



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
REGION 8

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JUN 13 2011

DEQ
Planning Division

June 6, 2011

Ref: 8P-W-TF

Mr. Todd Teegarden, PE, Bureau Chief
Technical & Financial Assistance Bureau
Planning, Prevention, & Assistance Bureau
Department of Environmental Quality
PO Box 200901
Helena, MT 59620-0901

RE: DWSRF and WPCSRF
Recovery Act Reviews for FY11

Dear Mr. Teegarden:

Enclosed are final copies of our Recovery Act reviews of the Montana Water Pollution Control State Revolving Fund (WPCSRF) and Drinking Water State Revolving Fund (DWSRF) programs. These reviews are a result of my staff's visit to your offices and the Seeley Lake drinking water project from May 16-18, 2011.

We are impressed with what each SRF accomplished related to the Recovery Act. It's apparent the Departments of Environmental Quality and Natural Resources and Conservation have capably handled their responsibilities with respect to water infrastructure and meeting the goals and objectives of the Recovery Act. Finally, it is great news that all Recovery Act funded projects will complete construction in 2011. Please call me at 303-312-7822 should you have any questions.

Sincerely,


Diane Lynn Sanelli, Chief
Technical & Financial Services Unit

Enclosures

cc: Anna Miller, Department of Natural Resources and Conservation



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Montana Clean Water State Revolving Fund (CWSRF) Recovery Act Review
June, 2011

Summary

On May 19, 2009, the Montana Department of Environmental Quality (DEQ) received a \$19.2 million capitalization grant from EPA Region 8 for its CWSRF. These funds were appropriated from the American Recovery and Reinvestment Act (Recovery Act). Working with the Montana Department of Natural Resources and Conservation, the Montana CWSRF funded 31 Recovery Act wastewater projects totaling \$35.8 million of SRF assistance, of which \$18.5 million was Recovery Act funding. The state set aside 4 percent of its Recovery Act grant for administration. Under the direction of the DEQ Director's office, Recovery Act grant amounts were capped at \$0.75 million in assistance per project and each project received a subsidy.

CWSRF Recovery Act assistance was used in the following cost categories: 47 percent for treatment facility construction; 36 percent for line replacement or repair; 14 percent for new collection systems; and 2 percent for stormwater infrastructure.

By June 30, 2011, all 31 recovery act projects will have completed construction and Montana's CW Recovery Act grant will be fully spent. These are two excellent accomplishments.

EPA Region 8 visited the State's offices in Helena, Montana from May 16-18, 2011 to discuss finalizing Recovery Act work; review four Recovery Act cash draws, and look at files for collection system rehab/replacement projects in Townsend, Whitefish and Fairfield; and a new administration/lab building project in Bozeman. Overall, the State implemented Recovery Act requirements correctly and spent funds expeditiously.

Green Project Reserve

Montana's CWSRF exceeded the 20 percent Green Project Reserve (GPR) requirement with 28 percent of its Recovery Act funding going toward projects to promote water and energy efficiency, and environmental innovation. Projects include on-site heat recovery, effluent spray irrigation, improved pumping and blower systems, clean energy, stormwater management and installation of variable frequency drives.

Additional Subsidy

Montana provided approximately 52 percent of its Recovery Act grant in additional subsidy. Each project received a subsidy and this was in the form of principal forgiveness. Loans to non-disadvantaged entities had a 0.75 percent administrative fee included in its 1.75 percent interest rate. Economically disadvantaged communities received an effective interest rate reduction of 1.00 percent to 0.75 percent on the remainder of loan principal not forgiven.

Inspection Strategy

Montana DEQ conducted multiple inspections at each Recovery Act funded project, an excellent accomplishment. The State used their own inspection form, supplemented by

the HQ-created checklist to ensure compliance with GPR, Buy American and Davis Bacon requirements. This is good project management.

Davis Bacon

Overall, implementation of Davis-Bacon labor wage requirements went well with only a few minor issues along the way. There are no outstanding issues related to Davis-Bacon on any of the 31 projects.

Buy American

The Montana CWSRF program fully incorporated Buy American terms and conditions into its bid documents and construction contracts. The program directed subrecipients to track expenditures to ensure that projects do not exceed the 5 percent limit on total materials costs eligible for a de minimis waiver. The Montana CWSRF did not request any project-specific waivers. The Livingston project does have installed sludge dewatering equipment made by a company that is now part of a national Buy American investigation and sealed grand jury testimony. There is no schedule to resolve this issue.

Section 1512 Reporting

Reporting requirements under the Recovery Act were managed well by Montana DEQ, DNRC and assistance recipients. The following table shows quarterly FTEs created or funded by Montana CWSRF projects. Most treatment works construction activity occurred in late 2009 and early 2010.

| Quarterly FTEs on CW Projects | |
|-------------------------------|--------|
| Quarter Ended | Jobs |
| 06.30.2009 | 0.00 |
| 9.30.2009 | 42.09 |
| 12.31.2009 | 110.84 |
| 3.31.2010 | 59.80 |
| 6.30.2010 | 42.06 |
| 9.30.2010 | 24.15 |
| 12.31.2010 | 5.48 |
| 3.31.2011 | 6.62 |

U.S. ENVIRONMENTAL PROTECTION AGENCY

DATE:

6/6/11

BY:


Diane Lynn Sanelli, Chief
Technical & Financial Services Unit

Montana Drinking Water State Revolving Fund (DWSRF) Recovery Act Review
June, 2011

Summary

On May 18, 2009, the Montana Department of Environmental Quality (DEQ) received a \$19.5 million capitalization grant from EPA Region 8 for its DWSRF. These funds were appropriated from the American Recovery and Reinvestment Act (Recovery Act). Working with the Montana Department of Natural Resources and Conservation, the Montana DWSRF has or will have funded 34 Recovery Act drinking water projects totaling \$28.5 million of SRF assistance, of which \$18.8 million was Recovery Act funding. The State also set aside final amounts of \$0.68 million for administration and \$0.05 million for drinking water program management. Under the direction of the DEQ Director's office, grant amounts were capped at \$0.75 million Recovery Act assistance per project and each project received a subsidy. Each loan has a 0.75 percent administrative fee included on the 1.75 percent interest rate. Disadvantaged communities received an interest rate reduction of 1.00 percent on the portion of Recovery Act assistance not forgiven.

DWSRF Recovery Act assistance was used in the following cost categories: 10 percent for treatment facility construction; 79 percent for transmission/distribution lines; 6 percent for storage; 1 percent for new wells; and 4 percent for water meters.

EPA Region 8 visited the State's offices in Helena, Montana from May 16-18, 2011 to discuss Recovery Act progress and traveled to Seeley Lake, Montana to review the progress upgrades to the town's water treatment plant and distribution system. Region 8 staff also reviewed four Recovery Act cash draws and four project files from the Chester, Ft. Benton, Helena, and University of Montana projects. The Chester project upgraded an existing water treatment plant, while the Helena, Fort Benton and University of Montana projects involved the replacement of water mains and distribution systems. Overall, the State has implemented Recovery Act requirements correctly and spent funds expeditiously.

Recovery Act outlays and Project Status

As of May 2, 2011, Montana DWSRF's spending rate of 94 percent is well above the national average of 84 percent. The State expects to fully expend its Recovery Act grant, and all DWSRF projects will be completed, by the end of summer 2011. This is an excellent accomplishment.

Green Project Reserve

Montana's DWSRF far exceeded the 20 percent Green Project Reserve (GPR) requirement with 50 percent of its Recovery Act funding going toward projects to promote water efficiency through line replacements and the installation of new meters and variable frequency drives. Of the 19 GPR projects, four were categorical and 15 required Business Cases.

Davis Bacon

Davis Bacon wage determinations requirements were included in the bid documents and this requirement was referenced in loan agreements. No issues with Davis Bacon compliance were noted this year.

Buy American

The Montana DWSRF program has fully incorporated the Buy American terms and conditions into its bid documents and construction contracts. The program has directed subrecipients to track expenditures to ensure that projects do not exceed the 5 percent limit on total materials costs eligible for a de minimis waiver. The Montana DWSRF did not request any project-specific waivers.

Inspection Strategy

The Montana DWSRF has conducted multiple inspections at each Recovery Act funded project. Each project was inspected at least once during construction, and each project receives a final inspection upon completion. This is a good accomplishment.

Section 1512 Reporting

Reporting requirements under the Recovery Act were managed well by Montana DEQ, DNRC and assistance recipients. The following table shows quarterly FTEs created or funded by Montana DWSRF projects. The majority of construction activity occurred in late 2009 and early 2010.

| Quarterly FTEs on DW Projects | |
|-------------------------------|-------|
| Quarter Ended | Jobs |
| 06.30.2009 | 9.70 |
| 9.30.2009 | 36.88 |
| 12.31.2009 | 98.57 |
| 3.31.2010 | 21.84 |
| 6.30.2010 | 65.07 |
| 9.30.2010 | 23.48 |
| 12.31.2010 | 19.15 |
| 3.31.2011 | 1.79 |

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