

Report to Governor Martz and the 2003 Legislature

January 2003

Water, Water, Everywhere?

Water to drink, water to treat our sewage, water to grow our crops. All Montanans need a sufficient amount of clean, drinkable water to survive. Yet many of our communities have aging water and wastewater systems, or no system at all other than individual wells and malfunctioning septic system drain fields. Inadequate and failing private water, wastewater, and solid waste facilities threaten our public health and environment, and our capacity to support economic development and job creation.

Today there is a heightened awareness of the dangers of environmental pollution and the potential impact on our public health. Yet treating water is expensive. Construction costs have risen sharply and eliminating chemicals, sediment, heavy metals, and bacteria requires increasingly sophisticated treatment systems. In 1999 and 2000, when the last comprehensive surveys of drinking water and wastewater system's needs were completed, it was estimated that Montana needed to invest at least \$870 million to rehabilitate its existing community drinking systems, and approximately \$517 million for wastewater systems.

Montana's citizens ultimately must pay for these public facilities, but local governments are responsible for operating and managing them, and when necessary upgrading or replacing them. Because of the tremendous expense of constructing these systems and the limited incomes in many of our communities, the State and the federal government have recognized that many communities, especially small rural ones, need help. Programs exist to assist and subsidize the high cost of upgrading or replacing environmental infrastructure. Unfortunately, even collectively, these programs cannot always close the gap between what systems cost and what Montana citizens can reasonably afford to pay.

The Water, Wastewater and Solid Waste Action Coordinating Team

In 1982, a group of professionals from state, federal, and non-profit organizations that finance, regulate, or provide technical assistance for community water and wastewater systems, decided to start meeting in order to coordinate and enhance their efforts. This group calls itself the "Water, Wastewater and Solid Waste Action Coordinating Team" or W₂ASACT for short. W₂ASACT meets several times a year to find ways to improve our state's environmental infrastructure.

W₂ASACT members include:

Federal Agencies and Programs:

- Bureau of Reclamation (Department of Interior)
- Community Builders Fellowship (Department of Housing and Urban Development)
- Economic Development Administration (Department of Commerce)
- Environmental Protection Agency
- Rural Development, Rural Utilities Services (Department of Agriculture)

Private Associations or Non Profit Organizations:

- Midwest Assistance Program
- Montana Association of County Water and Sewer Systems
- Montana Association of Counties
- Montana League of Cities and Towns
- Montana Rural Development Partners
- Montana Rural Water Systems, Inc.

State Agencies and Programs:

- Community Development Block Grant Program (Department of Commerce)
- Public Water Supply Section (Department of Environmental Quality)
- INTERCAP Program (Board of Investments)
- Local Government Center (Montana State University)
- Montana Water Center (Montana State University)
- Municipal Wastewater Assistance Program (Department of Environmental Quality)
- Renewable Resources Grant and Loan Program (Department of Natural Resources and Conservation)
- Community Services Bureau (Department of Environmental Quality)
- State Drinking Water Revolving Fund (Department of Environmental Quality and Department of Natural Resources and Conservation)
- State Wastewater Revolving Fund (Department of Environmental Quality and Department of Natural Resources and Conservation)
- Treasure State Endowment Program (Department of Commerce)
- Technical and Financial Assistance Bureau (Department of Environmental Quality)

All of the programs represented in W₂ASACT have different missions and meet unique needs. However, it has been the common elements shared by the funding programs that have been the driving force of W₂ASACT. These programs provide money (grants or loans), take applications from communities to fund their projects, and administer those monies once the project is funded. While W₂ASACT cannot change all of the state or federal requirements, it can identify unnecessary duplication of requirements that make compliance difficult for communities.

W₂ASACT's Goals and Accomplishments

Without a legislative mandate, executive order, funding or staff, W₂ASACT has been meeting for over 20 years to coordinate common issues and provide technical assistance. Over the years that W₂ASACT has been meeting, it has focused on several goals. While most of the goals have been accomplished from within W₂ASACT, some will require action by others such as the Montana Legislature.

- 1) Further simplify and coordinate our actions, procedures and forms. During the last several years in particular, greater coordination amongst the funding programs has been the number one focus of W₂ASACT. A major accomplishment was the creation of the *Uniform Application Supplement for Montana Public Facility Projects*, which has streamlined the application process for communities across Montana in need of infrastructure funding. This publication provides information about all of the programs that fund environmental infrastructure in Montana. It also contains an application that may be submitted to any of the funding programs. Instructions and numerous examples are provided for the reader. The publication also contains the preliminary engineering and environmental requirements that have been agreed upon by all of the state and federal funding programs. As a result of this uniform application, communities are no longer required to complete up to six different applications in order to request funding from the various funding programs. They can also be assured that their preliminary engineering report will satisfy the requirements of each of the funding programs. The *Uniform Application Supplement for Montana Public Facility Projects* was first published in 1997 and has been revised twice since then. The *Uniform Application Supplement for Montana Public Facility Projects* is a truly unique publication that has been featured at national conferences. Few other states have developed this degree of interagency coordination.

W₂ASACT has also been working towards streamlining other procedures. The state funding programs have agreed upon the use of financial tracking forms that have helped to assure that the state's monies are being properly spent. At the same time, these financial tracking forms help communities to manage the millions of dollars that must be coordinated when constructing these major infrastructure projects. W₂ASACT is still in the process of streamlining other procedures such as the environmental assessment process, and supplemental contract conditions for engineering and construction contracts. By working together, W₂ASACT's efforts result in communities saving both time and money.

W₂ASACT maintains master project lists identifying almost every water and wastewater project that the state or federal government is, or may be, providing funding assistance to. These lists are used to help W₂ASACT members analyze and coordinate funding assistance for projects.

W₂ASACT has also taken the lead in recognizing the affordability problem resulting from the construction of these infrastructure projects and the high user fees frequently borne by citizens served by these water and wastewater systems. Financial indicators have been developed to assist the funding programs evaluate financial need and to determine the amount of grant or subsidized loan funds necessary to keep these projects affordable. Affordability indicators help the funding programs avoid under or over-subsidizing projects. W₂ASACT's work in this area has been nationally recognized.

- 2) Provide technical assistance to communities. Rural community leaders, faced with major environmental infrastructure problems, need advice on where to turn for financial assistance, organizational and technical planning. Similarly, small system operators frequently need advice regarding operational problems and changing regulations. Since 1983, W₂ASACT has sponsored and coordinated annual seminars throughout the State, to explain the various financial programs and resources available to local governments. For several years, W₂ASACT has provided workshops each spring, and every other fall, to present various topics of interest such as: how to get a project underway, where to find technical and financial assistance, what is required when completing the preliminary engineering, managing a construction project, and how to complete the uniform application and apply to the various funding programs. W₂ASACT has brought together technical assistance providers, regulators, civil engineers, and funding agencies to provide balanced and comprehensive information regarding environmental infrastructure projects.

W₂ASACT has also completed a video that briefly discusses infrastructure projects and the resources available to local communities. Over the years, W₂ASACT has been involved in the publication of various technical assistance manuals such as *Planning and Financing Community Systems in Montana* and other publications on capital improvement's planning and financing. The most recent, *Building It Right*, was published in November 2000. This manual describes the basic concerns for local officials in managing the construction of a public facilities project. W₂ASACT has also developed other useful information such as a simple chart to summarize the various state and federal funding programs in Montana.

W₂ASACT is also continuing to work on other ways to provide technical assistance. W₂ASACT has formed subcommittees to look at how we can further coordinate our project administration, and how we can help smaller communities, and newly formed water and sewer districts, set up simple systems to account for the millions of dollars involved in constructing these infrastructure projects.

One of the primary goals of W₂ASACT has always been to bring regulators, program managers, and technical assistance providers together to get community projects "unstuck." W₂ASACT leadership has been crucial in breaking financial and technical "log jams" in numerous communities throughout Montana. W₂ASACT members see the barriers that frequently arise and in many cases can help overcome them. By working together, W₂ASACT attempts to align communities with the right programs at the right time.

- 3) Obtain adequate state and federal funding for preliminary engineering and construction. Decaying infrastructure and new federal and state regulations are driving the need to upgrade old and build new water, wastewater, and solid waste facilities. Since W₂ASACT first began meeting, new funding programs have emerged to help ensure that these projects are affordable to users of the systems. The Treasure State Endowment Program was created in 1992. This permanent trust fund is continuing to grow and is a major source of critically needed grant funds for these projects. Both of the State Revolving Loan Fund Programs continue to be a major source of loans for both water and wastewater projects.

However, in addition to needing financial assistance for constructing these projects, local governments also need financial assistance in the planning stages of preliminary engineering and submitting applications. Small communities in particular have few local resources and limited financial ability to pay the "front-end" costs involved in this planning stage. In recent years, more funds have been made available for these activities. The Renewable Resources Grant and Loan Program and the Community Development Block Grant Program have offered matching grants to help financially stressed communities pay for preliminary engineering, grant writing, capital improvement plans and other planning activities. Starting in 2002, the Treasure State Endowment Program also began providing matching grants for preliminary engineering studies. The cumulative effect of these changes has helped to close the "funding gap" for many of Montana's communities.

- 4) Promote capital improvements and financial planning. A frequent situation that W₂ASACT members see is crisis management: a community's wastewater lagoon is leaking; the wastewater rates are ridiculously low; and the Department of Environmental Quality has issued an administrative order to the community to correct the problem. The community yells "HELP!" But what has it been doing for years? "Don't fix it if it ain't broke" may be a popular cliché, but what most citizens do not realize is that their public facilities are wearing out a little each year and that planning for and funding repairs and replacements needs to be an on-going process. Capital improvements planning allows communities to be more self-reliant and is far less costly to taxpayers, in the long run, than the crisis-driven, wait-till-it-breaks approach. As a result of W₂ASACT's continued efforts, the Local Government Center in Bozeman has noted a tremendous increase in recent years in the number of municipalities that have adopted and annually update capital improvement plans.
- 5) Promote water metering throughout Montana. Benefits of using water meters include water conservation, more equitable rate structures, and reduced overall facility costs. W₂ASACT members have been actively promoting the use of water meters for several years. The Rural Development, Rural Utilities Service requires water meters anytime they fund either water and wastewater improvements. The funding programs through the Departments of Commerce and Natural Resources and Conservation evaluate the need for water meters when ranking applications and may recommend meters unless it can be shown that their use would be financially or technically infeasible. The proportion of communities that have integrated water meters into their water systems has definitely increased over the years.
- 6) Promote Regional Water Systems. While many parts of the State have access to an abundance of good clean water, other parts of the State suffer from poor water quality and/or insufficient amounts of water. Regional water systems that serve large areas can be built to overcome these deficiencies. The Treasure State Endowment Regional Water System Fund was created by the 1999 Legislature, and two regional water projects are currently in the process of obtaining federal funding for the construction of those two systems. The Fort Peck Indian Reservation/Dry Prairie Regional Water System will serve the northeastern portion of the state north of the Missouri River and east of Glasgow, with water from the Missouri River. The Rocky Boy's Indian Reservation/North Central Montana Regional Water System will serve a large area encompassing the Rocky Boy's Indian Reservation on the east, west to the area around Interstate 15, and north to the Canadian border, with water obtained from Tiber Reservoir.

- 7) Become a recognized advisory body for legislative changes. W₂ASACT itself is not and never intends to be a lobbying organization. However, its members are in a position to see strengths and weaknesses in laws or programs concerning environmental infrastructure projects. W₂ASACT's individual members have offered technical advice on legislation throughout the years.
- 8) Improve timely access to grant programs. Local governments need timely access to grants and low interest loans to meet construction schedules, maximize leverage of financial assistance programs, and comply with regulatory requirements. This is an issue with all programs, especially those with funding cycles. In particular, the two-year funding cycle for the Renewable Resource Grant and Loan Program and the Treasure State Endowment Program makes it difficult to coordinate grant and loan funding with other funding sources and regulatory compliance orders. Local governments continue to voice their concerns that the funding cycles for these programs, to make them more responsive, should be changed.

In the continuing effort for better government, W₂ASACT strives to be an excellent example of dedicated professionals having common interests and goals working together to solve community problems, and to make government more responsive to the needs of the people in Montana. The concept represented by W₂ASACT was nationally recognized most recently with a 2000 Department of Housing and Urban Development "Best Practice" Award. These awards recognize practices that enhance the quality of management and promote effectiveness and efficiency as models for other states.

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