



Community MT Division

MONTANA COAL ENDOWMENT PROGRAM
2024 Construction Application Guidelines for the 2027 Biennium

[Project Grants - Montana Coal Endowment Program - Community MT](#)

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2024 MCEP Application Guidelines for 2027 Biennium Projects

PROJECT GRANT APPLICATION FOR MONTANA COAL ENDOWMENT PROGRAM (MCEP)

I. Introduction

The Montana Coal Endowment Program was formally known as the Treasure State Endowment Program. Any references to the Treasure State Endowment Program or “TSEP” now refer to the Montana Coal Endowment Program or “MCEP” as authorized by the 67th Legislature in Senate Bill 258 (Chapter 330, Laws 2021).

The Montana Coal Endowment Program (MCEP) is a state-funded program created in 1992 as a result of Legislative Referendum 110. It is designed to help solve serious health and safety problems and assist communities with the financing of public facilities projects. The program helps local governments with constructing or upgrading drinking water systems, wastewater treatment facilities, sanitary or storm sewer systems, solid waste disposal and separation systems, and bridges. MCEP Grant Program applications, grant application guidelines, the project grant administration manual, and other relevant information and resources are available on the Department of Commerce website at <https://comdev.mt.gov/Programs-and-Boards/Montana-Coal-Endowment-Program/>. Interested persons can also e-mail program staff at DOCCDD@mt.gov or call staff at (406) 841-2770 regarding any questions they may have about the MCEP Program.

The legislature authorizes funding for MCEP construction grants through the legislative process. All MCEP grants approved are dependent upon the availability of funding. Applications are accepted on a continual basis, the deadline for the 2027 biennium is listed on the [MCEP website](#).

These application guidelines explain how cities, towns, counties, special purpose districts, and tribal governments can apply for MCEP financial assistance. The uniform application form for construction projects and the outline of the preliminary engineering report are found in a separate publication, the *Uniform Application for Montana Public Facility Projects, Thirteenth Edition*. These publications are available on the [MCEP website](#).

The Department of Commerce does not discriminate on the basis of disability in admission to, access to, or operations of its program, services, or activities. Individuals who need aids or services for effective communications or other disability-related accommodations in the programs and services offered are invited to make their needs and preferences known. Please provide as much advance notice as possible for requests.

II. Eligible Applicants

Applicants must have the management capacity to undertake and satisfactorily complete the project applied for and assure proper management of MCEP funds. Grant recipients must be in compliance with applicable auditing and financial reporting requirements and have the capability to specifically assure proper tracking and recording of funds.

A. Eligible applicants for MCEP assistance include:

1. Incorporated city or town,
 2. County,
 3. Consolidated local government,
 4. County or multi-county water, sewer, or solid waste district,
 5. Tribal government (includes any federally recognized Indian tribe within the State of Montana), or
 6. Authority as defined in 75-6-304, MCA (e.g., regional water authority).
- B. Private water or sewer user's associations are not eligible to apply for MCEP funds because they are not a public entity. In order to apply for MCEP funds, an association would first have to be legally created as a county or multi-county water and sewer district (pursuant to sections 7-13-22 and 23, MCA) **before** submitting an MCEP application.

Non-public entities are not eligible for MCEP assistance. Under Article V, Section 11 of the Montana Constitution, the legislature is prohibited from making any appropriation for religious, charitable, industrial, educational, or benevolent purposes to any private individual, private association, or private corporation not under the control of the state.

- C. A county can apply on behalf of a Rural Improvement District (RID) with the condition that the RID must be legally created as a county or multi-county water and sewer district before any MCEP construction grant funds will be released. Refer to Title 7, Chapter 13, Parts 22 and 23, MCA for details. When counties have created, managed, and operated RIDs to build water or sewer systems, they have often encountered problems in assuring the effective long-term maintenance and operation of those public facilities. A better mechanism for the long-term management of public facilities is a county or multi-county water and sewer district. However, it can take time to create a county water and sewer district, which is why Commerce allows a county to apply on behalf of an RID as long as the county or multi-county water and sewer district is created prior to any release of funds.

There is one exception where an interlocal agreement will suffice instead of the requirement to form a county water and sewer district. When an incorporated municipality or a county water and sewer district allows adjacent areas outside the jurisdiction to connect to its system, an RID is typically utilized to fund the project so that only those properties served by the improvements are paying for the project. Since an RID is not eligible to apply for funding, the municipality or county water and sewer district extending service would apply for MCEP construction funds for the improvements. The adjacent properties being served would need to enter into an interlocal agreement with the municipality or county water and sewer district instead of forming a new county water and sewer district.

Under the interlocal agreement, the incorporated municipality or county water and sewer district to which the proposed improvements would be connected, must have the authority

to charge user fees sufficient to operate and maintain the proposed improvements over the duration of the agreement. The duration of the interlocal agreement must be for a period of time no less than the expected life of the improvements. The interlocal agreement would only be allowed to be voided in one of the following situations:

1. if the adjacent area being served, along with the infrastructure improvements, were to be annexed into the incorporated municipality or county water and sewer district,
2. if the ownership of, and responsibility for, the proposed improvements were to be permanently transferred to the incorporated municipality or county water and sewer district, or
3. if the area being served by the improvements were to form as a county water and sewer district, and it constructed any remaining portions of the system needed in order to allow it to be a stand-alone system.

A project as described above would require, at the time of applying for MCEP funds, a memorandum of understanding signed by all the parties involved that they understand the scope of the project and are in agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the improvements would be funded in the short and long-term. Prior to MCEP providing any funds that might be awarded, a signed interlocal agreement will be required.

However, any proposed improvements to stand-alone systems, or the construction of a new system, that are entirely operated and maintained by the county through an RID must be legally created as a county water and sewer district before an application may be submitted.

D. A specific geographic area, such as a neighborhood, within an eligible applicant's jurisdiction may be proposed for a project. Typically, a Special Improvement District (SID) would be utilized for funding the project so that those properties benefited by the improvements are paying for the project.

Additional Considerations for Eligible Applicants

Audits and Financial Compliance

Applicants should be familiar with their status of audit compliance and financial reporting at the time of application, as audit and compliance reports are reviewed by Commerce staff as part of the ranking process. Information related to the audit and financial status of an applicant is available at any time on the Department of Administration, Local Government Services website at <http://sfsd.mt.gov/LGSB>.

Annexation

If annexation of an area is being proposed as part of a project, the applicant must provide documentation of local government support of annexation with copies of applicable annexation

policy, extension of services plans, or (if annexation is currently underway) a copy of the local governments resolution of intent to annex or copy of the petition to annex.

Tribal Nations

If the applicant is a tribal nation, a waiver of sovereign immunity will be a provision included in the grant contract. If the project is awarded, at the time the grantee wishes to enter into a contract, the following will be required 1) a waiver containing the provisions of 90-6-709, MCA, approved and signed by the tribal government before the contract is executed of 2) a resolution approving the tribe to enter into the contract that contains the provisions of 90-6-709, MCA before the contract is executed. Applicants may submit the waiver of sovereign immunity at time of application, or, if that is not possible, the waiver will be a condition of the award and will need be submitted with other start up conditions to allow for an applicant to enter into a contract with Commerce.

III. Eligible Projects

A. Types of Projects Eligible for MCEP Assistance Include:

1. Drinking water systems
2. Wastewater treatment systems
3. Sanitary sewer or storm sewer systems
4. Solid waste disposal and separation systems, including site acquisition, preparation, or monitoring
5. Bridges

Bridges that are proposed to be replaced with appropriately sized culvert-type structures are eligible for MCEP assistance. However, a culvert that is proposed to be replaced with another culvert is generally not eligible for MCEP assistance. Low-water crossings that are proposed to replace a bridge or a culvert are not eligible for funding under MCEP. Bridges must have a clear span greater than ten feet to be considered for funding. Contact Program staff to discuss unusual situations to ensure that your proposed project would be considered eligible and competitive.

- B.** Proposed construction projects submitted to MCEP for funding must be comprised of “stand-alone” activities. In other words, they must be able to reasonably resolve a deficiency without a subsequent phase and another grant from MCEP or other sources. The intent of the requirement is not to preclude phased projects, but rather to ensure that substantive improvements and public health and safety benefits result from the project that do not require additional funds to complete. For example, it would not require the complete elimination of a particular type of problem, such as inflow and infiltration throughout the entire sewer collection system, which may only be completely eliminated after two or more phases. The intent of this requirement is to preclude preliminary-type work from being funded that would only result in a substantive improvement once additional funds were obtained, and the project can be completed. If there are elements of a project that Commerce does not consider to be “stand-alone,” Commerce may

recommend that portion of the proposed project not be funded.

- C. Projects that involve connecting an existing, publicly-owned water system to a privately-owned water system are eligible, as long as the original assets of the applicant, including the infrastructure to be constructed with the MCEP grant, will continue to be maintained and owned by the applicant after the project is completed. The applicant would be limited to purchasing bulk water from the privately owned water system and then distributing water to the publicly-owned water system's customers. A long-term agreement, equal to the expected life of the MCEP-funded improvements, between the privately-owned water system and the publicly-owned water system, for the sale of the bulk water, would be required. No hook-up fees charged by the privately-owned water system would be allowed as an eligible project cost.
- D. Applicants considering a project involving multiple facilities should ensure that the public facilities under consideration have:
 - a. a comparable need for the proposed improvements; and
 - b. the proposed technical solutions are equally appropriate and would achieve a reasonable impact on the needs for each public facility.

If these two criteria are not met, each public facility involved in the project may be ranked individually on any statutory priority. If it is appropriate to rank each public facility individually, the score may be determined by prorating the scores assigned to the statutory priority based on the percent of the total project cost that each public facility represents.

As a result, a water system that does not have any serious problems when combined with a wastewater system, with very serious problems, could make the application less competitive than if the application was only for the wastewater system project. Similarly, if one bridge, which does not have serious problems, is combined with another bridge, with very serious problems, it could make the application less competitive.

Additional Considerations for Eligible Projects

Previously Awarded MCEP Grant

If an applicant submits a new application for the same project for which the applicant has already received an MCEP construction grant, Commerce may recommend that the previously awarded grant be terminated if the project is awarded a new construction grant.

Budget

Application budgets should be rounded to the nearest whole dollar amount.

Target Rates

Target rates will determine the amount of grant an applicant is eligible to apply for. As the basis for calculation of target rates, use American Community Survey 2015-2019 data. See Appendix E, for further information. For more information about target rates, please see [Census and Target Rate - Community Development Division \(mt.gov\)](#) for supplemental guidance.

Requests for matching grants are limited to a maximum of \$750,000 per application, and only one application per applicant each funding cycle is permitted.

In order to qualify for the maximum of \$750,000, the applicant's user rates must be at least 150% of the applicant's "target rate" (based upon the projected combined monthly rates with MCEP assistance or water rates only, wastewater rates only if no combined system exists) upon completion of a proposed water, wastewater project, storm drain, or solid waste project. If rates for amount requested are lower than required for the target at time of application, documentation of resolutions or an approved schedule to increase rates by end of project must be provided.

If the user rates are projected to be between 125% and 150% of the applicant's "target rate," applicants are eligible to apply for no more than \$625,000.

Applicants whose user rates are projected to be between 100% and 124.9% of the applicant's "target rate" are limited to a maximum of \$500,000.

Applicants who apply for less than \$500,000 must still meet 100% of target rates at completion of project to be program eligible.

For water and/or sewer projects, user rates presented in application materials should be combined water and wastewater rates for any applicant that has both centralized systems in place.

Applicants that are below the applicable target rate at time of application, may have a condition(s) placed on a grant award to require the project meet sufficient rates for the amount of funding requested by completion of the project.

If the projected user rates at the end of the project will not meet target rates, the project is ineligible for MCEP funding.

Counties with multiple bridge projects are typically limited to a maximum of \$500,000. An amount greater than \$500,000 will be allowed for bridge projects if the applicant submits an application for only one bridge and the total cost of the bridge project is greater than \$1,000,000.

Residential user rates cannot be raised beyond the amount necessary to complete the proposed project solely to qualify for an MCEP grant or qualify for a larger grant amount. Additionally, if rates are already high in order to build reserves, it will not qualify an applicant for a higher grant amount.

If an applicant is awarded a grant, the grant could be jeopardized or potentially reduced if the funding package for the project changes and results in a smaller loan that would impact target rates.

A project grant request may not exceed \$20,000 per benefitted household unless the applicant meets the criteria described below. Only full-time, occupied residential properties at the time the application is submitted will be counted as benefitted households. Un-developed vacant lots, properties used as vacation rentals, or second homes that are not the primary residence of the owners, are not counted as benefitted households. To qualify as a full-time, occupied residential property, the owners or tenants must live in the residence at least six months out of the year.

In order to be recommended for more than \$20,000 per benefitted household, the applicant must

meet all three of the following tests:

1. 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 Commerce that the proposed project will correct the deficiencies; and
2. upon completion of a proposed water, wastewater project, storm drain, or solid waste user rates would be at least 1½ times the community's "target rate" (based upon the projected monthly rates with MCEP assistance), or in the case of bridge projects, the county must be able to demonstrate an extreme lack of financial resources relative to the other counties in the State; **and**
3. other sources of funding are not reasonably available.

For **water, wastewater and solid waste projects**, other funds are not considered reasonably available if the applicant is either not eligible for funding from a typical source of funding, is not likely to receive funding, or the applicant has applied for, but not been selected for funding.

Meeting the three tests does not guarantee that applicants will be recommended for a grant that exceeds the \$20,000 per benefited household, or for a hardship grant, which is discussed below. As a result, other factors may be taken into account by Commerce when making its recommendations, including issues such as whether the project area is comprised of a high percentage of vacation rental properties or second homes that are not the primary residence of their owners, or is comprised of a high percentage of un-developed, vacant lots. The number of un-developed, vacant lots will be based on what has been developed at the time the application is submitted.

When projects primarily benefit commercial and industrial development, and there are few or no households, the \$20,000 per household limit does not apply. Projects such as these will instead be evaluated in the same way that the financial analysis under Statutory Priority #2 is accomplished for economic development related projects. For additional information see Appendix B, Statutory Priority #2, paragraph D.

If the financial analysis cannot be performed because the required information is not provided with application materials, the amount of any recommended grant will be based on the current number of households within the project area.

*Applicants that do not meet the three tests as listed above will either be recommended for a reduced grant amount or may not be recommended for any grant if it appears that the project is no longer financially feasible without the full amount that was requested. As a result, it is **very important for applicants to discuss their proposed funding scenario with the MCEP staff prior to application if they plan to exceed the \$20,000 per benefited household.***

Matching Funding Sources

Applicants must provide at least 50/50 match for the overall project budget. This match *may* be

waived if a hardship has been granted.

1. Types of Matching Project Grants

a. Standard Grants

Applicants are eligible to request a grant that is no greater than 50% of the eligible project expenses.

b. Hardship Grants

In cases of extreme financial hardship **and** where very serious deficiencies exist that would affect the public's health or safety, an applicant may be eligible to receive a Hardship Grant from 51% *up to* 75% of the eligible project expenses in order to help reduce user costs to a more affordable level. However, the total amount requested cannot exceed the maximum MCEP grant. Applicants will only be recommended to receive a MCEP Hardship Grant if **all** three tests are met as described above for the \$20,000 limit per household. Applicants must request a hardship in writing and include the justification within their application.

2. Eligible and Ineligible Match

In order to be eligible for a MCEP project grant, matching funds must be provided by the applicant to assist in financing the total project cost. Please see the list of eligible and ineligible match in the MCEP Project Administration Manual available at the Commerce website.

3. Eligible and Ineligible Reimbursable Project Expenses

Please see the list of eligible and ineligible project expenses in the MCEP Project Administration Manual available at the Commerce website. Additionally, the 2021 legislative session included a modification to 90-6-710, MCA allowing for applicants to begin construction before legislative approval. MCEP grantees are required to adhere to various laws and requirements of the state and the program. Failure to do so could result in MCEP funds not being eligible for reimbursing project activities such as engineering, construction, etc. Applicants that plan to commence a project before it has been approved for funding must meet 90-6-710, MCA and be prepared to provide sufficient documentation requested by the program and do not take any steps that could violate state law or regulations.

IV. Application Submission

A. General Requirements

To apply for a MCEP grant, an eligible applicant must complete the required application information listed below by the date listed on the Commerce website as the priority deadline. One electronic copy of the MCEP application, Uniform Application, PER information and associated supporting documents must be electronically transmitted on or before the application date listed on the

MCEP website. It is preferable that a word searchable electronic copy of all application information and the PER be transmitted via the file transfer service at <https://transfer.mt.gov>. To submit your application materials, please refer to the [website](#) for instructions and submit materials prior to or by close of business on the application date listed on the website. Please identify your upload(s) to include the name of the grantee in the file name. Please combine application materials into as few files as possible, this will improve the application receipt process for Community MT staff.

Only one application per eligible applicant is permitted each application cycle, regardless of project type. Applications from multiple eligible applicants for the same project in any given application cycle are not allowed. This does not preclude an application for a subsequent phase in the next application cycle – multiple phases must be distinct and separate.

To apply for any of the funding approved through the legislative process, applicants must provide the following MCEP application information:

1. The MCEP Eligibility Screening Checklist
2. Responses to the MCEP Statutory Priority review criteria
3. The application form found in the *Uniform Application for Montana Public Facility Projects, Thirteenth Edition*
4. The preliminary engineering report that complies with the requirements found in these guidelines and the *Uniform Application for Montana Public Facility Projects, Thirteenth Edition*

V. Application Review Process

A. Eligibility Screening

The applicant must submit an MCEP Eligibility Screening Checklist with the application. Within fifteen (15) working days of application receipt, the department will screen applications to determine whether the applicant and project are eligible for ranking.

Basic Eligibility Screening Criteria

1. Is the applicant an incorporated city or town, a county, a consolidated local government, a tribal government, a county or multicounty water, sewer, or solid waste district, or regional water authority, as required by 90-6-701(3)(b), MCA?
2. Is the project for drinking water, wastewater, stormwater, solid waste or bridges, as required by 90-6-701(3)(a), MCA?
3. Is at least 50% of the project budget provided through match, unless a hardship waiver is requested, per MCA 90-6-710 and the MCEP Guidelines, page 10?
4. Has the applicant submitted all of the documentation required by the MCEP Guidelines?
 - a. the *Uniform Application Form for Montana Public Facility Projects, Thirteenth Edition*
 - b. Responses to the MCEP statutory review criteria in 90-6-710(2)(a), MCA,
 - c. a Preliminary Engineering Report, and
5. Will the project meet target rate requirements per the MCEP Guidelines, page 8 and Appendix F?
 - a. What is the target rate for the amount requested?
 - b. What are the proposed user rates at the end of the project construction?

6. Has the applicant held at least one public meeting within the past 12 months regarding the proposed project per the MCEP Guidelines, page 12?

The department will notify potentially ineligible applicants of the screening determination. In response, the applicant may submit information within five (5) working days to clarify project eligibility. The department may revise the eligibility determination based on the clarifying information and will notify applicants of the final determination. If the department determines a project is ineligible, it will not be ranked or submitted for legislative approval.

B. Review and Ranking

Commerce staff will review MCEP construction applications for both technical and financial feasibility, and the extent to which the proposed project relates to each of the seven statutory criteria. To facilitate Commerce's review, applications should be organized according to the format outlined in Appendix D, MCEP Application: Additional Documentation. Additional information on completing the application form and the preliminary engineering report is provided in the Appendices.

Under the MCEP statute and policies established by the Governor and Legislature since 1993, the review of MCEP applications by Commerce is a two-step process. In the first step of the review process, applications are ranked based upon the extent to which the proposed project relates to each of the seven statutory criteria. In the second step of the process projects are recommended and reviewed by the Governor and Legislature for funding to be awarded. As provided in MCA 90-6-710, Commerce will prepare and submit two lists containing the recommended projects and the recommended form and amount of financial assistance for each project to the Governor. One list will contain the ranking and recommendation of bridge projects. The number of bridge projects recommended for funding may be up to 20% of the MCEP funds available. The second list will contain the ranking and recommendation of other infrastructure projects.

Commerce may provide for outside technical review of applications by other public or private agencies or professionals when deemed necessary to assure adequate review. Commerce may take additional information, based upon Commerce's or other agency's knowledge about a proposed project or particular community problems into account in the scoring of an application.

The applicant may not submit any additional information after the application deadline, unless requested by Commerce staff, in order to clarify information already presented in the application.

MCEP may recommend funding separately those projects with urgent public health and safety needs as indicated by Level 5 or 4 scores for Priority I - Public Health and Safety. A pro-rated percentage of funding may be recommended for those applicants where only a portion of the project has been scored at a Level 5 for Public Health and Safety need.

VI. Administrative Procedures and Requirements

Please see the Project Administration Manual on the Commerce website for information on how to administer a MCEP project. Projects must be completed in accordance with the applicable rules or the applicant risks losing the grant.

Changes to an Awarded Project

In accordance with the Legislature’s policy as expressed in the legislation that authorizes MCEP projects, Commerce cannot approve amendments to the scope of work or budget affecting priority activities or improvements that would materially alter the intent and circumstances under which the application was originally ranked by Commerce and approved by the Governor and Legislature. Significant changes to the scope of work or budget could jeopardize the continued funding of the project using MCEP funds if Commerce determines that the proposed amendments could “materially alter the intent and circumstances” under which the project was originally approved. Local governments that have already executed a contract with Commerce and request a modification that significantly affects the scope of work or budget may have their MCEP funding temporarily suspended. The suspension would remain in effect until the next session of the Legislature when the proposed modification would be presented to the Legislature for its approval.

APPENDIX A
Application Eligibility Screening Checklist
Please fill out this checklist.

| | |
|---|---------------|
| 1. Is the applicant an incorporated city or town, county, consolidated local government, tribal government, county or multicounty water, sewer, or solid waste district, or regional water authority, as required by 90-6-701(3)(b), MCA? | Yes ___ No___ |
| 2. Is the project for drinking water, wastewater, stormwater, solid waste or bridges, as required by 90-6-701(3)(a), MCA? | Yes ___ No___ |
| 3. Is at least 50% of the project budget provided through match per MCA 90-6-710 and the MCEP Guidelines, page 10? | Yes ___ No___ |
| a. If no, has a hardship waiver been submitted? | Yes ___ No___ |
| b. What is the total project budget? | \$_____ |
| c. What is the total project match? | \$_____ |
| 4. Has the applicant submitted the documentation required by the MCEP Guidelines? | Yes ___ No___ |
| a. <i>Uniform Application Form for Montana Public Facility Projects, Thirteenth Edition</i> | Yes ___ No___ |
| b. Responses to the MCEP statutory review criteria in 90-6-710(2)(a), MCA, | Yes ___ No___ |
| c. Preliminary Engineering Report, and | Yes ___ No___ |
| d. | |
| 5. Will the project meet target rate requirements per the MCEP Guidelines, page 8 and Appendix E? | Yes ___ No___ |
| a. What is the target rate for the applicant in line with the amount requested? | |
| b. What will user rates be at completion of project construction? | |
| 6. Has the applicant held at least one public meeting within the past 12 months regarding the proposed project per the MCEP Guidelines, page 12? | Yes ___ No___ |
| a. What date was the public meeting held? | _____ |

If you have questions or need assistance preparing this form, please contact the Department of Commerce via email at DOCCDD@mt.gov or via phone at (406) 841-2770.

APPENDIX B
MCEP Statutory Review Criteria

A. INTRODUCTION

The MCEP statute and the policies established by Commerce, the Governor and the Legislature guides the review of MCEP applications. Applications should be as concise as possible; however, the applicant may use as many pages as necessary to adequately explain the proposed project. Only information pertaining directly to the proposal and the MCEP Statutory Priorities should be included.

B. RANKING APPLICATIONS ON THE SEVEN STATUTORY PRIORITIES

MCA 90-6-70 requires Commerce to provide the Legislature two lists with ranked and recommended projects for MCEP funding, giving preference according to the order of statutory priorities. Each application will be scored based upon the extent to which the proposed project is consistent with each statutory priority, using five possible point levels with five being the highest level. However, Statutory Priority #3 uses only four point levels; Statutory Priority #6 uses only three point levels.

The MCEP statutory priorities in order of importance, and the maximum score that can be obtained for each, are listed below.

| | Maximum Possible Points |
|---|--------------------------------|
| Statutory Priority #1 (Urgent and Serious Health or Safety Problems, or Compliance with State or Federal Standards) | 1,250 Points |
| Statutory Priority #2 (Greater Financial Need) | 1,000 Points |
| Statutory Priority #3 (Appropriate Design and Long-Term Solution) | 750 Points |
| Statutory Priority #4 (Long-Term Planning and Management) | 650 Points |
| Statutory Priority #5 (Obtains Funds from Other Sources) | 550 Points |
| Statutory Priority #6 (Long-term, Full-time Jobs, Business Expansion, Tax Base) | 450 Points |
| Statutory Priority #7 (Community Support) | 350 Points |
| TOTAL MAXIMUM POSSIBLE POINTS | 5,000 Points |

MCEP may at its discretion determine that proposed projects, or portions of projects, with a level “5” score in priority #1 will be funded ahead of any other projects, regardless of the total points. Similarly, MCEP may rank projects with a level “4” score in priority #1 above projects with a level “1”, “2” or “3” score for priority #1. This discretionary determination would not apply to proposed projects that do not meet minimum criteria for priorities #2 through #7.

For projects that receive a level “5” score on Statutory Priority #1, or if there are any deficiencies that meet the definition of a level “5,” Commerce may consider recommending to the Legislature, in order to ensure that extremely serious health and safety problems are resolved, that the applicant be moved up above the recommended funding line, regardless of the number of total points received. Applicants that are moved up in order to be funded will only be recommended for an award amount that is necessary to resolve the deficiencies that warranted the level “5” score; in other words, Commerce will potentially recommend that the scope of work be reduced. Some of the reasons that a project may not be recommended to be moved up above the funding line would be:

- if it appears that the applicant was grossly negligent in resolving the problem on its own and could reasonably fund the smaller project without the assistance of MCEP;
- if the applicant’s projected user rates would no longer be at or above the target rate; or
- if the project as proposed appears to be technically or financially infeasible.

The MCEP program will rank proposed bridge projects separately from water, wastewater, solid waste, and storm water projects. The number of bridge projects recommended for funding may be up to 20% of the MCEP funds available as per 90-6-710 MCA.

MCEP may, at its discretion, recommend a reduced grant for bridge applications in order to fund only those individual bridges rated at a level “4” or “5” and not fund bridges rated at a level “1”, “2” or “3”.

C. MCEP STATUTORY PRIORITIES AND RANKING CRITERIA

The following section lists the seven statutory priorities used to score and rank proposed projects, along with the criteria that will be considered by Commerce in evaluating each applicant's response. MCEP applicants are required to submit narrative responses that describe the relationship of their proposed MCEP project to each of the statutory priorities, except where noted otherwise. Some priorities can be scored using the information provided in the *Uniform Application Form and the preliminary engineering report (PER)*.

For statutory priorities #1 and #3, applicants are not required to provide a narrative response unless there is additional information that they believe would impact how the priority will be scored. While applicants need to provide a response that addresses each of the criteria in statutory priorities #4 through #7, applicants are encouraged to be succinct, supported by adequate documentation, and not repetitive.

With the exception of Statutory Priority #2, each statutory priority has definitions that generally describe the requirements for being scored at a particular point level. The definitions associated with each score level is discussed in Section D - Scoring Level Definitions for the Seven Statutory Priorities.

In order to avoid unnecessary duplication, especially in Priorities #4 thru #7, the applicant can reference other pertinent portions of the application or appendices in the narrative responses to the priorities. However, the applicant should not reference another portion of the application, such as the PER, without

including a narrative statement that provides at least a summary of what is being referenced. For example, an applicant should not simply state, “See page 4 of the Master Plan” as a response to a statutory priority.

| | |
|------------------------------|-----------------------------|
| STATUTORY PRIORITY #1 | 1250 Possible Points |
|------------------------------|-----------------------------|

Projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards.

The following criteria are considered by MCEP in scoring priority #1 as it pertains to water, wastewater, storm drain, and solid waste projects; and information used to score this priority is derived from reviewing the PER. *For statutory priorities #1 and #3, applicants are not required to provide a narrative response unless there is additional information beyond the PER that they believe would impact how the priority will be scored.*

- a. Does a serious deficiency exist in a basic or necessary community public facility or service, or does the community lack the facility or service entirely, and will the deficiencies be corrected by the proposed project? *(Are all deficiencies described?)*
- b. Have serious public health or safety problems that are clearly attributable to a deficiency occurred, or are they likely to occur, such as illness, disease outbreak, or safety problems or hazards? *(Is each public health or safety problem described and is it indicated whether the problem has occurred or the degree to which it is likely to occur in the near-term, long-term, or may potentially occur at some point in the future. Is supporting documentation provided to show the public health or safety problems?)*
- c. Is the problem existing, continual, and long-term, as opposed to occasional, sporadic, probable or potential? *(Is the nature and frequency of occurrence described? Provide supporting documentation to substantiate.)*
- d. Is the entire community, or a substantial percentage of the residents of the community, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Is the number of residents affected by the problem described?)*
- e. Is there clear documentation that the current condition of the public facility (or lack of a facility) violates a state or federal health or safety standard? *(Is there a description of the standard being violated?)*
- f. Does the standard that is being violated represent a significant threat to public health or safety? *(For each standard being violated as listed in e., is there a description of the public health or safety problems as listed in b. that are associated with it?)*
- g. Is the proposed MCEP project necessary to comply with a court order or a state or federal agency directive? *(Is the directive described and is a copy attached?)*
- h. Are there any reliable and long-term management practices that would reduce the public health or safety problems?

The following criteria are used by MCEP to score priority #1 as it pertains to bridges.

- a. Does a serious deficiency exist in the bridge system and will the deficiencies be corrected by the proposed project? *(Is there a description for all deficiencies for each bridge proposed for MCEP funding, including the NBI sufficiency rating, appraisal ratings, and element condition ratings? Is there a description for any related public safety problems not reflected in the NBI sufficiency rating? If a new bridge is being proposed where none currently exists, is there a description for why there is a need for a bridge at this new location and why the public safety problems necessitate the new bridge?)*
- b. Is the entire county, or a substantial percentage of the residents of the county, seriously affected by the deficiency, as opposed to a small percentage of the residents? *(Is there a description of the number of residents, households, businesses, etc. affected by the problem?)*

STATUTORY PRIORITY #2

1000 Possible Points

Projects that reflect greater need for financial assistance than other projects.

Determination of scores for this priority will consider the following factors:

- Millage assessed in comparison to median household income (MHI)
- Target rate comparison to user rates at end of project
- Applicant tax revenues in comparison to number of households
- Poverty

MCEP will use information and statistics from the U.S. Census Bureau, Montana Department of Revenue and most current Uniform Application Form to complete this assessment. **Applicants do not need to provide data.** If an applicant feels these above factors do not accurately reflect the financial commitment or ability to provide matching funds, the applicant may provide information and/or documentation regarding the extenuating circumstances. Additional guidance on the factors used for the financial assessment, including target rate, can be obtained by contacting Commerce staff or on the website.

This criterion will assess the applicant's need for financial assistance by examining each applicant's relative financial need compared to other applicants. The financial assessment will determine whether an applicant's need for MCEP assistance is comparatively greater or weaker than other applicants.

This assessment is conducted using the above competitive ranking factors that will assess the relative financial need of each applicant. Based on an applicant's relative financial need, an applicant can receive up to 1,000 points. The points awarded will be allocated based on a five-level scoring system. For most applicants, each of the factors will be weighted to arrive at a total score.

Water and Sewer Districts or projects submitted by Counties will only be compared to other WSD and Counties in the financial assessment. Cities and Towns will be will only be compared to the Cities and Towns.

For some applicants, census data may not be currently available for the specific project area, or census data for the entire county or city may not accurately reflect the economic condition of

households within the project area. Examples of applicants not likely to have census data currently available for the specific project area would be new county water and sewer districts or a project that encompasses a particular neighborhood within a city. Applications for an area without census data that accurately reflect the makeup of the project area can complete an income survey and must contact MCEP staff for further assistance.

As a result, for projects that do not have census data currently available, MCEP will compute the MHI statistics by using data for the smallest geographical census area that encompasses the proposed project area, usually block group data. Upon request, MCEP staff will assist the applicant with identifying the MHI statistics for the project area and determine the local government's MHI. Potential applicants will need to provide a map clearly showing the boundaries of the project area along with any other references, such as roads and rivers that would help to locate the project area on the census maps.

a. Water, Wastewater, or Solid Waste Projects

For water, wastewater, or solid waste projects, that collect user fees, the above financial factors will be assessed to determine financial need.

Solid waste and storm sewer systems are sometimes funded through property taxes rather than user fees. In these cases, the amount of the tax assessment is compared to the target rate instead of a user fee. For the purposes of the financial assessment, a storm sewer system is considered to be part of a wastewater system, and if there is a separate fee, it will be added to the wastewater user fees before comparing it to the target rate.

b. Bridge Projects

The financial assessment for bridge projects, which are primarily funded through property taxes, must be approached in a manner different from water, wastewater and solid waste projects that are financed through user fees. The assessment will be based on the applicants' access to funds through taxes and other sources that could potentially be used to fund bridge projects. The amount of potential funding will be calculated on a per capita basis and will be further measured against the number of bridges that the county is responsible for maintaining.

Bridge applicants will only be compared to other bridge applicants in the financial assessment. As a result, the score given to a bridge applicant on the financial assessment represents that applicant's financial need relative only to other bridge applicants. Tribal applicants with bridge projects will be analyzed similar to counties. However, the financial assessment will use the MHI for the reservation rather than the county.

c. Projects Involving Un-Developed Land

Regardless of the type of development, the applicant must provide documentation showing that the applicant has a firm commitment from a developer of residential property or, in the case of an economic development project, a business that will occupy the un-developed land. *A MCEP grant will not be recommended for purely speculative projects.* Contact Commerce for guidance.

If the un-developed land will be used primarily for *commercial and industrial use*, the type of

assessment utilized will be determined by how the cost of the project will be paid for as discussed below under d. Economic Development Related Projects.

If the un-developed land will be used to provide *housing*, financial factors for the number of users on the system will be used as follows: if the cost of the project will be paid for by all of the users of the system, the factors for the entire jurisdiction will be used. However, if only the area to be served will be paying for the cost of the project, a factor for the new development will be required. Since there may not be any, or an insufficient amount of, household income data for the area, a factor for a broader area may be used or if possible, generated by the MCEP staff. An appropriate factor will need to be established to reflect the income levels of the families living in the type of housing that is expected to be built. Other developed areas in the vicinity with similar types of housing will be looked at in determining income levels and the factors.

d. Economic Development Related Projects

The type of financial assessment used to analyze economic development related projects will depend on how the improvements will be paid for. If the cost of the project will be paid for by all of the users on the system, financial assessment will be analyzed using the financial factors for the entire jurisdiction.

However, if the cost of the project will not be borne by all of the users on the system, a "financing gap" must be identified and documented in the financial package. The financial assessment will evaluate whether other funds, including private funds from the business, are insufficient to complete the project without MCEP participation.

Applicants that can demonstrate that a greater quantity of **cash** (instead of in-kind or other grants) will be used to satisfy the match requirement will receive a greater number of points for this indicator. A greater number of points will also be given to applicants that conclusively demonstrate that quantifiable results can be achieved and measured as a direct result of the project, especially the creation and retention of local jobs. Applicants will also score higher if they can demonstrate that a high ratio of jobs to MCEP dollars will be created or retained.

Economic development related projects must demonstrate financial viability based on the current and projected strength of the business(es). A business plan must be submitted with the application. Otherwise strong proposals will not be approved if businesses cannot demonstrate long-term financial viability.

Final Competitive Ranking Score on Statutory Priority #2: Results from the factors are added together to determine an applicant's final score on Statutory Priority #2.

Important: The financial section of the *Uniform Application Form for Montana Public Facility Projects, Thirteenth Edition* should be accurately completed.

Information from the Uniform Application document is used to conduct a portion of the financial assessment and scoring of applications on Priority #2.

Commerce reserves the right to modify the information submitted by the applicant in order to ensure that the projected user rate is computed properly and most accurately reflects what the projected rate is likely to be.

Applicants with bridge projects need to complete the APPENDIXC, COMPLETION OF SYSTEM INFORMATION REQUIRED FOR BRIDGE APPLICATIONS ONLY provided in these application guidelines.

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| STATUTORY PRIORITY #3 | 750 Possible Points |
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Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

Any application that receives a level “2” score or less on Statutory Priority #3 may not be recommended for funding if it is determined that the project does not appear to be technically feasible. The information necessary to score this priority will be derived from reviewing the applicant’s preliminary engineering report (PER). *For statutory priorities #1 and #3, applicants are not required to provide a narrative response unless there is additional information beyond the PER that they believe would impact how the priority will be scored.*

The following criteria are considered by MCEP in scoring priority #3 and are developed after a review of the PER.

- a. Does the PER provide all of the information as required by the Uniform PER outline, and did the analysis address the entire system in order to identify all potential deficiencies? Projects with PERs that do not address deficiencies within the entire system may not be recommended for funding.
- b. Are the deficiencies to be addressed through the proposed project the deficiencies identified with the most serious public health or safety problems? If not, explain why the deficiencies to be addressed through the proposed project were selected over those identified with greater public health or safety problems. *(If the applicant has not chosen to resolve the most serious public health or safety problems, a reasonable justification for the proposed project been provided.)*
- c. Were all reasonable alternatives thoroughly considered and does the technical design proposed for the alternative chosen to represent an efficient, appropriate, and cost-effective option for resolving the local public facility need, considering the size and resources of the community, the complexity of the problems addressed, and the cost of the project? *(Does the PER provide an analysis of all reasonable alternatives in sufficient detail to justify the alternative chosen?)*
- d. Does the technical design proposed thoroughly address the deficiencies selected to be resolved and provide a reasonably complete, cost-effective and long-term solution?
- e. Are all projected costs and the proposed implementation schedule reasonable and well supported? Are there any apparent technical problems that were not adequately addressed that could delay or prevent the proposed project from being carried out or

which could add significantly to project costs?

- f. Have the potential environmental problems been adequately assessed? Are there any apparent environmental problems that were not adequately addressed that could delay or prevent the proposed project from being carried out or which could add significantly to project costs? *(The Uniform Environmental Checklist must be properly completed so that all potential environmental problems have been adequately assessed. All environmental concerns, noted in the Environmental Checklist, must be addressed in the PER when examining each of the alternative solutions.)*
- g. For projects involving community drinking water system improvements, does the applicant have a water metering system for individual services or has the applicant decided to install meters? In those cases where individual service connection meters are not proposed, has the applicant's PER thoroughly analyzed the conversion to a water metering system and persuasively demonstrated that the use of meters is not feasible, appropriate, or cost effective?
- h. Is there any other pertinent information that might influence the scoring of this statutory priority?

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| STATUTORY PRIORITY #4 | 650 Possible Points |
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Projects that reflect substantial past efforts to ensure sound, effective long-term comprehensive land use planning, long term fiscal planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

- a. Have there been substantial past efforts to deal with public facilities problems through a long-term commitment to capital improvements planning and budgeting? *(Describe all efforts to deal with public facilities problems through a long-term commitment to capital improvement planning and budgeting. This may be a Capital Improvement Plan (CIP) or other adopted document ongoing for at least 5 years.*
- b. Has the applicant demonstrated a long-term commitment to community planning in order to provide public facilities and services that are adequate and cost effective? For counties, cities and towns, are there current subdivision regulations or zoning in the area of the project? if yes, when were they adopted? *(Describe all other planning related efforts that have been utilized to help ensure that the applicant's public facilities and services are adequate and cost effective. These could include actions or activities taken to draft or update planning including growth policies, needs assessments and any preliminary engineering reports completed to date, and how these planning efforts inform the overall budget process. Describe efforts to keep the CIP and other planning documents current through updates or periodic revisions required. For example, state statute requires a growth policy be updated a minimum of every five (5) years. A CIP is recommended to be updated annually or, at a minimum, every five years in line with the update of the growth policy and other local/regional planning documents.)*
- c. Is the proposed project consistent with current plans (such as a local capital improvements plan, growth policy, transportation plan, zoning regulations, subdivision regulations, needs

assessments or another development-related plan) adopted by the applicant? *(In particular, if the applicant is a county water and sewer district, how does the proposed project fit in the county's growth plan? Please provide relevant sections of the plan, links and website addresses where the plan can be found).*

- d. Have there been past efforts to deal with public facilities problems through adequate user charges and hook-up charges to the maximum reasonable extent?
- e. Have reasonable operation and maintenance budgets been maintained over the long-term, including adequate reserves for repair and replacement? *(Provide a description and history of the system's operation and maintenance budgets. Discuss whether user rates have been raised in order to maintain adequate reserves for repair and replacement. Provide a history of user charges, hook up charges, or any other charges or fees that would provide funds for improvements to the system. For projects involving drinking water system improvements and the applicant has not installed, or does not intend to install, individual service connection meters, discuss the rationale for not having meters.)*
- f. Are there problems of inadequate operation and maintenance practices? *(If there are indications that the problem is not of recent origin, or has developed because of inadequate operation and maintenance practices in the past, has the applicant thoroughly explained the circumstances and described the actions that management will take in the future to assure that the problem will not reoccur?)*
- g. Is there any other pertinent information that might influence the scoring of this statutory priority?

Documentation is required to verify statements presented in the narrative response to this priority. When documenting plans such as capital improvements plans and growth policies, the entire plan does not need to be attached. Instead, include the cover, table of contents, and those pages that are pertinent to the statements made or are related to the proposed project and provide the link or website address where the document can be found.

STATUTORY PRIORITY #5

550 Possible Points

Projects that enable local governments to obtain funds from sources other than MCEP.

Any application that receives a level "2" score or less on Statutory Priority #5 might not be recommended for funding if it is determined that the project does not appear to be financially feasible.

This priority will be scored in part based upon the information contained in the applicant's *Uniform Application Form*. **Applicants should provide additional information concerning other funding sources that were not chosen to help finance the project**, or any other information that the applicant believes important that may impact how this project may be scored.

- a. Has the applicant made serious efforts to thoroughly seek out, analyze, and secure the firm commitment of alternative or additional funds from all appropriate public or private sources, to finance or assist in financing the proposed project? *(At a minimum, each*

appropriate public funding source should be discussed, and whether the applicant is eligible to apply to the other funding source, and if not, why, when the applicant would apply to a source, or why the applicant does not plan to apply to a source, and summary of discussions held with any potential funding source.)

- b. How viable is the proposed funding package? *(Describe the level of commitment from the various funding sources and the likelihood of receiving the various funds proposed. Provide available documentation as applicable.)*
- c. Is the MCEP grant critical to keeping the project moving forward and obtaining funds from sources other than MCEP? *(Describe situations where obtaining specific funds are dependent upon receiving MCEP funds.)*
- d. Does the MCEP grant result in a cost effective, long term solution for the community public facility needs? *If yes, explain the timeframes and result of the impacts, how and who the project in the community benefitted?*
- e. Is the applicant current with financial reporting and auditing requirements. Is the applicant in good standing in the audit reports?
- f. Is there any other pertinent information that might influence the scoring of this statutory priority?

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| STATUTORY PRIORITY #6 |
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| 450 Possible Points |
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Projects that provide long-term, full-time job opportunities for Montanans, that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintains or encourages expansion of the tax base.

- a. Will the proposed MCEP project directly result in the creation or retention of a substantial number of long-term, full-time jobs for Montanans? *(Describe any long-term, full-time jobs for Montanans that would be directly created or retained as a result of the proposed project [jobs related to the construction or operation of the system are generally considered short term jobs]. The narrative should describe the number of jobs, the businesses where the jobs would exist, and how the proposed project directly relates to their creation or retention. Provide documentation as applicable.)*
- b. Will the proposed MCEP project directly result in a business expansion? Is the business expansion dependent upon the proposed project in order to proceed? *(Discuss any businesses that have proposed to expand, and why they are dependent upon the proposed project to proceed.)*
- c. Has the applicant provided a business plan for the specific firm(s) to be expanded as a result of the proposed MCEP project? If yes, is it a realistic, well-reasoned business expansion proposal and does it clearly demonstrate that the firm to be assisted by the proposed public facilities has a high potential for financial success if MCEP funds are received? *(Submit a business plan for each business to be expanded as a result of the proposed MCEP project.)*

- d. Will the proposed MCEP project maintain or encourage expansion of the private property tax base? *(Describe how the proposed MCEP project will maintain or encourage expansion of the private property tax base, and provide documentation if available.)*
- e. What local economic impact will the MCEP project provide for or the impact if the MCEP funding is not awarded and the project not built? *(Discuss how businesses or residents will be directly affected by the project.)*
- f. Is there any other pertinent information that might influence the scoring of this statutory priority?

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| STATUTORY PRIORITY #7 | 350 Possible Points |
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Projects that are high local priorities and have strong community support.

- a. Has the applicant encouraged active citizen participation, including at least one public hearing or meeting held not more than 12 months prior to the date of the application, to discuss the proposed MCEP project and receive comments from the affected community residents? *(Describe your efforts to encourage active citizen participation. Provide documentation including copies of newsletters, special mailings, public hearing advertisements and announcements, agendas, minutes, public comment received and responses, newspaper articles, websites, social media outreach, etc. Discuss the level of public participation and comments received – comments in support or opposition of the project and what responses were received.)*
- b. Has the applicant informed local citizens and affected property owners of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project? *(Provide documentation that local citizens and affected property owners have been informed of the estimated cost per household of any anticipated increases in taxes, special assessments, or user charges that would result from the proposed project.)*
- c. Are the local citizens and affected property owners in support of the proposed project? *(Describe and provide documentation that local citizens and affected property owners are in support of the project. Documentation could include copies of public opinion surveys, petitions, letters of support from affected citizens, comments posted via social media or websites, etc.)*
- d. Is there any other pertinent information that might influence the scoring of this statutory priority?

In its narrative response to Statutory Priority #7, each applicant should describe its efforts to assure citizen participation in the selection of the proposed project and document local awareness of, and support for, the proposal.

Applicants must have at least one advertised public hearing or meeting in the area of the project, not more than 12 months prior to the date of the application, to inform and receive comments from local citizens and affected property owners. Public meetings/hearings should provide information regarding the key

components and costs of the proposed project and the amounts of any anticipated increases in user charges or assessments that will result from the proposed project, including the estimated cost per household. Applicants should take active measures to alert local citizens and affected property owners that a public hearing or other informational meeting will occur. Hearings or meetings should be scheduled at times and at locations that are convenient for the average citizen. It is important that the public is adequately informed and has adequate opportunities to comment on the proposed project.

In order to obtain the maximum points possible, applicants should provide adequate documentation to substantiate their citizen participation efforts. Copies of public hearing advertisements, agendas and minutes, along with newspaper articles, public opinion surveys, petitions, special mailings, newsletters, websites, social media outreach, photographs of flyers or signs posted and letters of support should be submitted to demonstrate that the public has been adequately informed about the proposed project as it evolved and has had adequate opportunities to provide comments on the proposed project.

D. SCORING LEVEL DEFINITIONS – Guidance on scoring level definitions will be available by contacting Commerce staff or by checking the Commerce website.

SCORING LEVEL DEFINITIONS AND EXAMPLES FOR THE SEVEN STATUTORY PRIORITIES

Statutory Priority #1 - Projects that solve urgent and serious public health or safety problems, or that enable local governments to meet state or federal health or safety standards.

General Scoring Notes Related to Statutory Priority #1

The score level for Statutory Priority #1 may be reduced depending upon the degree to which:

- the deficiency and the resulting health and safety problems are existing, long-term or continual;
- the problems related to the deficiency affect the entire or substantial portion of the community, or have a high potential to affect the entire or substantial portion of the community;
- there are reasonable, cost-effective, reliable and long-term management practices that would reduce the health and safety risks and no other reasonable alternatives, temporary or otherwise are available;
- the deficiencies and the impact on the public’s health and safety has been documented; and
- the proposed project would solve the public health or safety problems.

If the most serious deficiencies represent only a small component of the overall project, the project as a whole may be scored lower than what would normally be indicated for the more serious deficiencies. The score for multiple deficiencies will generally be weighted, based on the severity of the problem related to that deficiency and the cost to resolve that deficiency, to determine the scoring level. For instance, if a very small percentage of the project cost goes toward solving level “5” deficiencies and a significantly larger percentage of the project cost is for solving level “3” deficiencies, then the project would probably be scored at a level 3 or 4. The scoring of multiple bridges in an application will also be weighted, based on cost, to determine the final scoring level.

An administrative order (or other directive) does not guarantee a particular score. The seriousness of the deficiencies and their impact on the public's health and safety will determine the score awarded.

Projects for new water or wastewater systems may be scored lower if there are not provisions in place to ensure that everyone within the proposed planning area is eventually connected to the system.

While environmental pollution is an important concern, it is primarily considered in terms of the impact that the pollution has on the public's health and safety. Environmental pollution can also be considered in terms of whether the project enables local governments to meet state or federal health or safety standards.

Level 1 The applicant did not sufficiently demonstrate that it has a deficiency in its (*type*) system that could affect the public's health and safety.

- ❑ Typically, this level is assigned when the applicant does not submit the required preliminary engineering information that would allow the MCEP staff to adequately evaluate the needs of the system.
- ❑ This level may also be assigned when the applicant was unable to document a threat to public health and safety. The claimed deficiency may be related to routine operations and maintenance issues.

Level 2 The applicant sufficiently documented deficiencies in the (*type*) system that could potentially affect the public's health and safety 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 likely to be a threat to public health or safety.

- ❑ This level may also be assigned if the applicant has not adequately shown that the deficiencies, which would otherwise be scored at a higher level, would be resolved.

Level 3 The applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) attributable to the deficiencies in the (*type*) system may 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. The applicant has adequately documented the deficiencies and their potential impact on the public's health and safety.

Level 4 The applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) clearly attributable to the deficiencies in the (*type*) system may occur in the near term. These health and safety problems have a high probability of occurrence in the near-term as a result of incidental, short-term or casual contact, or a relatively high probability of occurrence after chronic exposure (exposure over many years) but the consequences of exposure are more serious than a level 3. The applicant adequately documented the deficiencies and their potential impact on the public's health and safety.

Level 5 The applicant sufficiently demonstrated that consequences (such as illness, disease, or injury) clearly attributable to the deficiencies in the (*type*) system have occurred or may be imminent and are highly likely to reoccur. The applicant clearly documented the deficiencies

and their impact on the public's health and safety.

Examples of Deficiencies and How They Might be Scored by Type of Project

Water Projects

Examples of deficiencies that might be scored at a Level 1:

- Improvements to a water system to improve efficiency and/or reduce operation and maintenance costs.
- Replacement of routine equipment or performance of routine maintenance, which should reasonably be a part of a normal maintenance program.

Examples of deficiencies that might be scored at a Level 2:

- A water system that can provide average and maximum day demands exclusive of irrigation, but still experiences water shortages, most likely due to summertime irrigation demands.
- Poor water quality aesthetics such as color or odor.
- A water system that has contaminants such as iron, manganese, sulfate, total dissolved solids that exceed SMCLs as listed in the Safe Drinking Water Act and subsequent amendments.
- Components, such as a pumping station, that have outlived their useful life and could potentially fail.

Examples of deficiencies that might be scored at a Level 3:

- A water system that can meet average day demand, but not maximum day demand, exclusive of irrigation with the largest source out of service and can provide some fire protection.
- Low chlorine residuals as a result of long dead-end mains. It has been sufficiently demonstrated that the low residuals are not the result of inadequate operation and maintenance practices.
- A water system that is grossly inadequate in terms of providing fire protection in areas of lower density housing and commercial areas, and areas not critical to the local economy.
- Improvements, such as replacing leaky water mains to reduce losses, resulting in significant improvement in pressure, water quality, or fire protection.
- Low distribution system pressures, frequent leaks and a reasonable potential for backflow contamination in the long term.
- A safety issue in the treatment plant or at a pumping station that has a reasonable probability of causing serious injury to the operator in the long term.
- A water system with no backup water supply or redundancies in the water system (such as backup intake pump for surface water treatment plant) and a failure of the existing facilities (such as pump or source) would likely result in the total loss of supply or the inability to meet average day demand such that the basic sanitary needs of the community would not be met.

- ❑ An untreated groundwater source with extremely high levels of secondary contaminants such as manganese, iron, or sulfates. The levels must be at least two times greater than the SMCLs.

Examples of deficiencies that might be scored at a Level 4:

- ❑ Frequent detections but has not yet exceeded MCLs for primary standards of acute contaminants listed in the Safe Drinking Water Act and subsequent amendments. Continued use of the contaminated water source has a relatively high probability of resulting in illness in the near term.
- ❑ MCL violations for primary standards of non-acute contaminants listed in the Safe Drinking Water Act and subsequent amendments. Continued use of the contaminated water source has a high probability of resulting in illness in the long term.
- ❑ Deteriorated water mains are located in an area with heavily contaminated soils with a high potential for contaminants to enter the water supply in the near term.
- ❑ Documented deterioration of a significant percentage of the water mains is so gross as to significantly increase the likelihood of contaminant entry into the drinking water system during low or negative system pressures and has demonstrated a high potential of contaminant transport to the deteriorated water mains, such as the presence of highly transmissive overburden and hazardous land use activities.
- ❑ Significant safety issues in the treatment plant or at a pumping station, which have a relatively high probability of causing serious injury to the operator in the near term.

Examples of deficiencies that might be scored at a Level 5:

- ❑ A groundwater source that is documented to be under the influence of surface water or a Surface Water Treatment System where adequate treatment facilities are not currently available or systems that have a Surface Water Treatment Technique violation.
- ❑ Persistent, violations of the Revised Total Coliform Rule. Continued use of the contaminated water or groundwater source has a high probability of resulting in illness. The problem must be documented as a previously unresolved problem that is beyond the direct control of the water supplier.
- ❑ A groundwater source with consistently documented nitrate levels above the MCL. Continued use of the contaminated groundwater source has a high probability of resulting in illness.
- ❑ water sources that cannot meet average day demands, exclusive of irrigation. If a community cannot meet average day demands exclusive of irrigation, it is also assumed that fire protection capacity is grossly inadequate.

A water treatment facility that does not adequately treat water, and therefore, illness or disease is highly probable.

Wastewater Projects

Examples of deficiencies that might be scored at a Level 1:

- ❑ Improvements to a wastewater system to improve efficiency and/or reduce operation and maintenance costs.
- ❑ Replacement of routine equipment or performance of routine maintenance which should reasonably be part of a normal maintenance program.

Examples of deficiencies that might be scored at a Level 2:

- ❑ A wastewater treatment lagoon is on rare occasions unable to meet the requirements of its discharge permit, and the cause of the violations is not attributable to a lack of maintenance.
- ❑ Documented excessive infiltration and/or inflow within its collection system, but has not documented any back-ups, exfiltration to groundwater, or negative effects on treatment plant performance.
- ❑ Sewer mains of inadequate slope or size by current design standards, but that provide adequate service with routine maintenance activities.
- ❑ Proactive improvements to the infrastructure of a public wastewater system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near-term health and safety issues.
- ❑ Lift stations that have outlived their useful life and could potentially fail in the long term and affect the public’s health and safety.
- ❑ Routine discharges of un-disinfected wastewater or inadequately treated wastewater or sludge in a location where opportunities for contact with people is not likely to occur and the public health or safety threat is not significant.
- ❑ A leaking lagoon that could impact the groundwater but would not likely impact the public’s health and safety.

Construction of a wastewater treatment facility or upgrading its existing facility to comply with a current or proposed Total Maximum Daily Load (TMDL) or other water quality standards, unless near-term or imminent public health and safety threats can be documented.

Examples of deficiencies that might be scored at a Level 3:

- ❑ Effluent discharge violations resulting in a State or Federal directive (such as a compliance order) or it is documented that such directives are probable if corrective actions are not taken.
- ❑ Direct discharges to a water body and experiences periodic discharge violations and/or inadequate treatment. There exists some opportunity for the public to come in contact with inadequately treated or inadequately disinfected wastewater. *(The likelihood of people being in the area of the discharge should be documented with photographs, maps, or other supporting evidence in order to provide to the review engineer some insight about the nature of the area in order to determine if the area is likely to be visited by the public or used for recreational purposes.)*

- ❑ Back-ups of wastewater into a relatively small number of basements due to inadequate facilities rather than isolated incidents that are unique, infrequent, or catastrophic events.
- ❑ Lack of a centralized wastewater system. The community has a reasonable potential to contaminate groundwater or surface water, but it is not used for a public or a private water supply source. There are limited locations for replacement drain fields.

Safety issue in the treatment plant or at a pumping station that has a reasonable probability of causing injury to the operator in the long term.

- ❑ Routine discharges of non-disinfected wastewater or inadequately treated wastewater or sludge in a location where opportunities for contact with people is likely to occur. *(The likelihood of people being in the area of the discharge should be documented with photographs, maps, or other supporting evidence in order to provide to the review engineer some insight about the nature of the area in order to determine if the area is likely to be visited by the public or used for recreational purposes.)*
- ❑ Construction of a wastewater treatment facility or upgrading its existing facility to comply with a current or proposed TMDL or other water quality standard, and the receiving water has a high likelihood for frequent usage by numerous persons for activities such as fishing and swimming, or could affect a public water supply source.
- ❑ Failure of a lagoon dike has occurred or there is adequate documentation that failure is imminent with continued use and that the lowering of the lagoon level will not impact the severity of the deficiency. A higher score may be assigned to the extent that public health and safety impacts are documented.

Examples of deficiencies that might be scored at a Level 4:

- ❑ Documented excessive infiltration/inflow in the collection system that not only is likely adversely affecting the wastewater treatment processes, but also is presenting the possible hazard of exfiltration of raw wastewater to groundwater that is used as a drinking water supply for public or private water systems. Groundwater levels in proximity to the collection system must be documented.
- ❑ Failure of a major treatment plant element or process has a high probability of occurring in the near term and the result is that direct exposure of untreated or inadequately treated wastewater has a high potential to affect a large portion of the population directly or through vectors. The failure must have a high potential to result in a significant threat to the health and safety of the public.
- ❑ Documented elevated levels of nitrate above background levels (or other contaminant with potentially acute consequences) in a groundwater supply resulting from a leaking wastewater lagoon. A drinking water supply that has the potential of being contaminated in the short-term due to inadequate wastewater facilities (such as a grossly leaking lagoon or on-site wastewater disposal systems that could significantly degrade groundwater or surface water quality), but contamination has not yet occurred.
- ❑ Frequent back-ups of wastewater into numerous basements have been documented that would likely affect the public's health and safety, due to inadequate facilities, rather than isolated incidents, that are unique, infrequent, or catastrophic events. Documentation of backups must be provided.

- ❑ Lift stations that are likely to fail in the near-term and affect the public's health and safety. Past failures have resulted in several sewer back-ups. Failures must be due to inadequate facilities rather than catastrophic events.
- ❑ A community that lacks a centralized wastewater system and is currently contaminating groundwater or surface water that is not used for a public water supply source; there are no appropriate locations for replacement drain fields; and the contaminated groundwater has been documented.

Examples of deficiencies that might be scored at a Level 5:

- ❑ Failure of a major treatment plant element or process has occurred, or is imminent, and the result is that direct exposure of untreated or inadequately treated wastewater has occurred or will occur and has a high potential to expose a large portion of the population directly or through vectors. The failure must have a high potential to result in a significant threat to the health and safety of the public. There are no backup systems.
- ❑ Acute contamination of a public drinking water supply by a centralized wastewater system has occurred or is imminent, and the contaminant has a high potential to cause immediate illness or disease.
- ❑ A community lacks a centralized wastewater system and is currently, or has a high potential of, acutely contaminating water supply sources for the community. The documented contamination must have a high potential to cause immediate illness or disease. There are no appropriate locations for replacement drain fields.
- ❑ Cases of severe and frequent back-ups of wastewater into numerous basements have been documented that would likely affect public health and safety due to inadequate facilities rather than isolated incidents that are unique, infrequent, or catastrophic events.

Storm Water Projects

Examples of deficiencies that might be scored at a Level 1:

- ❑ When flooding represents only an occasional nuisance to the community (such as periodic ponding of water due to storm events that impedes traffic).
- ❑ Flooding is isolated to parking lots where alternate sites can be temporarily employed.

Examples of deficiencies that might be scored at a Level 2:

- ❑ A community that has a combined sewer system resulting in minimal impacts to public health and safety.
- ❑ A community with poor drainage facilities resulting in potential localized safety hazards due to documented continuous ponding of water (such as nuisance ponding, mosquitoes, or delay of emergency vehicles).

- ❑ A community that is making proactive improvements to the infrastructure of a public storm water system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near-term health and safety issues.

Examples of deficiencies that might be scored at a Level 3:

- ❑ A community that has a combined sewer system resulting in potential long-term impacts to public health and safety.
- ❑ A community with poor drainage facilities resulting in potential community wide safety hazards due to documented continuous ponding of water (such as nuisance ponding, mosquitoes, or delay of emergency vehicles).

Examples of deficiencies that might be scored at a Level 4:

- ❑ A community that has a combined sewer system resulting in near term impacts to public health and safety.
- ❑ A community that experiences failures of on-site wastewater treatment and disposal systems and failures of water supply wells due to surface water flooding or rising groundwater as a result of a storm event and the failures are on-going and are likely to occur again.
- ❑ A community where storm water runoff creates significant community-wide safety hazards in areas of high density residential, schools, daycare facilities or other areas where ponding water could be considered an attractive nuisance.
- ❑ A community that experiences documented and significant regular flooding during a common (such as a two-year, one-hour) storm event. The flooding must have a high potential to result in a significant threat to the health and safety of the public in the near term.
- ❑ A community that is separated by physical barriers, such as a river or railroad tracks, with limited crossings that are prone to severe and repeated flooding, resulting in significant delays for emergency vehicles.

Examples of deficiencies that might be scored at a Level 5:

- ❑ A community that experiences significant regular flooding during a common (such as a two-year, one-hour) storm event. The flooding must have a high potential to result in a significant and imminent threat to the health and safety of the public.
- ❑ Complete failure of a storm water system (such as a breach of a detention basin) that exposes the public to significant flooding. The flooding must have a high potential to result in a significant and imminent threat to the health and safety of the public.

Solid Waste Projects

Examples of deficiencies that might be scored at a Level 1:

- ❑ A solid waste facility has an odor problem that affects local residents. The facility proposes to install a gas extraction system to reduce odors.
- ❑ A solid waste facility with a wind-blown litter problem. Facility improvements are needed to reduce the litter problems and all reasonable management techniques have been tried.

Examples of deficiencies that might be scored at a Level 2:

- ❑ A solid waste handling facility (transfer station or container site) that uses equipment or technology that is not the standard of the industry.
- ❑ A transfer station or container site that needs to make improvements to improve the safety of a site, so that the likelihood of injury is reduced.
- ❑ A community that is making proactive improvements to the infrastructure of a public solid waste system that helps it remain in compliance with current regulatory requirements, ensures compliance with future requirements, or prevents future violations of any applicable state or federal law or regulation. A higher score for proactive improvements could be realized if the improvements address imminent or near-term health and safety issues.
- ❑ A solid waste system under court order or a State or Federal directive to make improvements, where the deficiencies may not be directly related to significant human health threats.

Examples of deficiencies that might be scored at a Level 3:

- ❑ A community that is making improvements to its facility to reduce the possibility of contamination of public drinking water sources or surface water that is used for recreational purposes. For example, closure of unlined landfill areas, improved surface water controls, gas extraction systems, lining systems, etc.
- ❑ A solid waste facility that has a moderate probability for injury in the long term without safety upgrades.
- ❑ A solid waste system under court order or a State or Federal directive to make improvements, where the deficiencies are directly related to human health threats.

Examples of deficiencies that might be scored at a Level 4:

- ❑ A solid waste facility has contaminated the local groundwater and a community's drinking water supply has a high probability of being contaminated due to inadequate solid waste facilities (such as leaking landfill), but contamination of drinking water has not yet occurred. The contaminant must have a high probability to cause immediate illness or disease in the near term. Remediation efforts including closure, groundwater treatment, drainage improvements, etc. may be included.
- ❑ A solid waste facility that has a high probability for injury in the near term without safety upgrades.

Examples of deficiencies that might be scored at a Level 5:

- ❑ Contamination of drinking water supply by a solid waste system has occurred, and where the contaminant has the potential to cause immediate illness or disease.
- ❑ Landfill gas migration is occurring resulting in documented gas accumulation in surrounding structures and there is a relatively high potential for explosive concentrations of gas to occur.

Bridge Projects

General Scoring Notes Specifically Related to S.P. #1 for Bridge Projects

Scores for statutory priority #1 for bridges are initially based on the MCEP/NBI scoring matrix. However, the score level for Statutory Priority #1 may be reduced or increased based on factors including, but not limited to, usage and detour length. Some of the factors that will be taken into account include the following:

- The number and type of vehicles that regularly cross the bridge,
- The number of homes that are accessed by crossing the bridge,
- Whether the users are year-round residents as compared to seasonal users,
- Whether the bridge provides access that is considered to be critical,
- Safety considerations.
- Structurally deficient or functionally obsolete status,
- Load Posting,
- Relative comparison to other bridge applicants.

Scores may be reduced if the applicant has not adequately documented the deficiency and impact on the public's safety using bridge inspection data meeting the format and criteria outlined in the National Bridge Inspection (NBI) Coding Guide. Scores may be reduced if bridge inspections are performed by individuals that do not meet the criteria outlined in 23 CFR 650, subpart C.

In a limited number of situations, the scores for bridges may be based on criteria other than the NBI rankings.

Examples of deficiencies that would typically be scored at a Level 1:

- ❑ The failure to provide NBI inspection data from MDT, or a qualified professional engineer, or a certified bridge inspector, will result in a level 1 score for a bridge.

Examples of deficiencies that would typically be scored at a Level 2:

- ❑ NBI Sufficiency Rating (S.R.): S.R. greater than 50%, but less than or equal to 80% and
 - 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of “5” or
 - 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of “6” or “7”.
- ❑ A new bridge, or if a bridge is proposed to replace a culvert, where none previously existed, could receive a Level 2 score if the public safety could be adversely affected if the bridge were not built.

Examples of deficiencies that would typically be scored at a Level 3:

- ❑ NBI Sufficiency Rating (S.R.): S.R. greater than 50%, but less than or equal to 80% and
 - 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of “4” or
 - 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of “4” or “5”.
- ❑ If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 3 score could be given if there is a high probability of significant risk in the long term to public safety as a result of the bridge closure or the condition of the culvert. A new bridge, where none previously existed, could receive a Level 3 score if a high probability of significant risk in the long term to public safety could be shown if the bridge was not built.

Examples of deficiencies that would typically be scored at a Level 4:

- ❑ NBI Sufficiency Rating (S.R.): S.R. less than or equal to 50% and
 - 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of “3” or
 - 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of “3” or “4”.
- ❑ If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 4 score could be given if there is a high probability of significant risk in the short term to public safety as a result of the bridge closure or the condition of the culvert. A new bridge, where none previously existed, could receive a Level 4 score if a high probability of significant risk in the short term to public safety could be shown if the bridge was not built.

Examples of deficiencies that would typically be scored at a Level 5:

- ❑ NBI Sufficiency Rating (S.R.): S.R. less than or equal to 50% and

- 1) NBI Bridge Appraisal (Structural Evaluation) Rating: the appraisal item for the overall structure must receive a minimum score of “2” or less, or
 - 2) NBI Bridge Element Condition Rating: one of the condition ratings for the bridge deck, superstructure, or substructure must receive a minimum score of “2” or less.
- ☐ If the bridge has failed or washed out, or if a bridge is proposed to replace a culvert, such that there are no applicable NBI ratings, then a Level 5 score could be given if there is currently a significant risk to public safety as a result of the bridge closure or the condition of the culvert.

General Scoring Note Specifically Related to S.P. #5 for Bridge Projects

A higher score may be recommended if the applicant’s matching dollars are at least 150% of the MCEP grant requested.

The following information applies to all project types.

Statutory Priority #2 – Projects that reflect greater need for financial assistance than other projects.

This priority will be scored by assessing the following factors and compared to other applicants.

- Millage assessed in comparison to median household income
- Target rates compared to user rates at end of project
- Applicant revenues in comparison to number of households
- Poverty

Applicant information analyzed will be collected from the U.S. Census Bureau, Montana Department of Revenue and provided by the applicant in the Uniform Application.

Applicants that have an extremely high target rate and significant increase to user rates from the project, without assistance from a MCEP grant, *may* receive an increased score.

Statutory Priority #3 - Projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs.

General Scoring Notes Related to Statutory Priority #3

Examples where the score level for Statutory Priority #3 will likely be reduced include, but are not limited to, the following situations:

- ☐ If documentation is not provided or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the PER or application, documentation is required.
- ☐ If the PER does not clearly define what will take place in the project phase for which funds are currently being requested.

- ❑ If the PER ignores a more serious problem than the chosen alternative would solve or if the deficiencies to be addressed through the proposed project are not identified with the most serious public health and safety problems.
- ❑ If the PER does not contain information that is required by the latest edition of the Uniform Application and the missing information is deemed to be critical to evaluating the PER and the ranking process.

At the discretion of Commerce, issues not adequately addressed in the PER may be weighted depending on the cost of that project component compared to the total cost of the project, and how important the component is to the overall project. For instance, if the issue that was not adequately addressed relates to a minor deficiency and represents only a small portion of the cost, the score would not likely be impacted as much as if the issue relates to a serious deficiency or represents a significant portion of the cost.

Statutory Priority #3 uses only four levels to score the technical aspects of the application. As a result, points for Statutory Priority #3 are awarded using a quartile system.

- Level 1 The applicant did not demonstrate that it has proposed an appropriate, cost-effective technical design that will provide a thorough, long-term solution to its public facility needs. The application did not provide sufficient information to properly review the proposed project. Either the preliminary engineering report was not submitted with the application, or if it was submitted, did not address numerous critical issues needed to evaluate the project proposed by the applicant.

- Level 2 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. The preliminary engineering report was incomplete and there were some potentially important issues that were not adequately addressed. These issues raised serious questions regarding the appropriateness of the solution selected by the applicant.
 - ❑ This level may also be assigned if the PER was grossly incomplete, failing to reasonably address the report components presented by the Preliminary Engineering Report Outline in the Uniform Application, even though the solution may be reasonable and appropriate.

- Level 3 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 was 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.

- Level 4 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 was 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.

Statutory Priority #4 - Projects that reflect substantial past efforts to ensure sound, effective long-term fiscal and land use planning and management of public facilities and that attempt to resolve the infrastructure problem with local resources.

General Scoring Notes Related to Statutory Priority #4

The score level for Statutory Priority #4 may be reduced under the following situations:

- ❑ Documentation is not provided or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation is required. Adequate documentation does not require that entire plans be submitted. Instead, include the cover page, table of contents, and all relevant pages relating to the system or project; whenever possible, include a link to the applicable plan or reference online. However, for a comprehensive capital improvement plan (CIP), include the entire CIP if you are in doubt about what to submit. Documentation should also include whether a plan has been adopted and to what extent the public was involved in the development and adoption. A completed signature page that shows that it was adopted, or an official resolution showing the adoption of the plan should also be included. In order to document that a plan has been updated, provide the cover page from the previous plan and the signature page or resolution adopting the plan. Do not include all of the pages of an older document that has been replaced with a revised plan. Insufficient detail. Rather than simply stating what is current, provide a history. Include in the history when the document or plan was first adopted and the years when changes or revisions occurred. For example, provide a history of rate changes. Or if the city or town has a CIP, state when the plan was first created and the years that it was updated.
- ❑ If the applicant does not have a metered water system and meters are not proposed as part of the project. The applicant must adequately demonstrate that meters would not be appropriate.
- ❑ If it appears that the applicant has not tried to solve problems on its own and has allowed the system to deteriorate to the point that the condition of the system has become a serious problem. Applicants that have not maintained adequate reserves for repair and replacement, completed engineering studies of the system, taken appropriate actions such as adopting a source water protection plan, or made reasonable improvements to the system over time in order to prolong the usefulness of the system, may be scored down one or more scoring levels.
- ❑ If an applicant has not finished work on a construction grant from two or more cycles ago.
- ❑ If the applicant does not demonstrate sufficient long-term comprehensive planning and use of current planning documents or efforts.

Unincorporated communities adjacent to a city, town or district that have not considered annexation to that city, town or district may have their score reduced. This pertains primarily to a community that is considering hooking up to an existing water or wastewater system.

Lack of, or insufficient CIP or other comprehensive planning documents may reduce the score. In order to receive full credit, the planning documents or CIP must be comprehensive, adopted, updated on a regular basis, and actively utilized as a budgeting tool. Comprehensive means that the CIP address all of

the infrastructure owned by the local government and directly correlates with an adopted, updated and comprehensive growth policy (where applicable) and any related land use plans or regulations (such as zoning code or subdivisions regulations). For example, a county that submits an application for a bridge project would need to provide a CIP that addresses not only its bridge system, but also all other county facilities including roads, public buildings and utilities such as water and wastewater. For county water and sewer districts, the PER will be allowed to count as a CIP as long as the PER adequately analyzes the problems of all of the components of the system and either resolves them all in the proposed project or provides a CIP approach for addressing the remaining problems.

Level 1 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.

- This level will be assigned if the current condition of the system is attributable to grossly inadequate operation and maintenance budgets and poor maintenance practices, and as a result, has not reasonably maintained the system in proper working condition.
- The applicant has not adequately taken advantage of other measures that could have improved the situation of the system.
- The applicant provides no documentation or discussion of planning efforts and has no growth policy, CIP or other planning documents adopted to prioritize needs.
- The applicant will score lower if there is an aging open MCEP grant.
- The application did not show any history of planning efforts.

Level 2 The applicant inadequately demonstrated that it has made reasonable efforts in the past to ensure sound, effective long-term planning and management of public facilities, and attempted to resolve its infrastructure problems with local resources.

- This level will be assigned if the applicant recently formed as a county water and sewer district to take over the operation of an existing private centralized wastewater system or to replace individual septic tanks in subdivisions with a centralized wastewater system.
- This level will be assigned if the applicant appears to have had operation and maintenance budgets and practices that appear to have contributed to the deficiencies that will be resolved by the proposed project. In addition, the applicant has not reasonably demonstrated that it has made adequate changes to preclude these practices from continuing.
- The applicant provided documentation or discussion of planning efforts, but has no growth policy, CIP or other planning documents adopted to prioritize needs.
- The applicant will score lower if there is an aging open MCEP grant.
- The application had minimal history of planning efforts documented.
- The entity lacks other adopted planning documents such as subdivision regulations or zoning.

Level 3 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.

- ❑ This level will be assigned if the applicant recently formed as a county water and sewer district to take over the operation of system operated by a county through an RSID. Replacing individual septic tanks in older, established communities with a centralized wastewater system will also be scored at this level.
- ❑ This level will be assigned if the applicant appears to have had a history of operation and maintenance budgets and practices that do not appear to be adequate but has clearly demonstrated that it has made adequate changes more recently to preclude these practices from reoccurring.
- ❑ The applicant provided documentation or discussion of planning efforts, but growth policy or CIP have not been recently updated or project does not align with goals of those documents.
- ❑ The applicant will score lower if there is an aging open MCEP grant.
- ❑ The application had moderate history of planning efforts documented.

Level 4

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

- ❑ This level will be assigned when the applicant has reasonable operation and maintenance budgets and practices and has demonstrated that it takes a proactive approach to solving its infrastructure problems. The applicant has an adopted CIP that has been utilized at least four years, and has been updated at least once since its adoption, preferably within two years of the date the application is made. The applicant has adequately demonstrated that it has been actively using the CIP as a budgeting tool.
- ❑ Does not meet all of the requirements related to a CIP normally required to be scored at this level, but the applicant has otherwise demonstrated exemplary efforts to create and utilize a CIP, other documents or planning efforts that intend to lead to/inform the future development/update of a CIP.
- ❑ The applicant provided documentation of planning efforts, have a current adopted growth policy and current CIP and the project aligns with goals of those documents.
- ❑ The applicant will score lower if there is an aging open MCEP grant.
- ❑ The application had history of and recent planning efforts well documented.

Level 5

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.

- ❑ This level will be assigned when the applicant has reasonable operation and maintenance budgets and practices and has demonstrated that it takes a proactive approach to solving its infrastructure problems.
- ❑ The applicant has adopted a comprehensive CIP that has been utilized for more than five years and has been updated at a minimum every other year.
- ❑ The applicant has adequately demonstrated that it has been actively using the CIP as a budgeting tool.
- ❑ The applicant provided documentation of planning efforts and have an adopted growth policy.
- ❑ The applicant does not have an aging open MCEP grant.
- ❑ The application had history of and recent planning efforts that are well documented.

- ❑ The applicant utilizes other forms of the planning tools available (which may include documentation of public support related to the project), including but not limited to a growth policy updated a minimum of every five (5) years, other local or regional planning documents updated periodically, or land use regulations such as zoning that adequately address the infrastructure needs of the population in question. If applicable, these planning tools have been in place for many years, and the proposed project promotes the goals and objectives of those plans and/or regulations. Districts should submit planning tools used by the county in which the District is located, and that directly impact the District.

Statutory Priority #5 - Projects that enable local governments to obtain funds from sources other than MCEP.

General Scoring Notes Related to Statutory Priority #5

The score level for Statutory Priority #5 may be reduced under the following situations:

- ❑ If documentation is not provided or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation is required.
- ❑ If the applicant did not submit the required financial or rate information to adequately evaluate the funding package. An incomplete or incorrect Section E and System Information Worksheet of the Uniform Application and/or various user rates presented between the Uniform Application, in the PER, and/or Statutory Priority would be considered inadequate financial information.
- ❑ If an RSID/county operated system has not yet been legally formed as a county water and sewer district.
- ❑ If the local government will be required to have a bond election or create a SID/RID, and it has not yet taken place. Due to the uncertainty of being able to pass a bond election or create a SID/RID, the score level will be less likely to be reduced if the local government can strongly demonstrate that it will likely be able to pass the bond election or create the SID/RID. Simply showing strong support for the creation of a district does not satisfy this requirement.
- ❑ If the applicant is intending to use an SRF loan and is not listed on the SRF Priority List.
- ❑ If an applicant that is intending to obtain other loan or grant funds and has not provided documentation that the grant has been obtained or has a strong likelihood of being obtained. Having secured the grant in advance of applying to MCEP will ensure the maximum number of points possible.
- ❑ If an applicant is intending to obtain a CDBG grant and there does not appear to be a high probability that the grant would be awarded.
- ❑ If an applicant intends on obtaining grant or loan funds that will not become available or secured in a reasonable timeframe.

- ❑ If grant amounts appear to be unreasonable. The applicant should provide documentation that the amount requested is within the limitations of the program and has a reasonable probability of being awarded.
- ❑ If the applicant has not adequately demonstrated that the project can proceed forward if a particular grant is not obtained. In order to receive the maximum number of points possible, the applicant must provide a reasonable alternate funding scenario that would ensure that the project can proceed in the event a particular grant is not received. If the alternative funding scenario requires an increase in the loan amount, applicants must also demonstrate that residents would still support the project if the alternative funding scenario must be used.

An applicant will not be scored down if it chooses not to include a particular source of funding as part of the financial package, as long as it is adequately discussed and there is reasonable justification for not pursuing the grant or loan. All potential state and federal funding programs must be discussed.

Level 1 The applicant did not demonstrate that the project would enable the local government to obtain funds from sources other than MCEP. 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.

- ❑ This level will be assigned when the applicant does not submit the required financial information that would allow the MCEP staff to adequately evaluate the funding package.
- ❑ This level is also assigned if the funding package does not appear to be viable and it is unclear how the project could move forward.

Level 2 The applicant inadequately demonstrated that the project would enable the local government to obtain funds from sources other than MCEP. 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.

- ❑ This level will be assigned when the applicant’s efforts to examine appropriate funding sources were grossly inadequate, and/or the funding package for the proposed project appears to have numerous potential problems that could affect its viability.

Level 3 The applicant sufficiently demonstrated that the project would enable the local government to obtain funds from sources other than MCEP. 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.

- ❑ This level will be assigned when the applicant appears to have a potentially viable funding package but has not thoroughly examined all of the appropriate funding sources.

Level 4 The applicant strongly demonstrated that the project would enable the local government to obtain funds from sources other than MCEP. 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.

- ❑ This level will be assigned when the applicant has documented that it has thoroughly examined all of the appropriate funding sources and appears to have a viable funding package.
- ❑ This level may be assigned when the applicant can document eligibility or a potential funding opportunity from a proposed source.

Level 5 The applicant conclusively demonstrated that the project would enable the local government to obtain funds from sources other than MCEP. 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 MCEP funds is critical to keeping the project moving forward.

- ❑ This level will be assigned when the applicant has documented that it has thoroughly examined all of the appropriate funding sources, appears to have a potentially viable funding package, **and** it appears that the MCEP funds are **critical** to the proposed project being able to move forward. MCEP funding might be considered critical to the project if there are no other reasonable grants or sources of funds available to help finance the project. For water, wastewater, and solid waste projects, loans would be considered a reasonable alternative if the projected user rates *without MCEP funds* would still be less than 150% of the target rate. *For bridge projects, MCEP funding would not be considered critical unless the applicant's matching dollars are at least 150% of the MCEP grant requested.*

Statutory Priority #6 - Projects that provide long-term, full-time job opportunities for Montanans, or that provide public facilities necessary for the expansion of a business that has a high potential for financial success, or that maintain or that encourage expansion of the tax base.

General Scoring Notes Related to Statutory Priority #6

This priority is scored with three scoring levels only. The score level for Statutory Priority #6 may be reduced under the following situations:

- ❑ If the applicant has not adequately demonstrated that the creation of specific jobs or business expansion is dependent upon the proposed improvements. There must be a reasonably direct link. If the increase in jobs or business expansion could or will occur without the proposed improvements,

there would be no direct connection between the MCEP project and the job creation or business expansion.

- ❑ If the applicant has not provided reasonable documentation demonstrating the intent of a particular business to expand or increase the number of jobs. Business plans, letters of intent, and documented testimony are ways to document intent.
- ❑ If documentation is not provided or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation must be provided.

Level 1 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 primarily residential and does not provide infrastructure for expanding job opportunities or business development. The proposed improvements should maintain and possibly increase the taxable valuation of the project area.

- ❑ This level will be assigned when residential and business areas are indirectly affected and there is no reasonable potential for economic development other than home-based businesses that do not require the improvements to be made in order to continue to operate or to start-up. Applicants must clearly demonstrate the necessity for the improvements. These situations will be scored at one of the higher levels based on the specifics of the situation. In order for a rural, residential subdivision to be scored higher than a level “1”, the applicant must demonstrate that commercial development is a permitted use within the subdivision and that there are vacant lots available that are intended to be developed for commercial uses and opportunity.

Level 2 The applicant adequately demonstrated that the proposed project is necessary for an economic development project(s) and would increase business and job opportunities. The applicant cited a specific business that would be dependent on the proposed improvements being made and provided reasonable documentation showing that the business owner intends to proceed with the business expansion. If it occurs, the business expansion would likely provide specific long-term, full-time job opportunities for Montanans, other than those related to the construction or operation of the (*type*) system. The proposed project would likely add to the tax base if the business expansion occurred.

- ❑ This level will be assigned when a specific business expansion is dependent on the proposed project, and there is reasonable documentation from the business owner demonstrating the intent of the business owner to proceed. The applicant must clearly demonstrate that the expansion could not occur without the proposed project (for example, there is insufficient capacity to add the new business.)

Level 3 The applicant conclusively demonstrated that the proposed project(s) is necessary for a specific economic development project(s) to proceed. The proposed project(s) is necessary to provide the infrastructure necessary for business(s) that have a high potential for financial success and that would provide long-term, full-time job opportunities for Montanans. The applicant may have provided business plans describing the expansion of a business(es) and provided documentation supporting the probable creation or retention of long-term, full-

time jobs. The proposed project would add to the tax base.

- ❑ This level will be assigned when the project would directly result in business expansion that creates numerous new jobs, provides detailed information from the business owner that expansion will occur and without the proposed project(s) continued business success may decline. The business expansion must be clearly dependent upon the proposed project. The viability of the business proposal has been clearly demonstrated by the submittal of a complete business plan. The applicant must clearly demonstrate that the expansion could not occur without the proposed project (for example, the system is shown to be currently overloaded by existing users or there is a general moratorium on new connections).

Statutory Priority #7 - Projects that are high local priorities and have strong community support.

General Scoring Notes Related to Statutory Priority #7

The score level for Statutory Priority #7 may be reduced under the following situations:

- ❑ If documentation is not provided or is considered to be inadequate. In order for an applicant to receive full credit for statements made in the application, documentation is required. Documentation of meetings should include at a minimum, advertisements, agenda, sign-in sheets, handouts, and minutes. Documentation of the advertisement of a meeting should include the actual advertisement from the paper or the affidavit of publication. Sign-in sheets should reflect attendance of everyone in the audience. Agenda and minutes should record, in adequate detail, the information presented at a meeting. Newspaper articles, webpage printouts, or social media screen shots or any other supporting documents that adequately report the information presented at a meeting provide good documentation that the entire community had a reasonable opportunity to learn about the project.
- ❑ If documentation, meeting minutes, resolutions, etc., are in draft form and not signed by local officials.
- ❑ If the applicant did not adequately demonstrate that at least one hearing was held, the hearing was adequately noticed, or that people were adequately informed about the cost of the project and the impact on user's rates. To be counted as an opportunity to learn about and comment on the proposed project, the hearing or meeting held must be adequately advertised and be specifically about the proposed project.
- ❑ If the applicant did not adequately demonstrate that residential users are in support of the project. Support for the project can be demonstrated by numerous letters from the general public, petitions signed by area residents, or minutes from a public meeting clearly demonstrating that a large number of residents are in support of the proposed project. In order to receive maximum credit, applicants must show that residents are in support of the project under the various funding scenarios, and not just in support of applying for grants or that they are in support of the project, if they can obtain all of the grants that are proposed. If petitions signed by area residents are used to demonstrate support, the petition must provide adequate information at the top of each sheet that briefly summarizes the project, its total cost, and the impact on residential user rates. The applicant should discuss the participation level of the community and document the types of comments that were received, and the responses that were provided.

- ❑ Needs assessment and bridge inventory meetings will not count as an opportunity to learn about and comment on the proposed project unless the meeting advertisement specifically discusses the proposed project and during the meeting they specifically focus on what they are applying for, what they plan to do, and what it will cost.
- ❑ News articles may count as another opportunity to learn about and comment on the proposed project if there is adequate information about the proposed project and projected user rates and who to contact for more information.
- ❑ Internet web sites or social media feeds may count as another opportunity to learn about and comment on the proposed project if there is adequate information about the proposed project and projected user rates and who to contact for more information, and people have been adequately informed about its existence and how to access the web site.

Level 1 The applicant did not demonstrate that the proposed project is a priority or has the support of the community. The applicant's efforts to inform the public about the project were grossly inadequate.

- ❑ This level will be assigned when an applicant has not documented that it held a public meeting within the 12 months prior to submitting the application or taken other actions to adequately inform the public about the project.
- ❑ This level will be assigned if it appears that there is no evidence of public support for the project. This may be demonstrated by a high percent of the applicant's constituency being against the project, or when the public has clearly stated that the proposed user rates would not be acceptable. This may also be demonstrated if no documentation of public awareness or support is provided.

Level 2 The applicant did not adequately demonstrate 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 (or the public was reasonably informed about the proposed project in a timely manner), but did not inform the community about the cost of the project and the impact on user rates (or for bridge projects, the impact on closure and/or reduced load limits for the community).

- ❑ This level will be assigned when applicants held a meeting about the proposed project but did not adequately document that it informed the public about the estimated costs of the proposed project and the impact per household (or for bridge projects, the impact on closure and/or reduced load limits for the community).
- ❑ This level will be assigned if the public meeting was inadequately advertised in order to ensure that residents would have a reasonable opportunity to be in attendance at the public meeting.
- ❑ This level will be assigned when a public meeting is not held, but the applicant has adequately demonstrated that the public has been reasonably informed about the proposed project.
- ❑ This level will be assigned if it appears that there is limited public support for the project; numerous people are against the project and could potentially cause the project to not move forward.

- Level 3 The applicant adequately 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 adequately informed the public about the proposed project in a timely manner, its cost and the impact per household, and has elicited public comment including information about the impact per household (or for bridge projects, the impact per community).
- ❑ This level will be assigned when an applicant has documented that it held at least one adequately noticed public meeting to inform the public about the proposed project and its estimated impact to user rates per household and solicited comments from the public. The applicant has also discussed and evidenced the level of local participation and if the project is positive or negatively received in the impacted community.
 - ❑ This level will be the highest assigned when the applicant has provided documentation that adequate public participation to review or comment on the proposed project.
- Level 4 The applicant strongly demonstrated that the proposed project has strong user or rate-payer support and is a high priority. The applicant documented that it held at least one public hearing or meeting, in addition to other form(s) of outreach and 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 has community support and received comments for the proposed project.
- ❑ This level will be assigned only if the applicant provided opportunity(ies) to learn about and comment on the proposed project.
 - ❑ This level will be assigned only if the applicant has adequately demonstrated that: residential users are in support of the project and if comment is received, responses to and further explanation has been provided to the public
- Level 5 The applicant conclusively demonstrated that the proposed project has strong community support, user or rate payer support and is a high priority for the community. The applicant documented that it held more than one public hearing or meeting, in addition to other form(s) of outreach, 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 strongly supported by the public.
- ❑ This level will be assigned only if the public has been given multiple opportunities to learn about and comment on the proposed project. *Refer to possible types of opportunities (page 47).*
 - ❑ This level will be assigned only if the applicant has conclusively demonstrated response to comments have been provided, and documented support for the project. Residential users must be clearly and strongly in support of the project.

APPENDIX C

Uniform Application Information

Section 1. MCEP-Specific Information Required for Completing the Uniform Application Form

Each applicant must provide a completed copy of the *Uniform Application Form for Montana Public Facility Projects, Thirteenth Edition* in the MCEP project application. It is important to carefully complete the application, and in particular the financial information section, since the information provided in the form will be used to score the MCEP application on MCEP statutory priorities #2 (Financial Need) and #5 (Obtains Funds from Other Sources). This information will also be used in the financial analysis to rank each applicant.

Completion of Section C - 2. Proposed non-MCEP Funding Sources

MCEP applicants must provide sources of proposed matching funds when applying. The applicant should describe the availability or commitment of all other resources that are to be used to fund the proposed MCEP project. Applicants requesting a MCEP grant need to document that the proposed funding for the project is viable and can be assembled in a reasonable amount of time. The degree to which non-MCEP resources are committed to the project may affect the number of points received in the scoring of the proposed project. The applicant should attempt to obtain and provide documentation from a non-MCEP funding source where the applicant is eligible and from which they are likely to receive funding.

The amount of MCEP assistance recommended may differ from that originally requested by the applicant based on the review of the application by Commerce. Commerce will not recommend MCEP funding for projects that it determines to be financially or technically infeasible.

Completion of Section C - 4. Project Budget Form

Generally, a maximum of 10% of a MCEP grant may be used for administrative costs. However, administrative costs typically average five to seven percent of the total cost of the project. Some administrative expenses are essentially fixed and are not proportionate to the total cost of a project. Communities considering relatively small requests (under \$100,000) may find that the 10% allowed may not provide a sufficient budget to cover all administrative costs. A community considering a relatively small grant request should consider whether the proposed project would result in questionably high administrative costs relative to the actual project cost. In these circumstances, applicants are encouraged to contact the MCEP staff to discuss their proposed project prior to submittal of the application to determine the appropriate administrative cost and percentage.

Costs that have been incurred prior to the effective date of a MCEP award (such as fees for preparing an application, community surveys or needs assessments, engineering, are generally not eligible for reimbursement. MCEP authorizing statute was modified during the 2021 Legislative session to allow for construction to begin after the application submission date, but before award, please refer to 90-6-710 MCA. Reasonable expenses associated with attending MCEP project administration training may be eligible for reimbursement, even if incurred prior to the effective date of a contract.

Completion of Section E - System Information

Bridge applicants should not complete **Section E - System Information** on the form provided in the *Uniform Application Form for Montana Public Facility Projects, Thirteenth Edition*. Instead, bridge applicants should complete the following form, and insert this page into the *Uniform Application Form for Montana Public Facility Projects, Thirteenth Edition* in place of the existing Section E - System Information.

System Information Required for Bridge Applications Only

_____ State the number of bridges under 20 feet that the county is responsible for maintaining (do not include culverts, or bridges that MDT maintains on the federal-aid routes). Attach a list of the bridges or reference the page number where it can be found if included someplace else in the application.

_____ State the number of bridges over 20 feet that the county is responsible for maintaining (do not include bridges that MDT maintains on the federal-aid routes). Attach a list of the bridges or reference the page number where it can be found if included someplace else in the application.

_____ State the amount of dollars obtained annually from any pools of funds maintained by the county that by law could be used to supplement the bridge budget (for example, the amount of dollars budgeted annually that are taken from a reserve created from forest payments). List the amount for each source.

Section 2. Bridges - Preliminary Engineering Report

The Preliminary Engineering Report (PER) outline found in the *Uniform Application for Montana Public Facility Projects, Thirteenth Edition* does not address the technical analysis that is required for bridge projects. Applicants submitting a MCEP application for a bridge project must provide the information listed in the PER outline for bridges. A professional engineer licensed to practice in Montana must prepare the PER.

The engineer should provide thorough documentation wherever possible, using technical supporting information (reports, studies, lab analysis, photographs, etc.).

Please refer to the Commerce website for a copy of the Preliminary Engineering Report Outline for Bridge Projects or contact Commerce staff for assistance.

Section 2. MCEP-Specific Information Required for Completing the Uniform Preliminary Engineering Report

The applicant must provide a copy of a Preliminary Engineering Report (PER) in, or attached to, the MCEP application. The report must be sufficiently detailed to describe the scope of the problem to be addressed as well as the components and estimated costs of the proposed improvements or facility. In the evaluation of the condition of the existing system, and subsequently in the description of alternatives considered to

resolve the identified problems, the report should list and prioritize all of the problems associated with the condition of the system. See the *Uniform Application for Montana Public Facility Projects, Thirteenth Edition* for an outline of the information required in the PER. A separate PER outline for bridges is available from the Commerce website or by contacting MCEP staff.

Statutory Priorities #1 and #3 will be scored based upon the information contained in the applicant's PER. Applicants are only required to narratively address those priorities if they are providing additional information that they believe has an impact on how the priorities will be scored. Portions of the PER may be incorporated or referenced in the responses to Statutory Priorities. If the information required in the PER is not provided, and therefore, the report is deficient, it could result in the application not receiving as many points, and subsequently being ranked lower and possibly not funded.

Applicants with water or wastewater projects: For applicants proposing new systems, discuss what percentage of residents will be connected immediately and if provisions will be in place to ensure that everyone is eventually connected.

Copies of the most recent sanitary surveys, or compliance or O&M inspection reports, from DEQ are to be included as an appendix to the PER, as applicable to the project.

Environmental Requirements

Environmental process documentation is no longer required to be submitted with application materials. These requirements changed in the 2023 Legislative session with passage of House Bill 795 (HB795). However, any permits issued by another state agency (DEQ, FWP, etc.) while completing their environmental processes must be submitted to Commerce when issued as the project proceeds into construction activities.

Projects in Floodplains

If an applicant proposes a project that is located in the floodplain, the local government must consider alternatives to avoid adverse effects and incompatible involvement in the floodplains. If construction in a floodplain is the only practical alternative, the local government must design or modify the project in order to minimize any potential adverse impact on the floodplain, or potential adverse effects on human health or safety. In particular, applications for projects that would provide a community wastewater system to serve existing development located in a floodway will be considered, but the local government must agree that it will not allow any further connections to the system to serve any new development within the floodway or 100-year floodplain. Applicants must include a letter from the local agency administering the local floodplain regulations that the proposed project is permitted under the local government's adopted floodplain regulations.

Rate Schedules

Applicants should submit documentation of their water and wastewater rate schedules. Further guidance on target rate analysis is found in Appendix E of these guidelines. If rate increases are proposed, please submit documentation and resolutions or supporting information indicating when rates will be increased and the schedule for impacts to residents.

Water Meters

The Legislative Joint Long-Range Planning Subcommittee that reviews all MCEP projects, endorses a policy on water meters for MCEP drinking water related projects. It is the policy of MCEP to encourage the use of water meters wherever appropriate. In many cases, and over the long-term, the installation of water meters, and instituting a fair billing system based on actual use and subsequent maintenance of meters, is one of the most prudent and cost-effective management and conservative steps local governments can take. Generally, the installation of meters also reduces long-term operational costs for a water system.

All local governments requesting MCEP funds for water system improvements, where meters are not currently being utilized, must include in their preliminary engineering report an analysis of the feasibility of the installation of water meters and conversion to a billing system based upon meters and their actual use. The analysis should include projections of the potential water conservation savings due to meter conversion as well as estimated installation and long-term maintenance and operations costs. While local governments are not required to convert to a metering system as a precondition of receiving MCEP funds, local governments choosing not to convert to meters as part of the proposed project are expected to present, in the preliminary engineering report, a sound rationale and thorough analysis why conversion is not feasible, appropriate, or cost effective. When scoring applications, Commerce will take into consideration whether the applicant has proposed to install meters. For those cases where meters are not proposed, the preliminary engineering report must provide a thorough analysis of converting to a water metering system and clearly demonstrate that the use of meters is not feasible, appropriate, or cost effective.

Conducting an Income Survey

Please contact the Commerce staff for guidance.

APPENDIX D

Additional Information

The MCEP application will most likely contain additional supporting documentation. In order to ensure all information is reviewed by the ranking team, Commerce recommends the application be organized according to the following format:

- a. **Table of Contents**
- b. **Uniform Application for Montana Public Facility Projects, Thirteenth Edition.**

Also see Appendix C for MCEP-specific information related to the completion of the *Uniform Application*.

- c. **Response to MCEP Statutory Priorities**

See Appendix B, MCEP Application Review Process, for a list of the seven MCEP Statutory Priorities.

- d. **Preliminary Engineering Report**

See the *Uniform Application for Montana Public Facility Projects, Thirteenth Edition* for instructions regarding the content and other MCEP specific information for completing the PER. The PER requirements for bridge projects can be found as a separate document on the MCEP website.

- e. **The following should be included as Appendices in the application:**

1. Resolution to Authorize Application - Each applicant must provide a resolution to authorize the submittal of the MCEP application. See the end of this appendix for a model *Resolution to Authorize Application*. If the project involves multiple jurisdictions, a memorandum of understanding (MOU) signed by all of the parties involved must also be submitted. The MOU must state that all parties involved understand the scope of the project and are in basic agreement as to what is being proposed. The memorandum should summarize the scope of the project, how the system would be managed and operated, and how the improvements would be funded in the short and long-term.

2. Documentation Related to the Formation of the District (as applicable) County water, sewer, and solid waste districts must submit documentation substantiating that the District has been legally created. In order to eliminate any problems verifying that the District has been legally created, the District should submit a copy of the county resolution creating the District and a certificate of incorporation from the Secretary of State.

3. Maps - Each applicant must include legible maps showing the boundaries of the proposed project area and the locations of all proposed project activities.

The map of the applicant's political jurisdiction must identify:

- the boundaries of the entire jurisdiction,
- the project's location within the jurisdiction, and
- if applicable, the service area of the project.

The map of the proposed project area must identify:

- the boundaries of the project area,
- the locations of all proposed activities, and
- the boundaries of any designated 100-year floodplain.

4. Implementation Schedule - Each applicant must submit an implementation schedule that describes the overall schedule for project completion, including engineering and construction. A template of the project implementation schedule is provided at the end of this appendix that applicants can complete for their project.

5. Other Supporting Documentation - Each applicant should identify the source of supporting data for any statements made in the application and provide documentation when applicable. Copies of plans such as a capital improvement plan, growth policy, needs assessment, master plan, etc. should be submitted if not lengthy, or submit the relevant portions of the plan. At a minimum, the applicant should include portions of plans in order to identify the document and key information. Business plans should be included for economic development related projects.

If local research (i.e., income survey) was conducted to support the application, the survey methodology must be described and a copy of the survey form with a composite summary of all responses must be submitted with the application. If alternative methods are proposed, applicants should contact Community MT staff prior to application. **The applicant must retain all original documentation.**

EXHIBIT A

PROJECT IMPLEMENTATION SCHEDULE

| TASK | QUARTERS, 20YY | | | | QUARTERS, 20YY | | | |
|---|----------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|
| | 1st J F M | 2nd A M J | 3rd J A S | 4th O N D | 1st J F M | 2nd A M J | 3rd J A S | 4th O N D |
| <u>PROJECT DESIGN</u> | | | | | | | | |
| Commence Final Design | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Complete Project Design | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Submit Plans to DEQ | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Prepare Bid Documents | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Finalize Acquisition | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| <u>ADVERTISEMENT FOR CONST. BID</u> | | | | | | | | |
| Review Contract Requirements | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Public Bid Advertisement | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Open Bids & Examine Proposals | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Request Contr. Debarment Review | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Select Contractor & Award Bid | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Conduct Pre-Const. Conference | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Issue Notice to Proceed to Contractor | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| <u>PROJECT CONSTRUCTION</u> | | | | | | | | |
| Begin Construction | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Monitor Engineer & Contractor | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Conduct Labor Compliance Reviews | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Hold Const. Progress Meetings | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Final Inspection | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| <u>PROJECT CLOSE OUT</u> | | | | | | | | |
| Submit Final Drawdown | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Project Completion Report/Final Certification | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| Contract End Date | _____ | _____ | _____ | _____ | _____ | _____ | _____ | _____ |

Resolution to Authorize Submission of a MCEP Application

Each application for MCEP funds must be accompanied by a copy of a resolution formally adopted by the applicant and authorizing:

- the submission of the MCEP application in compliance with the MCEP Application Guidelines, and
- the applicant's chief elected official or chief executive officer to act on its behalf in regard to the application and to provide such additional information as may be required.

(If applicable) The resolution should also indicate the governing body's intent to commit to any funding for the project that will be provided by the applicant.

Applicants must have the legal jurisdiction and authority to finance, operate and maintain the proposed facility and, where applicable, must have the demonstrated financial capacity to repay any debt incurred. In all cases, the applicant assumes complete responsibility for proper financial management of the MCEP funds awarded to it and compliance with all State laws and regulations. Pursuant to Section 2-7-504, MCA, all MCEP recipients must be able to demonstrate that their financial management systems meet generally accepted accounting principles before Commerce will disburse MCEP funds for a local project.

See sample resolution on next page.

Sample of a Resolution
to Authorize Submission of MCEP Application *(this sample may be edited to fit the needs of the project)*

WHEREAS, the (Name of applicant) is applying to the Montana Department of Commerce for financial assistance from the Montana Coal Endowment Program (MCEP) to (describe purpose of project);

WHEREAS, the (Name of applicant) has the legal jurisdiction and authority to construct, finance, operate, and maintain (the proposed public facility);

That the (Name of applicant) agrees to comply with all State laws and regulations and the requirements described in the MCEP Application Guidelines and those that will be described in the MCEP Project Administration Manual;

(If applicable) That the (Name of applicant) commits to provide the amount of matching funds as proposed in the MCEP application; and

That (name of Chief Elected Official or Chief Executive Officer), (title), is authorized to submit this application to the Montana Department of Commerce, on behalf of (Name of applicant), to act on its behalf and to provide such additional information as may be required.

Signed: _____

Name: _____

Title: _____

Date: _____

Attested: _____

APPENDIX E

Target Rate Information

Target Rate Analysis for Water, Wastewater and Solid Waste Projects

“Target rate analysis” is a key part of the financial assessment for water, wastewater and solid waste projects. It is used by Commerce to help determine the amount of grant funds a community needs to keep its user rates, resulting from a proposed improvement to a water, wastewater, or solid waste project, at a reasonably affordable level for its citizens relative to other communities. The idea of “target rates” is based on the concept that the ability of a community, as a whole, to pay a particular user rate is related to the overall median household income (MHI) level in the community, and that communities with higher median household incomes can afford higher rates than those with lower median household incomes. **MCEP will utilize American Community Survey 2015-2019 data for MHI.**

Commerce utilizes the combined rates for both water and wastewater systems in its target rate analysis. This helps to ensure that an applicant’s need for financial assistance is not understated if either of the systems have high rates, even though the other system may have relatively low rates. For communities with only a water system, or a wastewater system, but not both, only the target rate for that single system will be used. Storm drain projects are computed as if they were a part of the wastewater system. Target rate analysis of solid waste systems will consider rates for solid waste plus, where applicable, water and wastewater.

A community’s target rate is computed by multiplying the community’s MHI by the combined target percentage (2.3%) to measure residential households’ ability to pay combined water and wastewater rates (1.4% for water systems plus 0.9% for wastewater systems equals 2.3%). For communities with only one system, 1.4% will be used for water systems and 0.9% will be used for wastewater systems.

A community’s target rate for a solid waste system is computed by multiplying the community’s MHI by the target percentage (0.3%) to measure residential household’s ability to pay solid waste rates. The combined target rate for a solid waste project would then be equal to 2.6% and would consider solid waste, water and wastewater rates. The target rate for a county applying for a solid waste project may necessarily revert to the solid waste rate only since there might not be an applicable water and wastewater rate to use.

For example, if a community has an annual MHI of \$30,000, this figure is multiplied by 2.3%. The sum is then divided by twelve months to determine the community’s combined monthly target rate (for water and wastewater) of \$57.50 per month ($\$30,000 \times 2.3\% = \690.00 divided by 12 months = \$57.50 per month). If a community only has a water system and no wastewater system, the target rate would be \$35.00 per month ($\$30,000 \times 1.4\% = \420.00 divided by 12 months). If a community only has a wastewater system and no water system, the target rate would be \$22.50 per month ($\$30,000 \times 0.9\% = \270.00 divided by 12 months).

An equivalent amount to a user fee will be used in the target rate analysis for tribal governments applying to MCEP if individual users are not assessed fees. Subsidization by the tribe is viewed as equal to user fees paid by individuals in typical municipal systems. The equivalent amount will be based on the tribe’s cost to finance the improvements, repay any existing system debt, and operate and maintain the system divided by the number of households that are served by the system. The equivalent amount will then be compared to the applicant’s target rate. Other appropriate methodologies as determined by the Commerce may be used as needed by the MCEP staff to determine financial need for tribal governments.

Under some conditions, an applicant may use census tract data, block group data or conduct an income survey in order to establish income figures that more accurately reflect the area benefitted by MCEP funds. Maps of boundaries and areas must be submitted for determination and to provide documentation. Contact Commerce staff for guidance if an alternative data source is to be used to establish MHI.

Because of the importance of “target rate analysis” in the ranking of MCEP applications for water, wastewater and solid waste projects, applicants should contact the MCEP staff in order to have their target rates calculated or verified in order to ensure that the correct target rate is being used.

If the proposed user rates would be below the target rate, after preparing a preliminary financial package to construct the proposed project, applicants should discuss their proposed projects with Commerce staff. **Grant funding will not be recommended for projects that would result in user charges below the target rate.**

Additional guidance on target rates can be obtained by contacting Commerce staff.