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MISSOURI CLEAN WATER COMMISSION

DRAFT 2010 STATE REVOLVING
FUND IUP PUBLIC HEARING

MARCH 04, 2009

1 MISSOURI CLEAN WATER COMMISSION MEMBERS:

2

3 William Easley, Jr.

4

5 Jan Tupper

6

7 Frank Shorney

8

9 Samuel Hunter

10

11 Ron Hardecke

12

13 Kristin Perry (Madame Chair)

14

15 MISSOURI CLEAN WATER COMMISSION STAFF MEMBERS:

16

17 Earl Pabst

18

19 Jennifer Frazier

20

21 Malinda Overhoff

22

23

24

25

1 MS. PERRY: I would like to introduce
2 to you the Clean Water Commission. To my
3 immediate right is Ron Hardecke, Commission Vice
4 Chair from Owensville. Next is Sam Hunter,
5 Commissioner from Sikeston. Next is Frank
6 Shorney, Commissioner from Lee's Summit. Jan
7 Tupper, Commissioner from Joplin. Bill Easley,
8 Commissioner from Cassville.

9 I would like to reiterate how much I
10 appreciate the fact that all of you make these
11 meetings from all ends of the State. Some of
12 you travel about as far as it would take to get
13 through three other states so we appreciate it.

14 To remind all people here, this
15 commission is a group of volunteers, and if you
16 look at the size of this packet you can just
17 start to imagine the hours that they spend
18 reading and preparing for these meetings. Thank
19 you all.

20 To my left is Earl Pabst, Acting
21 Director of the staff for the Commission and
22 Acting Director of the Water Protection Program,
23 Deputy Director of Division of Environmental
24 Quality. To his left is a new face; Jennifer
25 Frazier. She's Commission Legal Counsel from

1 the Attorney General's Office, and to her left
2 is not such an unfamiliar face. The lady who
3 keeps all the details going for us. And there's
4 another person who is always answering those
5 e-mails right on and doing whatever she can to
6 help out. Thank you. She is secretary -- she
7 is Malinda Overhoff, Secretary to the Commission
8 and Secretary to the program.

9 We'd also like to introduce a former
10 Clean Water Commissioner and now he has a
11 position with the DNR, and we -- I don't
12 understand exactly what that title is, but,
13 Davis, would you please stand up and introduce
14 that?

15 MR. MINTON: My title as of last week
16 was special assistant to the director. Thank
17 you very much.

18 MS. PERRY: With that we shall proceed.

19 **Item No. 1 on this agenda, State Fiscal**
20 **Year 2010 Clean Water State Revolving Fund**
21 **Intended Use Plan.**

22 The Commission will begin the public
23 hearing on the Clean Water State Revolving Fund
24 Intended Use Plan for the State Fiscal Year
25 2010. The purpose of this public hearing is to

1 provide the Department opportunity to present
2 testimony and to provide both the Department and
3 the public the opportunity to comment on the
4 Intended Use Plan for State Fiscal Year 2010.

5 This public hearing is not a form for
6 debate for resolution of issues. The Commission
7 asks that those commenting limit their testimony
8 to five minutes and not repeat comments that
9 others have already made.

10 The Commission will first hear
11 testimony from the Department. Following the
12 Department's testimony the Commission will give
13 the public an opportunity to comment. We ask
14 that all individuals present fill out an
15 attendance card so our records are complete.

16 If you wish to present verbal
17 testimony, please indicate that on your
18 attendance cards. When you come forward to
19 present testimony please speak into the
20 microphone and begin by identifying yourself to
21 the court reporter. Following the public
22 hearing today the Commission will receive
23 testimony presented and make appropriate
24 modifications to the proposal. The Commission
25 plans to take final action at the May 6, 2009,

1 meeting.

2 The court reporter will now swear in
3 anyone wishing to testify at this public hearing
4 before the Clean Water Commission today. Will all
5 these wishing to comment please stand?

6 MEMBERS OF THE PUBLIC,
7 of lawful age, being first duly sworn to tell
8 the truth, the whole truth and nothing but the
9 truth deposes and says as follows:

10 MR. GARRETT: Good morning.

11 MS. PERRY: Give us your name for the
12 record, please.

13 MR. GARRETT: I'm just making sure it's
14 on. My name is Douglas Garrett. I'm the Deputy
15 Director of the Financial Assistance Center
16 through the Water Protection Program.

17 On January 30th, 2009, the draft State
18 Fiscal Year 2010 Intended Use Plan for the Clean
19 Water State Revolving Fund as well as our State
20 Grant and Loan Programs was placed on public
21 notice. Since the public notice we've received
22 new information, and I'll refer you to, I
23 believe, Page 33 in your packet; the Sources and
24 Distribution of Funds Chart.

25 We have since learned that the House of

1 Representatives has begun work on the -- and
2 actually passed their version of the Federal
3 Fiscal Year 2009 budget. As a result we are
4 expecting that the 2009 Capitalization Grant,
5 the anticipated amount at 18.8 million dollars.
6 In addition, we have received the Federal Fiscal
7 Year 2008 Capitalization Grant for approximately
8 18.8 million dollars. We will be revising the
9 IUP to reflect those.

10 We have also made an adjustment on the
11 bottom line for the funds that would be
12 available. We have one community that had every
13 intention of doing a direct loan yet this fall.
14 However, that due to timing issues on the
15 community's end with the construction of an
16 ongoing project is going to be delayed. So the
17 matter of fact is that there will be another
18 8-1/2 million dollars added to the pool of funds to
19 cover that community who will be hopefully
20 participating during 2010. So the Sources and
21 Distribution of Funds Chart will be revised.

22 We will have available approximately
23 213 million dollars for leverage loan -- or for
24 projects. I believe on Page 43 of your packet
25 there will be the project lists. We have

1 received comment from the City of Springfield
2 who is presently on the Carry-Over Fundable list
3 in the draft IUP. They are in the process of
4 designing their project at this point which
5 involves their ozone generation, and it --
6 during the design process they realized that
7 they could obtain increased energy efficiency
8 with some of the equipment, and as a result of
9 that plus current market conditions they have
10 submitted a request that we increase that
11 amount.

12 On the fundable project list we have --

13 MS. PERRY: Could you give us the page?

14 MR. GARRETT: That will be on Page 44,
15 the next page. We have received comments during
16 this period from the City of Warrensburg and the
17 City of Tipton. Warrensburg was a project we
18 were anticipating to fund this -- this spring,
19 and due to their construction schedule we'll be
20 moving that off until maybe this fall. So they
21 commented in -- the City of Warrensburg
22 commented to that effect, and we're reviewing
23 their comments. But based on our review of all
24 comments received the City of Warrensburg would
25 potentially be placed on the fundable list for

1 4.6 million eligible project costs.

2 MS. PERRY: They're going to be added
3 to this list?

4 MR. GARRETT: Yes. Potentially.
5 I mean -- No decisions have been made
6 with that regard. And the City of Tipton they
7 were currently on our planning list, and they
8 have met the requirements to be placed on the
9 fundable list. So the City of Tipton will be
10 added to the fundable list in the final
11 document. Their project cost is approximately
12 1.1 million dollars.

13 In staff review of the draft
14 document, moving on to Page 46 of your packet,
15 the Nonpoint Source Direct Loan list we noticed
16 that there was an error in the priority point
17 determination for Sunrise Beach. That will be
18 corrected as well. And on the planning list we
19 received -- and that's on Page 48. We received
20 comments regarding the City of Atlanta and the
21 City of New Florence requesting that we go back
22 and look at their priority points. And those
23 requests were based on -- both of those projects
24 currently have lagoon wastewater treatment
25 systems, and they will be proposing to go to a

1 non-discharging land application process in both
2 of those communities. And they requested we
3 review -- go back over and look at their
4 priority points in light of that which we will
5 be doing.

6 MR. HARDECKE: That was New Florence
7 and what other?

8 MR. GARRETT: Atlanta.

9 MS. PERRY: Are we skipping over Page
10 47 or are you going back to that?

11 MR. GARRETT: I didn't have any notes
12 on Page 47.

13 MS. PERRY: Okay. Go ahead.

14 MR. GARRETT: With a lot of the
15 discussion that's been ongoing with the Economic
16 Recovery Act that President Obama signed we have
17 received word from a number of communities that
18 are currently listed in our intended use plan
19 that intend to have bond elections this spring
20 in April. So we anticipate that as a result of
21 those elections that we could have a few
22 projects move up from the planning or
23 contingency list as the case may be to the
24 fundable, and we will address those as we get
25 word of the successful elections.

1 That's all the comments I have.

2 Thank you.

3 MS. PERRY: Do you all have some
4 questions?

5 MR. HARDECKE: Could you repeat your --
6 did you say something about the stimulus money
7 in your last comment?

8 MR. GARRETT: Well, yes.

9 MR. HARDECKE: Could you repeat that,
10 please?

11 MR. GARRETT: With the passage of the
12 stimulus bill and the signing by President Obama of that bill
13 a number of communities are using that as a
14 marketing tool, if you will, to get bond issues
15 passed in their communities to do their
16 wastewater projects. And they have scheduled
17 those for -- some communities have scheduled
18 them for May -- or I'm sorry, April. And so as
19 a result of bonds elections some communities
20 could be in the position to move up to the
21 fundable list.

22 MR. HARDECKE: Okay. If that is the
23 case are there any of those stimulus funds that
24 are going to become available through this
25 program to help accelerate that?

1 MR. GARRETT: I can speak to what was
2 in the act itself and that is that the funds
3 that will be allotted to Missouri are
4 approximately 108 million dollars, and they are
5 to run through the Clean Water State Revolving
6 Fund Program. The only federal requirement
7 that's part of the State Revolving Fund that
8 will not be imposed on the stimulus funds is the
9 requirement for a 20 percent state match.

10 Of that 108 million 50 percent must be
11 in the form of increased subsidization of
12 projects including principal forgiveness on
13 loan, negative interest loans and grants or a
14 combination of those three. Also to the extent
15 that we receive applications 20 percent of the
16 108 million is to go to projects for green
17 infrastructure, energy or water efficiencies and
18 then environmentally innovative systems.

19 MS. PERRY: Do we have shovel-ready
20 green infrastructure and environmentally safe
21 projects?

22 MR. GARRETT: Yes. We have -- there
23 were a number of projects we were anticipating
24 on closing this spring, and when they heard, you
25 know, potential for a stimulus bill they had

1 delayed moving forward to see, you know, if they
2 might be able to get a better deal out of the
3 stimulus. So those projects we would certainly
4 consider being shovel-ready. They have gotten
5 to the point of having plans and specs and
6 construction permit applications submitted.
7 Some cases reviewed and approved.

8 We have one community that under the
9 stimulus bill would be eligible because one of
10 the other things in the stimulus bill -- and I
11 failed to mention this -- was that projects that
12 were financed -- or, you know, communities that
13 have financed their project after October 1,
14 2009, the beginning of the federal fiscal year,
15 because of the need to pursue with their
16 project, in the stimulus bill congress allows
17 for those projects to be refinanced with funds
18 out of the stimulus bill. And we do have one --

19 MR. HARDECKE: October 1, 2009, or
20 2008?

21 MR. GARRETT: 2008. And we have one of
22 those projects that took bid yesterday, open
23 bids, and that is the city of Duquesne in around
24 Joplin.

25 MS. PERRY: So you already see that all

1 108 million has a place to go?

2 MR. GARRETT: We believe so. Statewide
3 our needs are approximately 4 billion dollars in
4 wastewater.

5 MR. HARDECKE: Okay. If -- I think the
6 object of the stimulus plan was to get the work
7 out the door.

8 MR. GARRETT: Yes.

9 MR. HARDECKE: Is that going to be
10 done? I mean, we don't meet for another two
11 months. Is there anything we need to do --

12 MR. GARRETT: At this point --

13 MR. HARDECKE: -- to accelerate that?

14 MR. GARRETT: At this point I don't
15 know. We were, you know, working internally on
16 the information we have, making recommendations
17 to division level and department level staff on
18 how we feel that we could best utilize the
19 funds, providing information on projects that
20 are, quote/unquote, shovel-ready. But there
21 have been no decisions made, and we continue to
22 look at all the information we receive.

23 In fact, just yesterday we received
24 final guidance from EPA on the program.

25 MS. PERRY: That was EPA, right?

1 MR. GARRETT: Yes.

2 MS. PERRY: I was in Washington
3 yesterday and the biggest problem is that things
4 are being administered by people whose seats
5 have not been -- haven't been filled yet to
6 administer them. So it's somewhat difficult to
7 find out information or the absolute sources of
8 the information, but what I heard was that
9 there's 50 billion in rural development, and
10 some of that was for sewer projects.

11 What I also heard was that those
12 funds need to be allocated, spent, and out the
13 door in 90 days. Now, dividing by 50 it looks
14 like there might be another pot with a billion
15 dollars. The part that makes it more
16 complicated is I don't think we have a state
17 director of rural development. Does anybody
18 know differently? But I would very much
19 encourage you to look for that because it's my
20 understanding if we don't spend it, it goes back
21 to the pot.

22 MR. GARRETT: That's our understanding
23 as well. We have over the years continued to
24 work closely with rural development as well as
25 Department of Economic Development, the

1 Community Development Block Grant program. We
2 had a joint meeting with them last week, and at
3 that time the folks at rural development had not
4 received any word from the office in Washington,
5 D.C. regarding Missouri's allotment. They
6 speculate that their allotment will follow the
7 typical allotment formula that they use. They
8 didn't elaborate on that so we don't know how
9 much, you know, they're going to get for the
10 State, you know, in total or, you know, as it
11 directly relates to wastewater projects.

12 Likewise, the folks in the Community
13 Development Block Grant program had not received
14 any word from the department of Housing and
15 Urban Development on any funds that they could
16 expect to receive for projects. But we continue
17 to work with them. We know there are a number
18 of projects out there that will require close
19 coordination with those agencies to bring their
20 projects to fruition.

21 MR. HARDECKE: Was there any provision
22 with this stimulus money to forgo any of the
23 cumbersome burdens and regulations that would
24 speed these projects up, because if it's got to
25 be -- well, that money out the door in 90 days,

1 we couldn't get anything done in that time.

2 MR. GARRETT: Correct. In our side of
3 the bill the -- as it came down and was enacted
4 it was 120 days to get 50 percent of the funds
5 out. But that was only a goal. We have to have
6 our money out the door within 12 months from the
7 date the bill was signed. I don't know, you
8 know, what that --

9 MR. HARDECKE: By out the door that
10 means started?

11 MR. GARRET: That means that
12 communities have to have contracts awarded
13 and/or in construction, and we have to have the
14 funds committed. The regulations that we
15 operate the State Revolving Fund under are
16 federal regulations. The ones that gave us the
17 greatest concern were the National Environmental
18 Policy Act or NEPA requirements.

19 Those concerns we raised to EPA early
20 on. There were a number of other states and
21 organizations that did likewise, and there
22 doesn't seem to be any real relief. The EPA
23 folks at headquarters were strongly encouraged
24 to get in touch with the other agencies, federal
25 agencies, and kind of get them pushed along to

1 where they would ramp up to start getting and
2 reviewing the onslaught of requests.

3 We also are working with some
4 communities that we have been working with for a
5 while now and -- to carve out those projects or
6 those components of a project that we could give
7 a categorical exclusion to which would speed up
8 the environmental process. So we are trying to
9 do that. Our staff is -- we've been getting
10 them fired up to do a timely review of
11 documents.

12 The Financial Assistance Center
13 staff engineers are working with our permitting
14 folks to ensure that, you know, we process
15 projects quickly and that they -- you know,
16 other staff know the importance of getting the
17 funds out.

18 MS. PERRY: And you need to not wait
19 until you get called from them to initiate --

20 MR. GARRETT: Yes. But hopefully we --
21 it was interesting the other day we got a
22 postcard from US Fish and Wildlife on a project.
23 Apparently, they are starting now to send out
24 postcards to communities when they request, you
25 know, environmental review and telling them that

1 they had received their request, and if they
2 don't receive any information back from Fish and
3 Wildlife within 30 days to consider that they
4 have no comments. So they've already apparently
5 ramped up a little bit.

6 MS. PERRY: That's good to know. Do we
7 have some other questions?

8 MR. SHORNEY: On Page 33 AIG is
9 mentioned. Can you discuss our involvement with
10 AIG and then our comfort level there with that?

11 MR. GARRETT: I'm going to defer that
12 one to Mr. Boland, if I could.

13 MR. BOLAND: This is Joe Boland the
14 Director of the Financial Assistance Center.

15 MS. PERRY: You need to be sworn in.

16 JOE BOLAND,
17 of lawful age, being first duly sworn to tell
18 the truth, the whole truth and nothing but the
19 truth deposes and says as follows:

20 MR. BOLAND: I'm sorry. The question
21 again?

22 MR. SHORNEY: Just our involvement with
23 AIG and our comfort level with our involvement.

24 MR. BOLAND: Well, that is a good
25 question. Right now we're watching them very

1 closely through the Environmental Improvement
2 Authority, and Steve Townley is here as well if
3 he wants to make additional comments.

4 Our financial team is watching them
5 very closely. Obviously, with the new influx of
6 federal money or bailout money they're in a bit
7 more stable position. But I can tell you that
8 our finance team is looking at everything from
9 terminating those agreements outright and then
10 dealing with the cash from a reinvestment
11 standpoint to diffusing some of those deals that
12 AIG is involved with, and that would -- that
13 would get us out from under any bankruptcy --
14 potential bankruptcy issues that they may be
15 facing here in the very near future.

16 Needless to say, they're also looking
17 on their own -- well, I should say Citi, I
18 believe, is looking potentially to sell our
19 investments to some other provider at this
20 point. So there's a lot going on behind the
21 scenes, but we are watching that very closely
22 right now.

23 I was going to offer if there are other
24 -- I was planning on talking about stimulus in
25 the update later on if you wanted to move this

1 hearing on, but I would be happy to answer any
2 other questions right now. And AIG, our
3 investment agreement issue is one that is very
4 large looming over us but we are watching it and
5 it's not -- it's not being ignored. I can
6 guarantee that.

7 MS. PERRY: I just have one follow-up
8 question there and that's do you have any
9 further information on the rural development
10 funds available that we were just discussing?

11 MR. BOLAND: No. What Doug said is
12 we're continuing to meet with RD and CBDG on a
13 monthly basis. And, of course, our intention is
14 to coordinate with them as closely as possible
15 because some of our projects do overlap at
16 times, and communities kind of apply to both of
17 us and kind of towards the end of the project
18 they chose one or the other. So we don't want
19 to go down the path of intending to fund a
20 community and they suddenly steer over to RD or
21 vice versa.

22 So we want to be very clear with some
23 of these communities that, you know, if we're
24 talking stimulus money we need to know now
25 whether you're going to continue with us or go

1 to RD. And those are some of the coordination
2 issues we're trying to iron out ahead of time.
3 But as Doug said, they haven't received much
4 guidance from the federal level at this point.

5 MR. SHORNEY: Joe, I'm trying to
6 understand this bailout money. If AIG then went
7 bankrupt this would definitely have some
8 negative impacts on our state?

9 MR. BOLAND: Potentially. All of our
10 agreements are highly collateralized. So there
11 is cash set aside for our agreements. The issue
12 may be how liquid they are because we would then
13 be in line with other creditors as well. But
14 they are collateralized. They're not leveraged
15 to any degree or -- basically, it's over 100
16 percent collateralization. So we're fairly
17 confident we would get our full capital back.
18 It's just a matter of timing. And if we had to
19 make some loan payments or some payments in the
20 interim between their declaration of bankruptcy
21 and settlement, that that cash would come out of
22 our repayment fund or some other pot.

23 And one other comment, if I may. We're
24 -- the intended use plan you're looking at here
25 for this hearing is what I would consider

1 business as usual. We wanted to keep on this
2 path as a -- for lack of a better term as a
3 default mechanism. You will be seeing -- we
4 will be coming to you with a stimulus IUP that
5 will be written differently and have a whole
6 different set of project lists as we continue to
7 get stimulus applications and how that program
8 is decided to be implemented. We will have a --

9 MS. PERRY: And if there become
10 deadlines on that that are shorter term I'm sure
11 this commission will be happy to meet earlier to
12 meet any deadlines so that we can get these
13 things moved out.

14 MR. BOLAND: Right.

15 MR. SHORNEY: Joe, who does the audits
16 for this system?

17 MR. BOLAND: For the -- for which
18 system?

19 MR. SHORNEY: Our internal audits. Our
20 independent audits.

21 MR. BOLAND: Oh. For our -- our
22 independent audit is done by Berberich and
23 Trahan. They're contracted through EPA.
24 They're actually a Kansas firm, and they've done
25 it the last two years. And again, that's a

1 federal contract that they basically take some
2 money off the top of our cap grant as an in-kind
3 contribution and then hire a contractor to come
4 look at our books.

5 MS. PERRY: Are there any other
6 questions?

7 MR. HARDECKE: I just have one more
8 question for either one of you. If money is
9 designated out of the stimulus for one of these
10 communities that's on the list then will that money
11 will be freed up to move on down to another
12 community, right?

13 MR. BOLAND: Yes. Yeah. Our intention
14 is -- as Doug said, and we can talk about this
15 more at the update, but our pot of stimulus
16 money, so to speak, is only 108 million for
17 Clean Water. That sounds like a lot but our
18 typical financings for a year period is a little
19 over 100 million dollars between Clean Water and
20 Drinking Water. And with the buildup of
21 projects and the expectation of what's going on
22 -- this has been the biggest marketing campaign
23 for our program that we've ever seen. So the
24 demand is certainly building out there, and our
25 intention is to have the -- our fallback program

1 -- we will be returning to this program in 12
2 months as the stimulus runs out. So old rules
3 will apply.

4 That's one other thing I need to
5 mention. We will be coming before you not only
6 for the IUP but for rule changes as well. To
7 implement the stimulus funding or how it's
8 written in the federal bill we have to provide
9 additional subsidization that Doug mentioned;
10 the negative interest loans and principal
11 forgiveness. Our current regulations don't
12 allow for that so we'll be doing emergency rules
13 and permanent rules to address that.

14 MR. HARDECKE: Well, if we don't get it
15 out the door it won't do any good to have done
16 this.

17 MS. PERRY: I have three quick
18 questions on some things I didn't understand.
19 One is on Page 35. It talks about board training
20 and operator certification programs, \$250,000.
21 I was just wondering what that is.

22 MR. BOLAND: I can take that. Yeah.
23 This is a -- this is through our loan admin fees
24 that we -- basically, what we operate off of
25 from an administration point of view. We charge

1 half percent to our outstanding loan balance,
2 and we pay for our program through this, but
3 we're also looking at a couple of initiatives
4 here. One is board training and operator
5 certification is just how it's labeled.

6 On the drinking water side of the house
7 there are set asides from capitalization grants.
8 They use a portion of their money to pay for --
9 for example, Missouri Rural Water Association
10 provides circuit riders to go out to small
11 communities to provide technical assistance and
12 operator certification training. Our intention
13 is to take some of our operational money and do
14 the same thing on the clean water side.

15 We'd like to see a circuit rider be
16 able to go around to wastewater treatment
17 systems and provide the same type of training
18 on-site with the operator. Not only at the
19 operator level but the city clerk level and
20 basically some of the administrative issues we
21 see problems with in some of the small towns;
22 talk about rates, talk about all those issues
23 that the operator may not necessarily always
24 deal with. They deal with the technical issues
25 of their system, but the city clerk or city

1 secretary sometimes, they deal with bill
2 collection and advising their counsel in setting
3 rates. Those are some of the issues we'd like
4 to try and get a circuit rider out there for.

5 MS. PERRY: So this is something
6 anticipated that you want to do that you're not
7 currently doing?

8 MR. BOLAND: Correct.

9 MS. PERRY: And you want to spend a
10 quarter million dollars on?

11 MR. BOLAND: Correct. Again, that's
12 just proposed. We have not written any contract
13 yet or anything, but we'd like to get it in here
14 for your consideration.

15 MS. PERRY: Next question. Page 47.
16 There's 16 million dollars for a Planning Pilot
17 Project to MSD. Will there be some oversight as
18 to how that 16 million is spent?

19 MR. GARRETT: Yes.

20 MS. PERRY: What is that oversight?

21 MR. GARRETT: What our intention was is
22 to try and get some type of program going to
23 provide loans to allow communities to go through
24 the planning process. With -- you know,
25 currently we pay that after the fact when we get

1 the loan closing for construction. And in order
2 to go forward with it from the start we fully
3 intend to require seeing the engineering
4 agreements, you know, invoicing, have
5 milestones through that process. It's not, you
6 know, something that -- that we haven't gotten
7 into the fine details yet. It's just -- it's
8 more of a, you know, this is something we'd like
9 to do with the funds, and then, you know, as it
10 works itself out to make sure that we
11 monitor where we need to monitor.

12 MS. PERRY: Is this 16 million coming
13 out of another source than that 106 million?

14 MR. GARRETT: This would be out of our
15 repayment fund. And yes, it is out of the full
16 -- it's not stimulus money. It's out of the 200
17 and so million that we have for projects.

18 MR. SHORNEY: Doug, what's the planning
19 on the pilot program; what's the significance
20 there of the pilot?

21 MR. GARRETT: Oh. The nonpoint source
22 pilot program?

23 MR. SHORNEY: On Page 47, Loan Pilot
24 Program. What's the significance?

25 MR. GARRETT: Yeah. That's what we

1 were just talking about. Right. It's to get --
2 you know, find a way and establish a system
3 whereby we could actually begin funding, you
4 know, some projects to get the planning work
5 done that needs to be done.

6 MR. SHORNEY: Page 46 there; Missouri
7 Agriculture and Small Business Development for
8 10 million. What would that involve?

9 MR. GARRETT: We provide a loan to
10 MASBDA and they in turn loan to animal feeding
11 operations to deal with wastewater treatment on
12 those operations. And basically, we enter into
13 an agreement as a line of credit and then as
14 they approve projects and coordinate with us on
15 that, when those projects are done then we
16 provide the funds to MASBDA to pass on. And
17 that is a two-year line of credit, if you will.
18 And at the end of the two years we close that
19 loan and should, you know, the department and
20 MASBDA desire to proceed with another one we
21 will. I believe historically the most they have
22 taken out in any two-year period has been just shy of
23 5 million dollars.

24 MR. SHORNEY: Okay.

25 MS. PERRY: So are you anticipating

1 that all 16 million will be necessary in the
2 next year?

3 MR. GARRETT: We hope, but I don't
4 know. You know, I'm not sure what MSD's plans
5 are, you know, going forward. They have a
6 number of projects that are kind of near and
7 dear to their hearts, so to speak; construction
8 projects that they're focusing on. You know,
9 some of those will address wet weather issues.
10 In fact, Lemay is one that we've already funded.
11 And they -- you know, the staff that we work
12 with there at MSD, they're very aware that they
13 have finite problems it's just, you know, being
14 able to go out there and do the fine detail
15 evaluations of those.

16 MS. PERRY: Are they aware of this
17 proposal?

18 MR. GARRETT: Oh, yes. Yes. This is
19 MSD.

20 MR. HARDECKE: So this says planning
21 and design, but then it will actually be for
22 some construction of those projects, right?

23 MR. GARRETT: In -- years ago we did
24 something similar in Kansas City. They
25 received a loan for in-sewer rehabilitation,

1 and, you know, the first step is going through
2 and doing the sanitary sewer evaluations, but in
3 that process they got into areas that the sewers
4 literally collapsed as they were putting
5 equipment in to videotape them or clean them.
6 And so that evolved into some construction and
7 replacement, you know, immediately, and that
8 could very well happen here.

9 MS. PERRY: Further questions?

10 MR. TUPPER: I'd make a comment that regardless
11 what mouths of Washington say, if they don't cut some
12 slack on NEPA you're looking at 120 plus, because
13 what that involves is the engineers addressing
14 issues and submitting it to the federal agencies
15 and invariably they don't respond timely.

16 MR. HARDECKE: Rebecca, could you give
17 us any indication from EPA on this issue?

18 MS. LANDEWE: My name is Rebecca
19 Landewe, and I'm with the Environmental
20 Protection Agency, Region VII.

21 Unfortunately, I am not the most
22 informed person when it comes to the stimulus
23 package. I don't work in the -- with the State
24 Revolving Fund closely and so I haven't been
25 given a lot of information. Sorry. I can't

1 really answer your questions today.

2 MS. PERRY: Do you deal with the NEPA
3 reviews?

4 MS. LANDEWE: No, I do not.

5 MS. PERRY: Thank you. Any further
6 questions for these witnesses?

7 MR. SHORNEY: Just the small borrower
8 loan tally sheet. Is that included in this
9 where we get the \$100,000 loan for small cities?
10 Is that a different fund or --

11 MR. BOLAND: Yes. That's a different
12 fund. That's not in the intended use plan
13 because it's not state revolving fund money.
14 But we can provide that if you'd like to see it
15 at some point.

16 MS. PERRY: Okay. We're ready to go
17 on. We have two other people who asked to
18 testify. Actually, I think -- is this a
19 different -- I have three more people who asked
20 to testify, the first of which is Larry
21 VanGilder.

22 MR. VANGILDER: Good morning, Madame
23 Chair and members of the Commission. I'm Larry
24 VanGilder from Branson. I'm representing the
25 Tri-Lakes Biosolids Partnership. You all may be

1 getting tired of seeing me. I was here several
2 times last year in regards to the Tri-Lakes
3 Biosolids project converting Class B Solids and
4 -- into Class A biosolids for the City of
5 Hollister, Branson, Forsyth, Rockaway Beach,
6 Kimberling City and Branson West in cooperation
7 with the Taney County Regional Sewer District as
8 well.

9 Our comments are much the same as they
10 were last year in regards to this project. We
11 would like to be moved from the leverage loan
12 program to the grant program for a lot of
13 different reasons that I expressed last year in
14 regards to our communities are all very focused
15 on getting raw sewage out of the ditches and
16 lakes and so forth, and our moneys and finances
17 and so forth are focused on doing those projects
18 and improving our wastewater treatment plants to
19 the standards that are required for us.

20 This project is in addition to those
21 projects to do the right thing with the
22 biosolids. As you all know we have a very
23 karst topography in our area. A very
24 sensitive area with the Table Rock Lake, Lake
25 Tannycomo and Bull Shoals Lakes. And with that

1 we have had a lot of difficulty with the
2 spreading of Class B Biosolids in our area and
3 would like to convert to a drying facility,
4 dewatering facility to make this happen. It's a
5 9.6 million dollar project and we're wanting to
6 get 2 million from the State and leverage that
7 towards some federal money as well.

8 This is a project that I'm sure you're
9 very familiar with from the conversations we had
10 last year so I won't bore you with a lot of
11 details, but I just wanted to keep that in front
12 of you. It is a green initiative as well which
13 is what the letter that I just passed out to you
14 highlights.

15 We'd be happy to come back before the
16 Commission and make a full presentation if you'd
17 like, but we just want to keep this project
18 alive and very much at the forefront of your
19 thinking and decision-making process. I'd be
20 happy to answer any questions.

21 MS. PERRY: Are there any questions?

22 I have two. One, I think your project
23 is listed on Page 60 of our packet -- Page 42,
24 and it has priority points of 120.

25 MR. VANGILDER: Yes, ma'am.

1 MR. PERRY: Are you disputing your
2 priority points?

3 MR. VANGILDER: No. We're not
4 disputing the priority points. We're
5 comfortable with the DNR's review. It's just we
6 have continued to go under the leverage loan
7 program which means that the communities would
8 have to pay those moneys back, and we don't have
9 money to pay those moneys back because we're
10 doing other projects that are focused on
11 treatment systems and focused on extending sewers
12 to areas that do not have sewers and get the
13 wastewater collected into a central system.
14 That's what every community down there is
15 focused on.

16 MS. PERRY: And the last time you spoke
17 to us, at least last fall, you mentioned that
18 this material is land applied, that it
19 has some phosphorus value.

20 MR. VANGILDER: Yes.

21 MS. PERRY: And you told me there was
22 an exemption that you didn't have to have a P
23 index or you didn't have anything -- you weren't
24 required to have any sort of testing done to
25 apply that; is that correct?

1 MR. VANGILDER: That's what the Class A
2 biosolids is. It's -- it does not have
3 regulations as far as where it's spread, and
4 it's completely non-intrusive to the
5 environment.

6 MS. PERRY: Non-intrusive?

7 MR. VANGILDER: Yes.

8 MS. PERRY: Does it not have a
9 phosphorus value?

10 MR. VANGILDER: It does. It's used as
11 a soil amendment mixed with dirt for flower
12 gardens, for spreading on rights-of-ways and all
13 these kinds of things. I'd be happy to bring --

14 MS. PERRY: Do you know what the
15 analysis is of what the value of that phosphorus
16 is?

17 MR. VANGILDER: I don't. I'm not
18 prepared in my position to do that, but I'd be
19 happy to bring someone to the Commission --

20 MS. PERRY: And did you tell me it was
21 something called a 513 exemption? Do you
22 remember that number? I'm glad you're here
23 because I've been anxious to go back and take a
24 look at that, and I'm not sure where to go.

25 MR. VANGILDER: I'd be happy to prepare

1 something for you on that. I'm not an expert on
2 phosphorus --

3 MS. PERRY: Well, and I think this
4 commission would be interested to see what those
5 values are so we have some idea of other sources
6 of phosphorus in this state.

7 MR. VANGILDER: I'd be happy to do
8 that. I think that the bottom line of what
9 we're trying to accomplish is really right now
10 we're doing the Class B biosolids, and as soon
11 as it rains or whatever on the Class B biosolids
12 with our karst topography, the hilly topography, we
13 know where that water is going, we know where
14 those phosphates are going. And with all the
15 limitations of the amount of land, we are
16 concentrating that more and more with Class B
17 biosolids. We've turned what now is 4500 trips
18 of Class B biosolids onto the fields into about
19 200 trips and --

20 MS. PERRY: Because you're going to
21 concentrate the material?

22 MR. VANGILDER: We wouldn't really be
23 concentrating. We'd probably be spreading that
24 out more by giving it to the public or using it
25 on public right-of-ways and those kinds of

1 things where it's non-intrusive to the
2 environment. Certainly, we'd be a lot more
3 selective -- a lot more selections of where it's
4 put than where it is now.

5 MS. PERRY: We'd certainly need to know
6 an analysis to know how intrusive it is,
7 correct?

8 MR. VANGILDER: I'd be happy to provide
9 that for you. I'm sorry. I'm not prepared to
10 do that today.

11 MR. HARDECKE: So Class B is the liquid
12 and Class A would be dry; is that --

13 MR. VANGILDER: Yes. Class B is 97
14 percent water and about 3 percent solids, and it
15 takes a lot of hauling to get that stuff out.
16 And with the weather and the frozen ground and
17 all those kinds of limitations it's very
18 difficult to continue that process with the
19 development that we have going on in our area.
20 Our lands are getting smaller and smaller and
21 further and further away from our treatment
22 facilities.

23 We think this is a green initiative to
24 eliminate those trucks from being on the roads
25 and the safety issues from those trucks not being on

1 the roads, the gasses those trucks emit into the
2 environment. There's just a lot of advantages
3 and those are expressed in the letter that I
4 just presented to you, but we're working very
5 hard to make this project a reality. We'd
6 appreciate the Commission's continued support of
7 the project.

8 MR. HARDECKE: Have you considered
9 doing a smaller prototype project or a Phase 1
10 that's less costly?

11 MR. VANGILDER: We have considered
12 phasing this, and if we were to phase it, we
13 could do it between 6 and 7 million dollars by
14 just putting in the drying facility and a
15 dewatering facility -- two central dewatering
16 facilities, and then the smaller communities
17 could haul to those facilities, and then later
18 on we could add the additional dewatering
19 facilities to the smaller facilities. But --
20 so, you know, for 6 million we could at least
21 get the thing in the ground and get started.
22 That's part of our pitch on this thing to all
23 the people that we've talked to. Any other
24 questions?

25 Thank you very much for your time and

1 your patience with me for bringing this before
2 you continually. Thank you.

3 MS. PERRY: Thank you. Our next
4 witness is Phil Walsack.

5 MR. WALSAK: Good morning,
6 commissioner. Good morning, Commission. I
7 think what I would prefer to do is have my
8 comments -- most of you have asked the comments
9 that I wanted to ask. I'd prefer to move to the
10 staff presentation instead with the comments I
11 have.

12 MS. PERRY: To the staff presentation?

13 MR. WALSAK: Correct. Thank you.

14 MS. PERRY: Consider yourself moved.

15 Kat Logan Smith.

16 MS. SMITH: Thank you for having me
17 here today. I just wanted to make some comments
18 about the State Revolving Fund. The 10 million
19 dollars that is set aside for CAFOs in that
20 fund. I'd like to know what percentage of those
21 is going to small independent producers? Are
22 they all going -- is that money going to the
23 large CAFO producers? And last year that fund
24 was at 2 million dollars so to see it grow by 8
25 million dollars is an interesting jump for

1 projects that don't necessarily benefit the
2 public in the same way that wastewater treatment
3 plants do.

4 And we're dealing with a lot of
5 communities around the State that need
6 wastewater treatment assistance and funding, and
7 to see that money going to CAFOs just, I guess,
8 gets under my skin.

9 We have to encourage you to revisit
10 that and try to decide if that's really where we
11 want to be putting our public resources or if
12 there's a better place to put that money that
13 benefits more people. Thank you.

14 MS. PERRY: Are you familiar with the
15 contact at the Missouri Department of
16 Agriculture to ask the authority those
17 questions?

18 MS. SMITH: No. No. Not by name, no.

19 MS. PERRY: Tony Stafford is the
20 contact person, and I'm sure he'll be happy to
21 answer those questions for you.

22 MR. GARRETT: If I may? Just to point
23 out we -- through the SRF we are prohibited from
24 funding confined animal feeding operations. The
25 funds that we do provide, MASBDA, we do check

1 that to make you -- you know, to ensure that
2 none of those projects that are being funded
3 will cause that project to move into that realm
4 of where they would require a permit and come
5 under the CAFO board.

6 MS. PERRY: So you're saying it's
7 anything that's not a Class 1 CAFO?

8 MR. GARRETT: Right.

9 MS. PERRY: Because you stated earlier
10 it was loans to animal feeding operations, not
11 CAFOs.

12 MR. GARRETT: Right.

13 MR. HARDECKE: So it would all be going
14 to small operations?

15 MR. GARRETT: Yes.

16 MR. HARDECKE: 100 percent?

17 MR. GARRETT: Yes. Well, on the
18 amount, we'll go back and review that and
19 discuss that because when we get the
20 applications in, you know, the costs are
21 eligible. That's what we place on the IUP. But
22 we could potentially, you know, work with AG to
23 have that amount reduced.

24 MS. PERRY: Did MASBDA -- I think is
25 what they call themselves. Did they request

1 this amount?

2 MR. GARRETT: Yes. That was on their
3 application.

4 MR. BOLAND: And it's my understanding
5 that has not changed. The two million that you
6 may be looking at was for our on-site loan
7 program. It was under the nonpoint source
8 initiative as well. And that's for dealing with
9 failing on-site systems as opposed to the animal
10 feeding operation. So the 10 million has been
11 there for several years. So there hasn't been
12 an increase. Just to clarify.

13 MS. PERRY: Okay. Thank you. Is there
14 anyone else who would like to testify?

15 The Commission will receive written
16 testimony on this proposal until 5 p.m. on March
17 11th, 2009. You may submit this written
18 testimony to Malinda Overhoff, Secretary to the
19 Missouri Clean Water Commission, P.O. Box 176,
20 Jefferson City, Missouri 65102, prior to that
21 deadline. On behalf of the Commission I thank
22 everyone who has participated. This hearing is
23 now closed.

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C E R T I F I C A T I O N

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I, Susan M. Fiala, Certified Court

6

Reporter, Registered Professional Reporter,

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within and for the State of Missouri, DO HEREBY

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CERTIFY that pursuant to notice/agreement, the

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aforementioned proceedings were held before me

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later reduced to printing; and said transcript

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of proceedings is herewith forwarded to the

14

noticing party for filing.

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IN WITNESS WHEREOF, I have

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hereunto subscribed my name this 16th day of

17

March, 2009.

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Susan M. Fiala, CCR, RPR

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