the Greater Woods Bay Planning Area may substantially increase as a result of a public sewer system and no land use restrictions. The PER notes that this effect has been seen in other communities surrounding Flathead Lake and is generally viewed very unfavorably by the residents of the Greater Woods Bay Planning Area. The PER did not address whether such land use planning or zoning had taken place or whether these specific concerns of the GWBSC and the residents have been addressed. Locations for many of the sampling sites that were used to document nitrate contamination with respect to the three project areas were not provided in the PER.

The applicant did not adequately assess the potential environmental impacts. Except for a letter from the State Historic Preservation Office indicating some possible concerns about doing an inventory, documentation showing that letters had been sent to the other pertinent agencies, as required by the Uniform Application, was not found in the PER. This documentation was provided after the initial engineers' review comments, but the documentation indicates that the letters were not sent out until May 19, 2008, two weeks after the deadline for TSEP application submittal.

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 applicant stated that after the PER was created for the Woods Bay Homesites and Sheaver's Creek Water and Sewer Districts in 2005, citizens within the Greater Woods Bay area took the initiative to create a sewer committee and began the process of updating the PER to include other surrounding neighborhoods. This sewer committee was eventually formed into the Greater Woods Bay Sewer District. Fourteen residents in the Greater Woods Bay area donated $1,000 each to pay for the PER.

The applicant stated that the problems related to the on-site septic systems have developed due to the inadequate installation, operation, and maintenance of septic systems and drainfields, which is the responsibility of individual land owners. Since there are no existing public wastewater facilities in place, there is no history of operation and maintenance (O&M) practices to evaluate.

The applicant stated that the Lake County Community Development Corporation held a public hearing at 10:00 a.m. on February 8, 2008 in Polson regarding Lake County's needs related to economic development, housing, and public infrastructure project. In addition to local officials, 20 people (two of which represented the Woods Bay area) attended the hearing. The problems related to the lack of a centralized wastewater system in the Woods Bay area was identified as one of the needs in the county. The PER serves the purpose of a capital improvements plan (CIP) for the district. The Woods Bay community recognizes the need for long-term land use plans and is currently working toward creating those plans through the North Lake Valley planning and zoning district subcommittee.

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 because of problems with the funding package.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an RD loan and local funds. The applicant discussed an SRF loan, but determined that the RD loan had better terms. The applicant also discussed CDBG grants and determined that it is not eligible due to a low percentage of LMI households, but that it may apply in the future to target LMI residents. The applicant also mentioned the possibility of applying for a State and Tribal Assistance Grant (STAG) or U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant if the TSEP hardship grant is not received. However, the applicant thought that the ability to obtain one of the grants was slim.

The applicant has requested 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 did not meet all three of the tests, since Statutory Priority #1 was scored at a level three, and therefore, is not eligible for a hardship grant.

In addition to not qualifying for a hardship grant, the MDOC review team thought that the district is comprised of a relatively high percentage of second homes that are not the primary residence of their owners and a high percentage of un-developed, vacant lots. The district is located along the east shore of Flathead Lake and is an area that is valued for its recreational attributes, especially during the summer months. The proposed collection system would be able to serve approximately 64 homes with full-time residents, 26 homes with part-time residents and 21 vacant lots. Approximately 29% of the homes in the project area are estimated to be the secondary residence of the owners, and 19% of the total properties in the project area are not developed. As a result, the MDOC review team thought that these additional factors would have been an issue if the applicant had met all three tests for a hardship grant.

Residents would be charged a monthly sewer rate once the core system is completed, which includes the main lift station and force main from the GWBPA planning area to the Bigfork wastewater treatment facility. The total cost of the core system is $3,394,000, which is estimated to be $22.04 per month per household assuming funding through a RD loan. After the core system is complete, the proposed project would be constructed in order to extend the collection system to serve individual residences within the district. The cost of the collection system is estimated to be $5.68 per month per household. Once the residences are connected there would be an additional estimated charge of $27 per month per household, which is equivalent to the rate charged to current Bigfork Water and Sewer District customers. The projected monthly wastewater rate would be $54.72 per month per household, which is 215% above the target rate.

The applicant stated that the TSEP grant is not essential to obtaining funds from other sources, but without the TSEP hardship grant the chances of being able to pass the assessment would decrease because the costs would be deemed too high by the public. Without the TSEP grant, the wastewater rate

would at or above 150% of the applicant's wastewater target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The MDOC review team has concerns about the viability of the funding package, since the district does not qualify for a hardship grant. In addition, the team has concerns about the district's ability to pass a bond election.

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 affordable wastewater services, protect present and future potable water sources, and protect Flathead Lake, the main attraction for local tourism, all of which would increase the community's ability to grow and create more jobs. The investment in the community would encourage business relocation and expansion to the area. However, the applicant did not discuss any specific firms that have plans for expansion as a result of the proposed project at this time. In addition, the applicant stated that 100% of the projected revenues would come from residential hookups.

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 has greatly encouraged active citizen participation in the proposed project and maintaining public knowledge about the issue by creating two separate websites, advertising and holding public meetings, publishing project updates, and posting State of the Flathead Lake reports. There were five public hearings that were advertised in multiple newspapers, television stations, and radio stations.

The applicant stated that the first public meeting was held at 7:00 p.m. on September 16, 2005 and was attended by approximately 50 to 60 members of communities in the area; the number of people was not documented. The overall objective of the meeting was to ascertain the level of interest in providing centralized wastewater service beyond Sheaver's Creek and Woods Bay Homesites Water and Sewer Districts. Documentation included the content of the public service announcement and the presentation. The second public meeting was held at 7:00 p.m. on January 20, 2006. During this meeting the planning area, PER status, technical findings, project funding and status, a general overview of costs to the public, wastewater district formation, and community planning survey were reviewed and discussed. Documentation included the content of the public service announcement and the presentation. The third public meeting was held at 7:00 p.m. on April 19, 2006. An overview of the project was provided with general information about the cost of the project; an estimated range of $26 to $98 dollars per month per household was given. Wastewater district formation for the Greater Woods Bay Sewer District was also discussed. Documentation included the content of the public service announcement and the presentation. The fourth public meeting was held at 7:00 p.m. on November 29, 2006 and was attended by 33 people; the number of people was not documented. An overview of the project was provided with general information about the cost of the project. Documentation included the content of the public service announcement and the presentation. The fifth public meeting was held at 7:30 p.m. on April 24,

2008. The meeting was advertised by posting flyers in 58 locations throughout the general area, publishing legal advertisements and meeting announcements multiple times in the *Bigfork Eagle*, *Flathead Beacon*, *Lakeshore County Journal*, and Kalispell's *Daily Interlake*. Sixty-two people from the Woods Bay area and Bigfork attended the meeting. A thorough overview of the entire project was provided, with the costs for all phases of improvements, the funding strategy, and the cost per household in each of the three districts. Documentation included the legal advertisements and public service announcements, 58 affidavits verifying where and for how long flyers were posted for the meeting, the presentation, and the sign-in sheet. All of the meetings were held in Bigfork at the Bethany Lutheran Church. Information about the websites was also included in the application, which provided links to the minutes for all meetings held.

Letters in support of the project were received from the following: Confederated Salish and Kootenai Tribes, Lake County Health Department, Flathead Lakers, Flathead Lake Lodge, Woods Bay Charters, Montana Wilderness Association, Woods Bay Homesites Homeowner's Association, Lake County Community Development Corporation, and five residents.

The PER serves as the CIP for the district. The problems related to the lack of a centralized wastewater system in the Woods Bay area was identified as one of the needs in the county at the needs assessment hearing.

Project No. 63
Em-Kayan Village Water and Sewer District – Water System Improvements

This application received 2,648 points out of a possible 4,900 points and ranked 63rd out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for the Em-Kayan Village Water and Sewer District, because the application did not receive the minimum number of 2,700 points required to be recommended for a grant. Furthermore, the MDOC review team had major concerns about whether the proposed project would resolve the serious health and safety problems (for more details see Statutory Priority #3).**

Funding Source	Type of Funds	Amount	Status of Funds
TSEP	Grant	$290,619	Awaiting decision of the Legislature
RRGL	Grant	$100,000	Awaiting decision of the Legislature
SRF	Loan	$190,619	On the priority list, but has not applied
Project Total		**$581,238**	

Median Household Income:	$36,319	Total Population:	150
Percent Non-TSEP Matching Funds:	50%	Number of Households:	61

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$36.38	86%	Target Rate:	$42.37	
Existing Wastewater Rate:	NA		Rate with Requested TSEP Assistance:	$47.66	112%
Existing Combined Rate:	NA		Rate without TSEP Assistance:	$85.52	202%

Project Summary

History – The Em-Kayan Village Water and Sewer District, which was created in 1989, is located approximately seven miles northeast of Libby along State Highway 37. Em-Kayan Village originally was built as a company town when the Libby Dam was being constructed. The water system was constructed in the 1960s and consists of three springs/infiltration galleries, two wells, five steel storage tanks totaling 101,000 gallons, and a water distribution system inclusive of fire hydrants. Water produced from the springs flows by gravity to the five storage tanks. The two wells provide supplemental water to the system. The district owns a chlorine injection system, but chlorinates the water system only when maintenance/repairs are completed on the system or when a coliform positive sample is collected. Four health advisories and one boil order have been issued since July 2005.

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

- 21 total coliform positive samples and one *E.coli* positive follow-up sample since 2005,
- three springs are located in an ephemeral gulch, which be inundated by surface water runoff during precipitation events or snowmelt,
- steel water mains have a history of leakage, although the leak detection reports appear to cite that most of the leaks have occurred at hydrants and service connections,
- four-inch hydrants do not meet Montana Department of Environmental Quality (DEQ) requirements,
- fire flow requirements of 1,000 gpm cannot be met at all hydrants,
- control system is maintenance-intensive and expensive to repair,
- no service meters,
- no security fencing with locks around the springs and storage tank,
- storage tanks are not vented.

Proposed Solution – The proposed project would:

- ❑ replace approximately 2,340 feet of steel mains with eight-inch PVC mains, including gate valves and fire hydrants,
- ❑ install 61 water meters,
- ❑ install five sampling stations, and
- ❑ install control system improvements including a new pressure transducer on storage tanks.

Note: The proposed solution does not intend to resolve the deficiencies associated with the springs as potential sources of microbial contamination. 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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies result in the microbial contamination of the water system. The preliminary engineering report (PER) described the microbial contamination being the result of leaking water mains. However, both DEQ and a hydrogeologic assessment prepared by the Montana Bureau of Mines and Geology (MBMG) in 2002 support the opinion that the untreated infiltration galleries in Kennedy Gulch and possibly the untreated Highway 37 well are the more likely source of the microbial contamination. DEQ noted that leakage may also be occurring in the system, but leakage only accounts for 5% of the water loss; this amount is well below the 10% to 20% that is acceptable in a typical water system.

Typically, repeated occurrences of total coliform, and one occurrence of fecal coliform, would likely be scored at a level four. However, because the MDOC review team thinks that the selected technical alternative has a low probability of completely addressing the microbial contamination, the score for this priority was lowered to a level three, since the problem may not be solved.

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 65th 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 65 applicants.**
- □ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 45.6%. **The applicant's relative concentration of persons living at or below the LMI level is the 23rd highest of the 65 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 54th highest of 65 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 2 and received 400 points out of a possible 800 points.

Conclusion: The Applicant inadequately demonstrated that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs; or, the preliminary engineering report (PER) is incomplete and there were some significantly important issues that were not adequately addressed. These issues raised questions regarding the appropriateness of the solution selected by the Applicant.

Rationale: The MDOC review team thought that there was inadequate documentation that the only cause of the microbial contamination was distribution system deficiencies based on evidence of the vulnerability of the water supply sources. For example, the PER notes that there are no known pressure problems in the water system and this appears to be true based on hydraulic computer models except for the potential for pressures to dip below 20 pounds per square inch at some points in the system during a fire flow event. Leakage does not appear to be excessive (approximately 5%), but the PER claims that main breaks are frequent.

However, the hydrogeologic assessment included in the PER notes of the three shallow infiltration galleries that are located in the ephemeral Kennedy Gulch that, "During periods of high precipitation or snowmelt, surface runoff would flow over the top of the springs." Further, the MBMG recommended that, "If there is overland flow over the springs during significant meteorological events the springs should not be used and should be monitored for influence from surface water." This appears to be a clear indication that the springs should be considered in any plan to address microbial contamination, yet these sources were not addressed in the PER. The PER did not include any photographs or other documentation showing that steel main breakage or failure was the cause of leakage or public health concerns. A description of the type of wastewater treatment and disposal system for the district was not presented in the PER, as required by the Uniform Application, and as needed to evaluate whether the wastewater disposal system could be a potential source of the drinking water contamination. Full time disinfection was discussed as an alternative, but was rejected because of the engineer's uncertainty with the requirements of the upcoming Ground Water Rule. A DEQ engineer indicated that based on location and construction, the infiltration galleries and possibly the Highway 37 well were likely sources of the microbial contamination

In short, it is uncertain that the proposed project would resolve the primary public health concern of microbial contamination of the drinking water system, nor does the proposed technical design fully address the most exigent public health and safety deficiency and provide a reasonably complete, cost-effective and long-term solution. Further, the deficiencies to be addressed through the proposed project do not appear to be identified with the most serious public health and safety problems.

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's planning efforts have been relatively recent.

Rationale: The applicant stated that water user rates have been raised to effectively pay for necessary improvements; however, no further detail about the rate history was provided. The applicant expected to have reserve account balances of approximately $27,329 for maintenance and $62,829 for capital investment by June 2008. The district has individuals who volunteer as certified operators and perform work for the district at no charge. The proposed project includes installation of water meters to provide a better accounting of water usage, encourage conservation and a more equitable assignment of user costs.

The applicant stated that since being created, the district has made the following improvements: two additional water storage tanks were installed in 1992, a new well was drilled in 1994 but was abandoned due to low productivity, another well was drilled in 1994, three-phase power was installed to the Highway 37 well in 1998 with the transmission main and well house added in 1999, valves were added to spring #1 in 2001, and interior and exterior tank maintenance (cleaning and epoxy painting) to all five tanks. Leak detection surveys were performed in 2002, 2004 and 2007. Over $81,000 has been spent on storage tank work since 1998, and over $20,000 has been spent on leak detection and repair since 2002. A wellhead protection plan was prepared in 2003.

The applicant stated that the district resolves all concerns noted in sanitary surveys immediately following an inspection, and no significant deficiencies were noted in the 2007 sanitary survey. Documentation was included for sanitary surveys in 2007 and 2004; while no significant deficiencies were noted either time, there were some concerns that were not resolved immediately following an inspection since they were noted in each of the two inspections. The MDOC review team concluded that the district's operation and maintenance practices related to the water system appear to be reasonably adequate.

The applicant stated that Lincoln County is currently in the process of preparing a growth policy. The Lake County Community Development Corporation is currently preparing comprehensive economic development strategy (CEDS). The draft CEDS notes that there is a need for "continued development of basic services, with an emphasis on water and sewer, both new services and upgrades to existing infrastructure." Em-Kayan Village is recognized as a "firewise community," which means that the community has worked cooperatively with the U.S. Forest Service and the Montana Department of Natural Resources and Conservation to reduce fire danger and restore the health of the forested area.

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 did not discuss what the STAG grant would be used for if awarded or if it was intended to off-set any of the loan amount.

Rationale: The applicant has proposed a funding package consisting of TSEP and RRGL grants in combination with an SRF loan. The project is ranked 47th on the SRF priority list; therefore, the district is eligible to apply for the loan. The applicant discussed CDBG and RD funding, but noted that because of its low percentage of LMI residents and high MHI it is not eligible for grants through those programs. The applicant stated that it was unlikely it could obtain a State and Tribal Assistance Grant (STAG) grant for the project, but the district does intend to apply in 2009; therefore, it was not included in the funding

scenario. The applicant did not discuss what the STAG grant would be used for if awarded or if it was intended to off-set any of the loan amount.

The applicant stated that a TSEP grant is essential to obtaining other funds; however, neither the RRGL grant nor the SRF loan would be dependent on obtaining the TSEP grant. Without the TSEP grant, the water rate would at or above 150% of the applicant's combined target rate; therefore, the MDOC review team considers the TSEP grant to be a critical component of the funding package.

The proposed funding package appears viable to the MDOC review team.

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 district is primarily a residential area, and that no business expansion is specifically dependant on this project. The applicant did not state whether there are any businesses within the subdivision, but it did not appear to the MDOC review team that there are any commercial businesses within the district. In addition, the application states that 100% of the annual revenues are from residential hookups.

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 demonstrate that the proposed project is a high local priority.

Rationale: The applicant held a public hearing at 7:00 p.m. on April 23, 2008 at the local fire hall. A handout was provided to the 41 residents attending the hearing, which provided information about the proposed project, including its cost and the impact on user rates; minutes confirmed they were clearly informed. The application included copies of the legal advertisements from the newspaper, minutes, a handout, and a sign-in sheet. The applicant also included in the application a flyer type notice and a list of residents, but did not discuss how it was used.

The applicant also provided copies of minutes of monthly district meetings from February 2007 to April 2008, and a list of meetings going back to October 2003 showing significant actions taken. The applicant stated that the district utilizes a reader board to inform the residents of regular meeting dates and to keep them informed about the proposed project. Draft copies of the PER were submitted to the district board for discussion at the regular meetings that are open to the public. Additionally, board members contact residents personally to inform them of the meeting and a message was posted on the reader board.

The applicant stated that ballots were distributed during the public hearing and the residents voted nearly unanimously (48 to 1) to move forward with the proposed project. The application also included one letter in support of the proposed project from what appears to be two people that have volunteered their time to operate and maintain the system. Other than the PER, there were no planning documents submitted with the application that would demonstrate that the proposed project is a high local priority.

Project No. 64
Town of Stevensville – Water System Improvements

This application received 2,640 points out of a possible 4,900 points and ranked 64th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for the Town of Stevensville, because the application did not receive the minimum number of 2,700 points required to be recommended for a grant. Furthermore, the proposed project does not appear to be financially feasible as discussed in detail under Statutory Priority #5. However, if a TSEP grant is awarded, it should be for no more than $500,000, since the applicant does not meet the requirements for the $750,000 grant requested. In addition, if a TSEP grant is awarded, a supplementary requirement should be added to the town's start-up conditions: The first phase of the proposed three-phase project must be finished and a complete funding package for the second phase must be firmly committed and the construction contract awarded. Also, the environmental checklist and the assessment of the potential environmental impacts would need to be re-done as discussed under Statutory Priority #3.**

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
CDBG	Grant	$ 450,000	Application expected to be submitted May 2009
WRDA	Grant	$ 700,000	Application expected to be submitted February 2009
STAG	Grant	$ 700,000	Application expected to be submitted February 2009
SRF	Loan	$1,015,000	On the priority list, but has not applied
Town	Cash	$ 255,000	Committed by resolution
Project Total		**$3,970,000**	

Median Household Income:	$27,951	Total Population:	1,732
Percent Non-TSEP Matching Funds:	81%	Number of Households:	625

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$19.59	-	Target Rate:	$53.57	
Existing Wastewater Rate:	$35.09	-	Rate with Requested TSEP Assistance:	$64.23	120%
Existing Combined Rate:	$54.68	102%	Rate without TSEP Assistance:	$71.90	134%

Project Summary

History – Stevensville's water system consists of three wells and an infiltration gallery that collects both ground water and surface water. Water from the wells is pumped untreated into the distribution network except that orthophosphate is added to the discharge from one well for corrosion control. Water produced from the infiltration gallery is treated using a rapid sand filtration system, chlorinated, and treated for corrosion control. A 430,000-gallon concrete storage tank is located at the treatment plant. From the storage tank, water flows to the town by gravity for a distance of approximately two miles. The proposed project would be the third phase of a proposed three-phase project. A 20-inch water main would be installed along the Middle Burnt Fork Road in the second phase, in addition to metering 315 connections.

Problem – The town's water system has the following deficiencies:
- distribution system water losses estimated at over 300,000 gpd,
- 40% of the services are un-metered,
- no backup power,

- distribution system is inadequate to meet fire flows and maximum day demands, and
- potential difficulties in meeting surface water treatment regulatory requirements.

Proposed Solution – The proposed project would:
- install a well field up to 1,500 gpm with booster station and backup power,
- construct a one million-gallon ground-level storage tank,
- replace or install 8,144 feet of distribution main, and
- de-commission the infiltration gallery and treatment plant.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most serious of these deficiencies is that of facing a potential problem in meeting surface water treatment regulatory requirements. The third phase of the overall project would supply up to 1,500 gpm of ground water. This component of the proposed project was scored at a level four, since it represents public health and safety issues that are likely to occur in the near-term; however, it only represents approximately 25% of the construction costs of the third phase. The other project components were scored at a level three, since they were considered to be long-term public health and safety issues. The scores of the various components were pro-rated, and the overall score was rounded down to a level three. The public health and safety consequences attributable to these deficiencies are likely to occur in the long-term if they are not corrected.

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 65th 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 65 applicants.**
- ☐ The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 48.2%. **The applicant's relative concentration of persons living at or below the LMI level is the 18th highest of the 65 applications.**
- ☐ The percent of persons living at or below the *Poverty* level is 12.8%. **The applicant's relative concentration of persons living at or below the *Poverty* level is the 30th highest of 65 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 3 and received 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. The discussion of local fire pumping capabilities in order to justify the proposed fireflows was inadequate. Supply and treatment alternatives were not thoroughly considered. Insufficient raw water quality information was available for the proper selection of a treatment alternative, and membrane filtration was not sufficiently evaluated. The potential need for iron removal in the proposed new well source was not adequately discussed, given that the test well at the proposed site contained extremely high concentrations of iron. The PER fails to mention that under the Ground Water Rule it is possible that 4-log inactivation or removal of viruses may be required if a significant deficiency exists or if source water fecal contamination is demonstrated. The PER lacks a hydrogeological field investigation for the proposed well site. If the applicant is able to develop three wells that produce a total of 1,500 gpm and de-commission wells #2 and #3 as planned, they would be unable to meet DEQ requirements for meeting maximum day demand with the largest producing well out of service. The PER does not address the potential regulatory requirements for Long-Term 2 Surface Water Treatment Rule, nor does it full address how the existing system violates Long-Term 1 Surface Water Treatment Rule and how this might affect the evaluation of a treatment alternative if a site for the wellfield cannot be established.

The applicant did not adequately assess the potential environmental impacts. The environmental checklist was written towards the wrong selected alternative. For instance, under Item 9. public health and safety, the checklist refers to drilling a new high capacity well into the semi-confined aquifer, rather than installing three high capacity wells. It goes on to refer to improvements to the treatment system (new sand filter and disinfection system) that would insure that the town meets the Surface Water Treatment Rule. This item speaks of reducing, rather than eliminating reliance on the infiltration gallery. The proposed solution includes de-commissioning the infiltration gallery and treatment plant. Item 23 on the checklist also refers to bringing the water treatment plant into compliance. This is not reflective of the selected alternative. Item 4. does not accurately describe the proposed activities in that it does not describe the installation of a well field at the proposed site with the proposed withdrawal of 1,500 - 2000 gpm of ground water. It only mentions that a new well would be drilled at 300 feet total depth to deliver 300 gpm. This seems to be a serious omission that under-states the intended ground-water withdrawal in the proposed area by 1,200 gpm – 1,700 gpm. There are response letters from the U.S. Fish and Wildlife Service (no adverse effects expected), the U.S. Army Corps of Engineers (would need wetlands delineation), and the Montana Historical Society (low likelihood of impact). However, there are no response letters from, nor is there any documentation that letters requesting input were sent to, the Montana Departments of Environmental Quality, Natural Resources and Conservation, or Fish, Wildlife and Parks.

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 inadequate documentation and the capital improvements plan (CIP) lacks several components that should be included in a CIP.

Rationale: The applicant stated that the town adopted a new water rate structure in May 2007 designed to cover the complete costs of operating and maintaining the system; however, no additional detail was provided. The town established an infrastructure access (impact) fee in 1996, and updated the fee amount in 2007 to $3,850 per equivalent dwelling unit. The impact fees provided a significant increase in capital improvement cash reserves; as a result, the town is committing a total of $456,500 in cash reserves for the proposed three-phase improvement project. The capital improvements project fund can only be used for projects that have been prioritized and approved in the CIP.

The applicant stated that for the past several years all new connections to the water system were required to be metered. In addition, meters are required when a house is sold or transferred. However, 315 un-metered connections still remain, which are proposed to be metered in the second phase of this three-phase project.

The applicant stated that the town adopted a 20-year water and sewer facilities plan in 1996 and a source water protection plan in 2000. A PER was completed in 2005 that studied water treatment, and a PER that studied all aspects of improvements to the water system was completed in 2006 and amended in 2007. The town is currently working on a PER related to sewer system improvements.

The applicant stated that the system problems are not a result of inadequate operation and maintenance (O&M) practices or poor planning, but are due to the aged condition of the water supply and distribution components, pending regulatory requirements, and rapid and sustained growth in the area. The MDOC review team concluded that the district's O&M practices related to the wastewater system appear to be reasonably adequate.

The applicant stated that the town first established a CIP in 1990, and performs an evaluation and ranking of projects and needs at least annually; however, this could not be verified through the documentation provided. In 2006, the town adopted the current five-year CIP. The applicant included documentation that showed that a comprehensive projects list was adopted; however, based on the documentation provided, the CIP is lacking several components that should also be included in a CIP. The proposed project, with the exception of the storage tank, is specifically identified in the CIP.

In 2002, the town adopted a comprehensive growth policy. The applicant stated that the town is currently in the process of updating the growth policy and expects to complete the update by November 2008. The proposed project is generally consistent with the comprehensive growth policy.

The applicant stated that the town is coordinating the proposed improvements with Ravalli County. The periodic collapse of the old wooden water main under the Middle Burnt Fork County Road is causing recurring failures in the road sub-grade. Major improvements to the road are being delayed by the county and coordinated with the town to avoid the duplicate costs of road repairs that would ensue if the planned road improvements took place prior to the water main replacement.

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 the funding package does not appear to be viable.

Rationale: The applicant has proposed a funding package consisting of TSEP, RRGL, CDBG, STAG, and WRDA grants in combination with an SRF loan and local funds. The project is ranked 13th on the SRF priority list; therefore, the town is eligible to apply for the loan. The TSEP grant would be used to help fund the third phase of the proposed three-phase project.

A major problem noted with the TSEP application is that the applicant does not qualify for the $750,000 grant that was requested, since the projected user rates would not be 150% or greater of target rate. The applicant is only 120% of the target rate; therefore, the applicant is eligible to receive a maximum TSEP grant of $500,000. As a result of this reduction, the funding package would be short $250,000, with no identified source of funding to replace it.

The applicant stated that the town conducted an income survey that demonstrated that it is eligible for CDBG funding. However, obtaining a CDBG grant for the third phase could potentially pose a problem, since the applicant submitted an application to CDBG in 2008 for funding the second phase and plans to submit a second application to CDBG for the third phase. The MDOC review team thinks that the applicant's proposed CDBG funding strategy could significantly delay the town from obtaining a complete funding package for the third phase. Since the town would not be eligible to re-apply to CDBG for the second grant until the second phase project is essentially completed, the earliest that the CDBG funds could be committed for the third phase would be 2011. However, if the applicant is not successful in 2008 and re-applies the following year, or the proposed second phase project cannot be completed in one year, obtaining a complete funding package for the third phase could be further delayed. Seventeen of the 21 applicants seeking CDBG funds are also TSEP applicants. Given limited funding for the CDBG program, at best, only seven to eight of the CDBG applicants are likely to receive a grant. Depending upon CDBG ranking scores and the amount of available funding, the number of TSEP applicants that will receive CDBG funds could be as few as four of the 17 that have applied. Obtaining a complete funding package is one of the start-up conditions required before TSEP funds can be released, and a significant delay in obtaining a complete funding package could result in the applicant missing the deadline for meeting start-up conditions. The TSEP funding bill that will be proposed to the Legislature will require that applicants meet start-up conditions by December 31, 2012 or lose their TSEP grant.

The applicant stated that a request for both a State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grant will be submitted to Montana's congressional delegation in February 2009 for the third phase. The applicant is proposing to obtain $700,000 from each of these two sources. By waiting until 2009 to submit an application for funding of the third phase, the applicant is further delaying its ability to obtain a complete funding package. In addition, based upon congressional funding of other projects in recent years, the potential for receiving an appropriation from both of these two sources for the amount stated could also be an issue that could potentially delay or even prevent the town from obtaining a complete funding package.

The applicant stated that if grants are not available from the various sources, the project would probably need to be restructured and/or delayed. Without the TSEP grant, the combined water and wastewater rate would be less than 150% of the applicant's combined target rate; therefore, the MDOC review team does not consider the TSEP grant to be a critical component of the funding package since additional loan dollars could be obtained without causing a severe financial hardship on the system's users.

The MDOC review team does not think that the proposed funding package appears to be viable, because the applicant does not qualify for the $750,000 TSEP grant requested and there are various other funding issues that could potentially delay or prevent the town from obtaining a complete funding package by the end of 2012.

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 while there would be no long-term job creation or business expansion that would specifically result from the proposed project, the project is a prerequisite for future job creation and business expansion within the town. The applicant also stated that the development of the Twin Creek Subdivision has been halted by the town, but the proposed improvements of the new well field on land contributed by the developer would enable the town to serve the proposed development. The subdivision would add 117 lots for new 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 of inadequate documentation and the applicant did not adequately demonstrate that residents were specifically informed of what the rate increase would be for the proposed project.

Rationale: The applicant provided minutes of six public meeting and hearings held in 2006 at which the proposed project was discussed. Additional meetings were held in 2007, and the applicant specifically mentioned a public hearing held on May 29, 2007 in regards to an increase in user rates in order to install meters. On March 24, 2008, at 6:30 p.m., the applicant held a public hearing regarding the water system improvements. Notice was provided by a legal advertisement in the *Bitterroot Star*, a weekly newspaper, and a flyer about the proposed three phased project that was placed on the counter in the town hall; the flyer does not include any information on the cost of the project or the impact on user rates. Other than the local officials, staff, and consultants, the minutes do not reflect that residents were present. Minutes simply reflect that the consultant was "working hard submitting all the applications for grants," with further discussion "regarding the installation of water meters, leak detections, fees, information on radio reads and other items of interest to this project." The minutes do not specifically indicate whether the overall project, its cost, or the impact on user rates was discussed at the hearing. The applicant stated that two more public hearings on the project were held in April and May of 2008 in regards to the CDBG application, but no documentation was provided for either hearing; the documentation provided in the CDBG application did not mention any discussion of an increase in user rates at either of the two hearings. The applicant also stated that the town has provided information regarding the project to residents through its newsletter and special mailings. In addition to the flyer that was placed on the counter in the town hall, the application included two newsletters, April and June 2006, but neither one provided any information about the cost of the project or its impact on user rates.

The applicant stated that information regarding potential rate increases resulting from the project was first provided during the public meetings in 1996 and again in 2007. A meeting specifically for a water system rate increase related to the project was held in May 2007. The applicant provided minutes of a council meeting in March 2007 and a public hearing in May 2007 that show that a rate increase was discussed in regards to the installation of meters. The applicant stated that anticipated costs and fees were again described during the public hearing on March 24, 2008, but the minutes were very brief and the MDOC review team could not confirm that the specific amount of an increase in user rates was discussed. Furthermore, the applicant provided no documentation demonstrating that any of the town's residents were present at the hearing. The applicant also stated that the town's residents were informed about rate increases through the town's newsletter, but as previously discussed, neither one provided any information about the cost of the project or its impact on user rates. In conclusion, while residents appear to have had the opportunity to be informed about the scope of work in the third phase, the MDOC review team was not able to find any documentation that demonstrated that residents were specifically informed of what the rate increase would be for the proposed project (the third phase of improvements).

The application included several newspaper articles related to the proposed project. Two newspaper articles from 2007 discussed the condition of the Middle Burnt Fork Road and the impact on the road from the town's water lines that lie below the road. Two newspaper articles from 2008 describe the proposed third phase project, but do not discuss its cost or its impact on user rates.

The applicant stated that increases in rates and charges are seldom popular, and it is significant that there was no public testimony opposing the increase in water rates already implemented as a component of the overall project, nor was there any opposition to the project. However, as already noted, the MDOC review team was not able to ascertain that the public has been adequately informed of the cost of the proposed project or its impact on user rates. The application included letters of support for the proposed project from: U.S. Senator Baucus, the county commissioners, the Stevensville Main Street Association, the local economic development authority, and the area regional development corporation.

The proposed project is listed in the CIP as a priority.

Project No. 65
Bridger Pines County Water and Sewer District – Wastewater System Improvements

This application received 2,504 points out of a possible 4,900 points and ranked 65th out of 65 applications in the recommendations to the 2009 Legislature. **MDOC does not recommend a TSEP grant for the Bridger Pines County Water and Sewer District, because the application did not receive the minimum number of 2,700 points required to be recommended for a grant. Furthermore, as discussed in detail under Statutory Priority #5, the MDOC does not think that the limited amount of funds available from TSEP this funding cycle should be awarded to an applicant that has a high percentage of second homes and a high percentage of un-developed, vacant lots. However, if a TSEP grant is awarded, MDOC recommends that the award not exceed $400,000, which is based on the 20 developed lots and the $20,000 limit per household (also discussed in detail under Statutory Priority #5).**

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
Local	Cash	$ 8,500	Committed by resolution
SRF	Loan	$1,235,000	On the priority list, but has not applied
Project Total		**$2,093,500**	

Median Household Income:	$57,586	Total Population:	See note below
Percent Non-TSEP Matching Funds:	81%	Number of Households:	

Currently, there are 20 developed properties and 38 more un-developed properties that could potentially be developed in the future. Population varies seasonally, with only six or seven full-time residents. Population would likely increase if additional properties are developed.

	Monthly Rate	Percent of Target Rate		Monthly Rate	Percent of Target Rate
Existing Water Rate:	$15.00	-	Target Rate:	$110.37	
Existing Wastewater Rate:	$15.00	-	Rate with Requested TSEP Assistance:	$201.99	183%
Existing Combined Rate:	$30.00	27%	Rate without TSEP Assistance:	$304.75	276%

Project Summary

History – The Bridger Pines County Water and Sewer District is located 15 miles northeast of Bozeman, directly north and adjacent to the Bridger Bowl Ski Area. The district currently consists of 10 single-family homes and 10 condominium units. An additional 20 single-family home sites and 18 condominium lots remain un-developed (66% of those originally platted in the subdivision, with 58% of those un-developed properties owned by a single party). There is a building moratorium that prevents any further development on lots in the Bridger Pines area. The wastewater facilities in the Bridger Pines Subdivision were built in 1975, and the district was formed in 2005. The wastewater system consists of a gravity collection system, lift station, primary settling cell and aerated holding cell. The existing treatment facility and lift station would be abandoned and the district would connect to a wastewater treatment facility that is proposed to be constructed for the adjacent Bridger Bowl Base Area Planned Unit Development. If awarded, the TSEP grant would potentially be used, along with the remainder of the funding package, to pay for expanding a proposed wastewater treatment facility for the Bridger Bowl Base Area in order to accommodate the effluent from the district.

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

- safety risk at the lift station due to inadequate electrical system,
- lack of backup power at the lift station,
- sludge build-up at the primary cell,
- no method for managing the sludge,
- the liners at the primary and aerated cells are leaking, and
- the aerated cell periodically overflows onto the ground.

Proposed Solution – The proposed project would:

- construct new sewer lines that would connect to a new treatment system, and
- contribute to the construction of a membrane bioreactor system with disposal of effluent in rapid infiltration basins.

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.

Rationale: The MDOC review team noted that there are various deficiencies that could affect the public's health and safety, but the most urgent and serious public health and safety problem is inadequate wastewater treatment coupled with a lagoon system that leaks in excess of state standards and that overflows during spring run-off. The treatment system consists of a primary settling cell and an aeration cell. The primary cell is non-functional and the aerators are inoperable. The aeration cell leaks at eight times the state standard, which has likely resulted in groundwater contamination. Wastewater overflows the aeration pond, typically in the spring during high run-off from snow melt. Sludge has been building up in the primary cell and there appears to be no method for properly managing it. Sludge has reportedly been removed by a backhoe and placed in a pasture west of the pond.

The lift station presents health and safety problems to the operator/residents for the following reasons: it is a confined space; the access hatch is too small for an operator using a self contained breathing apparatus; the electrical equipment is inadequate; ventilation is inadequate; there is no alarm signal; and there is no backup power.

The public health and safety consequences attributable to these deficiencies are likely to occur in the near-term if they are 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 65th 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 65th lowest of the 65 applicants.

- The percent of persons living at or below the *Low and Moderate-Income* (LMI) level is 20.5%. **The applicant's relative concentration of persons living at or below the LMI level is the 64th highest of the 65 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 62nd highest of 65 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 600 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 to its public facility needs. However, the preliminary engineering report (PER) is not as complete as it should have been and there were some potentially important 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 review team noted some potentially important issues that were not adequately addressed. These included, but are not limited to, the following: a general lack of detail in selecting and analyzing alternatives, a discrepancy on phosphorus limits, discrepancy regarding the use of pretreatment in a community septic system prior to discharge, questions regarding cost estimates, and no discussion was found regarding Maynard Creek.

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 1 and received 140 points out of a possible 700 points.

Conclusion: The applicant did not demonstrate that it has made reasonable past efforts to ensure sound, effective long-term planning and management of public facilities, or 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 and the team thought that operation and maintenance practices have been inadequate.

Rationale: The applicant stated that the district was formed in 2005 specifically to address water and sewer issues of the Bridger Pines Subdivision. A homeowners association maintained the system prior to the creation of the district. Since the system was first constructed, a minimal charge of $62.50 per year has been assessed to lots that are not developed in the subdivision and the existing homes maintain the system primarily with their user fees. The association submitted various proposals in the 1980s to the Montana Department of Environmental Quality (DEQ) in order to allow an expansion/improvement to the existing system. However, each proposal was rejected in favor of a regional wastewater system that would serve the entire base area development. In 2000, it became apparent to the association that they needed to begin planning for an upgrade to the system, both due to inadequacies of the existing system and to achieve additional build out in the subdivision. The association voted to increase the charges for services to all lot owners; no date or documentation provided. The fees currently assessed to each existing home or condominium, as well as any empty lot, is $400 per year. The assessment includes approximately $15 per month for sewer, $15 per month for water, and the remainder to roads and other

subdivision improvements. Reserve accounts have not been used in the past, and instead, special assessments have been levied for necessary capital improvements.

The applicant stated that in spite of its age and obvious (initial) design deficiencies, the original facilities are, for the most part, still functional. The current deficiencies are not a result of inadequate operations or maintenance. The original design of the system was intended to serve the subdivision to full build out. However, when the system was constructed, it was downsized and consequently was intended to be a short-term solution to the wastewater treatment for the initial 10 single-family dwellings and 10 condominium units built in the subdivision. The intention was always to rebuild the system to accommodate full build out of the subdivision to 20 single-family dwellings and 38 condominium units. The applicant stated that efforts to do that have been hampered by several factors including proposals being rejected by DEQ, environmental issues such as high groundwater that made some treatment options infeasible, and private development being hampered by economic downturn or public opinion. The MDOC review team concluded that the district's operation and maintenance practices related to the wastewater system appear to be inadequate. The MDOC review team had major concerns about how sludge has been removed and disposed of in the past.

The applicant stated that the Bridger Canyon Partners (BCP) signed a letter of agreement with the district that would allow it to connect to the Bridger Bowl Base Area Planned Unit Development (PUD) wastewater treatment facility when it was constructed or to purchase or lease land from BCP if the facility was not built. The land acquisition would give the district the option to construct a stand alone wastewater treatment system for just the district. The applicant stated that the terms of the agreement would be modified based on approval of BCP's acceptance from Gallatin County for the PUD in the base area, and that BCP intends to annex into the district once the treatment facility is built, which would give full management of the facility to the district.

The applicant stated that the Bridger Pines Subdivision is part of the Bridger Canyon Zoning District, and the proposed project is consistent not only with the Bridger Bowl Base Area Plan, but also with the growth policy of Gallatin County, since both encourage development of regional systems. The growth policy was adopted in 2003 and amended in 2005.

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 the team did not think that a hardship grant, or any grant amount, should be awarded to the district.

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 69th on the SRF priority list; therefore, the district is eligible to apply for the loan. The applicant discussed CDBG and RD funding, and noted that because of its low percentage of LMI households and high MHI levels it is not eligible for grants through those programs. The applicant stated that it was unlikely it could obtain State and Tribal Assistance Grant (STAG) and U.S. Army Corps of Engineers Section 595 Water Resource Development Act (WRDA) grants for the project.

Depending on how many households are used in the calculation of the amount of grant per household (the limit is $20,000 per household), this application would need to be viewed as a hardship grant. The district currently consists of 10 single-family homes and 10 condominium units, and an additional 20 single-family home sites and 18 condominium lots that have not been developed. Because it is not known when those properties would be developed, and there is a high percentage of both un-developed properties and second homes as discussed below, MDOC decided to use the current number of existing households in the calculation. By using 20 households in the calculation of the amount per household, each household would be receiving a benefit of $37,500. Therefore, the applicant must meet the three tests for a hardship grant.

In cases of demonstrated hardship, MDOC may allow an amount greater than $20,000 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 met all three tests for a hardship grant; however, as discussed the application guidelines, meeting the three tests does not guarantee that applicants will be recommended for a grant that exceeds the $20,000 per benefited household. Other factors may be taken into account, including issues such as whether the project area is comprised of a high percentage of second homes that are not the primary residence of their owners, or is comprised of a high percentage of un-developed, vacant lots. This subdivision is located adjacent to the Bridger Bowl Ski Area and appears to be comprised of a high percentage of second homes. It was reported to MDOC in a letter protesting the proposed project, that only two of the 10 single-family homes and three of the 10 condos house year-round residents (25%); while these statistics are unconfirmed, the applicant did state that there are only six or seven full-time residents and probably 40 to 50 people who occupy the district seasonally. The subdivision is also comprised of a high percentage of un-developed, vacant lots. Documentation included in the application shows that only 34% of the properties have been developed, and of the un-developed properties, five of the 20 single-family sites and 17 of the 18 condos are owned by a single party (22 of the 38 un-developed sites or 58%).

Given the relatively few number of applicants that will be able to be funded this application cycle, the MDOC review team does not think that the limited amount of funds available should be awarded to an applicant that has a high percentage of second homes and a high percentage of un-developed, vacant lots (especially since 58% of those lots are owned by a single party, which would be a significant benefit for that one party). As a result, the MDOC review team does not recommend that a hardship grant, or any grant amount, should be awarded to the district.

The applicant stated that there is a limit to the ability if its members to contribute, and there is a potential for the remaining lots to be abandoned due to the high cost of infrastructure. Without the TSEP grant, the wastewater rate would at or above 150% of the applicant's wastewater target rate; even though the MDOC review team considers the TSEP grant to be a critical component of the funding package, the MDOC review team does not recommend a TSEP grant.

While the proposed funding package would possibly be viable if TSEP funds were awarded, the MDOC review team does not recommend a 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 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 approximately two-thirds of the lots that are part of the Bridger Pines Subdivision have gone undeveloped due to the lack of appropriate infrastructure. With the upgrade to the wastewater treatment system, an additional 20 single-family homes and 18 condominiums could be constructed on currently empty lots. The applicant did not state whether there are any businesses within the subdivision, but it appears that this is strictly a residential subdivision. In addition, the application states that 100% of the annual revenues are from residential hookups.

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 district holds regular meetings that are open to all members. A public meeting was held at 2:00 p.m. on April 2, 2008 to present alternatives considered in the PER and the estimated monthly user rate. The application included a press release (date unknown), published in the *Bozeman Chronicle*, and a letter of invitation that was sent to members of the district announcing the meeting; the application also included a correction notice since the day of the week was stated incorrectly, however the date was correct. Nineteen members of the district attended the meeting. Based on the minutes and the presentation, it appears that residents were informed about the proposed project and its impact on user rates. The applicant stated that the district sent minutes of the meeting and a copy of the presentation to those who requested it if they were not able to attend. A copy of the news release, letter of invitation, sign-in sheet, minutes and the presentation were included in the application.

The applicant stated that the district officers attended a meeting on April 22, 2008 of the Bridger Canyon Property Owners Association (BCPOA), which represents homeowners throughout the Bridger Canyon area. The district presented their plans to upgrade the wastewater system and apply for funding. A letter supporting the district's intention to participate in the construction of a new base area treatment system was included in the application.

The application included 18 letters from members of the district in support of the proposed project, as well as from the BCPOA, Bridger Canyon Partners, Bridger Bowl Ski Area, and the county commissioners. Also included was a letter that is not in support of the proposed project. The applicant stated that at least 30% of the lot owners responded to a request for comment. The MDOC also received a letter that was signed by four residents from the Bridger Canyon area, but outside of the district, who are not in support of the proposed project. While they agree that there are serious problems that need to be solved, they raised several issues, and questioned "the appropriateness of the allocation of public funds to what is, for all practical purposes, a private development. Doing so in effect rewards a very small number of property owners for their past failure to act to solve a critical problem."