

2018 IACC - Wenatchee



USDA - Rural Development
(RD)

Water and Wastewater
Funding Application and
Engineering Overview



Rural Development – Community Programs

1

Agenda

- Agency (RD) Overview
- Application Process
- Loan Preparation / Letter of Conditions (LOC)
- Project Construction Documents
- Project Construction Phase
- Post Construction & Loan Servicing
- What's New
 - RDAppl – On-line Application Option
 - ePER
 - (AIS) - American Iron and Steel Requirements



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2

Rural Development (RD)

Agency Overview

- USDA –RD consists of:
 - The Water & Environment Program (WEP)
 - The Community Facilities Program (CF)
- Staffing (State office in Olympia)
 - Peter McMillin Program Director
 - Janice Roderick State Loan Specialist
 - Paul Johnson State Environmental Coordinator (SEC)
 - David Dunnell State Engineer (Wenatchee)
 - Donald Watkins State Technician
 - Five Regional Loan Specialist



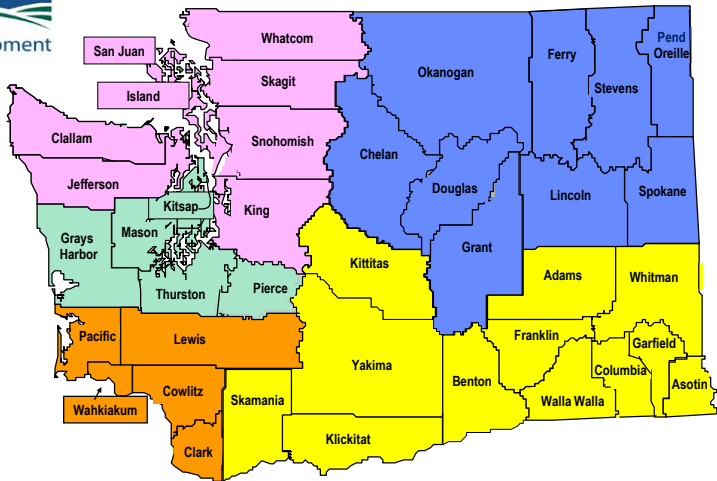
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3



USDA RURAL DEVELOPMENT CONTACTS

Rural Utilities and Community Facilities



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www.rd.usda.gov/

Rural Development (RD)

Agency Overview

- RD Water and Environmental Program (WEP) provides financial assistance for water and waste disposal facilities to:
- Rural Areas with populations less than 10,000.
- Eligible applicants include municipalities, counties, special purpose districts, Indian tribes, and corporations not operated for profit.
- Priority will be given to areas smaller than 5,500 people.



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5

Rural Development (RD)

Agency Overview

RD loan specialist will work with you during application process on:

- Test for Credit
- Security for the loan
- Financial soundness and ability to manage the facilities



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6

Rural Development (RD)

Agency Overview

Loan and grant funds may be used for:

- Construct, repair, modify, expand or make improvements
 - water supply and distribution systems
 - waste collection and treatment systems
 - storm drainage and solid waste disposal facilities

Other costs eligible for reimbursement are:

- acquire a water supply or water rights
- legal and engineering costs, connected with development of facilities
- acquisition of rights-of-way and easements
- relocation of roads and utilities

Grant funds are limited based on need and MHI



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7

Rural Development (RD)

Agency Overview

- RD Area Loan Specialist
 - Will work closely toward a complete application.
 - Complete financial analysis and underwriting of the project.
 - Coordinates with State RD Engineer & Environmental Coordinator
 - Pay requests, interim financing – EFT disbursement
 - Project close out/ loan closing
 - Servicing, payment collection and annual reports



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8

Rural Development (RD)

Agency Overview

- RD State Engineer - Engineering Related Phases
 - Preliminary Engineer Report (PER) or equivalent
 - Review of Construction Related Documents
 - Concurs with Executed Construction Documents
 - RD Funds Released for Reimbursement
 - Change Orders, Engineering Amendments
 - Final Inspections – Construction Close-out



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9

Application Process

Elements of Application Package

- Key Elements of a Complete Application Package
 - Funding Application via RD APPLY, new Web-based application
 - Financial Statements; Audits; Operating Budget
 - Test for other credit (2 letters from lenders)
 - Public announcement with meeting minutes and Affidavit of publication
 - Preliminary Engineering Report (PER)
 - Environmental Report (ER)
 - Prepare complete application is processed through RD underwriting program



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10

Menu

File Edit View Help

JEFFERSON CO PUD #1 - Project 03 - Grant Only

Underwriting

Out Stage

Initial Contact

Application

Obligation

Environmental

Underwriting

Loan & Grant Information

Find

Underwriting

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Loan Determination

Monthly Cost Per EDU \$0.00

Number of EDU's 0

Bulk Cost/ 1,000 Gal or Cu Ft \$0.00

Bulk User Income Per Month \$0

Other Operating Income (Monthly) \$0

Operating Income (Annual) \$0

Non-Operating Income (Annual) \$0

Total Cash Available (Annual) \$0

O&M (Less Interest & Depreciation) (Annual) \$0

Replacement Reserve - Short Lived Assets \$0

Other Annual Expenses \$0

Debt Service & Reserve \$0

Total Cash Outflow (Annual) \$0

Balance Available For New Loan Payment \$0

Commercial Credit (Maximum Loan Amount) \$0

USDA (Maximum Loan Amount) \$0

Project Funding Breakdown

Project Cost \$128,000

Applicant Contribution \$0

Other Funding Sources \$128,000

Contribution Connection/Tap Fees \$0

USDA (Maximum Loan Amount) \$0

Total USDA Grant Needed \$0

Maximum W&W Grant Amount \$0

Water & Environmental Programs Projects

Makah Indian Reservation Transfer Station



City of Cashmere Waste Water Treatment Plant



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Application Process

Elements of Application Package

- Environmental Report (ER) & NEPA
 - RUS Bulletin 1970A-602 Guide
 - Preparation of the Environmental Report (ER) for Water and Environmental Program Proposals
 - Consult with Loan Specialist to determine type of environmental needed. Do this early in the application stage.



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13

Application Process

Elements of Application Package

- Preliminary Engineering Report (PER)
 - Submitted with Funding Application
 - Or uploaded into RDApply if applicable
 - Instructions provided by:
 - RUS Bulletin 1780-2 (Water, Sewer, Storm and Solid Waste Facilities)
 - Or ePER (Web-based report following 1780-2 outline)



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14

Application Process

Elements of Application Package

- Preliminary Engineering Report (PER) Content (RUS Bulletin 1780-2)
 1. General
 2. Purpose
 3. How to Use the Interagency Template
- General Outline of a PER
 1. Project Planning Area
 2. Existing Facilities
 3. Need for Project
 4. Alternatives Considered
 5. Selection of an alternative (Life Cycle Costs and Present Worth Analysis)
 6. Proposed Project (Recommended Alternative)
 7. Conclusions and Recommendation



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15

Application Process

Elements of Application Package

- PER Alternative
 - State DOH / DOE equivalent reports augmented by a Simplified/Reduced PER
 - Cross reference common sections with State Equivalent Report
 - Only address those sections of the Bulletin 1780-2 not addressed in State Equivalent Report
- “WA State PER Guide” with Key Emphasis
 1. Number of System Connections and flows at Start-up
 2. List of Short Lived Assets (SLA)
 3. Updated Budget Estimate
 4. Updated O&M Budget Estimate
 5. Alternate construction items if bids \$ low (PER)



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16

Loan Preparation Letter of Conditions

• Key Elements of Letter of Conditions (LOC)

- Signs “Letter of Intent” to meet conditions (not a security instrument, only obligating funds)
 - Project Account: Budget and Funding Sources
 - Security for loan and repayment terms
 - Grant Agreement if applicable
 - Reserves: Debt Service and Short Lived Assets (SLA)
 - Interim financing requirements
 - Proposed Operating Budget and Rate Analysis
 - Environmental Mitigation Measures
 - Agreement for Services; Legal, Engineering, etc..
 - Construction Contract Document Requirements, ROW
 - Loan closing and servicing requirements
 - Authorizes Engineer to proceed with design and construction using **Agency Endorsed Construction Contracting Documents**



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17

Water & Environmental Programs Projects

City of Okanogan Water Line Replacement Project



Kalispell Tribe Reservation Water Distribution Project



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18

Project Construction Documents

Agency Endorsed Contract Document Requirements

- Project Construction Documents
- Engineering & Construction Contract Document
 - Applicant required to use Agency endorsed documents and forms when developing **Engineering and Construction Contracting Documents** for public works improvements to be funded in part or full
- Agency Endorsed Documents
 - Engineers Joint Contract Documents Committee (EJCDC)
 - Modified by RUS Bulletin 1780-26
 - Modified by RUS Bulletin 1780-35 American Iron and Steel (AIS)



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19

Project Construction Documents

Agency Endorsed Contract Document Requirements

- Key Documents
 - **Owner – Engineer Agreement** using the EJCDC E-500 modified by **RUS Bulletin 1780-26**
 - **Owner – Contractor Agreement** using the EJCDC C-520 and applicable C-Series Documents modified by **RUS Bulletin 1780-26**
 - **Both E-500 and C-Series** modified by **RUS Bulletin 1780-35** addressing buy **American Iron Steel**
- Key Oversight
 - Contract Documents must be reviewed and approved prior to execution / payments
 - OGC may review any contract format other then EJCDC / Bulletin 1780-26 edition
 - Funds are released for all reimbursements only after Agency concurs with the Executed Construction Contract Documents



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20

Project Construction Documents

Agency Endorsed Contract Document Requirements

- Key RD Provisions – Differences from Others Agencies
 - Agency Approval of:
 - Contracts (Construction, Engineering, Legal, Etc.) But not a party of...
 - Change Orders & Payment Applications
 - Surety: Performance & Payment bonds, each 100% of contract
 - Retainage: 5% - Can't be invested for the contractor's benefit
 - Procurement:
 - No base bid method (if List a Brand Name, must include "or-equal")
 - Selection of Major Equipment through Pre-selection bidding process
 - "or-equals" may be evaluated / approved prior to bid opening
 - American Iron and Steel Act (AIS)
 - No Davis-Bacon – Federal Wage Rates



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21

Bidding, Awarding & Construction Oversight

- Prior to Bid Award - LOC conditions (Loan Specialist)
 - Rural Development Funding must be ready to close prior to Bid Award:
 1. Interim Financing is required for projects above \$500,000.
 2. Draft bond documents must be received from the borrowers bond attorney, reviewed by the Office of General Council and approved by RD.
 3. Verification of owners insurance and bonds.
 4. All other applicable requirements per the Letter of Conditions.



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22

Bidding, Awarding & Construction Oversight

- Typical Protocol:
 - State Engineer Approves Pre-bid Construction Documents
 - Applicant Proceeds with Bidding
 - RD Concurs with Recommended Award
 - Applicant Issues Notice of Award (NOA)
 - Applicant Executes the Construction Documents
 - **RD Executes Agency Concurrence Block** (Exhibit I of RUS Bulletin 1780-26)



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23

Bidding, Awarding & Construction Oversight

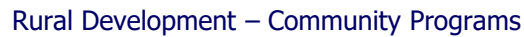
- Typical Protocol - continue:
 - **RD Funds Released**
 - Applicant Issues Notice to Proceed (NTP)
 - RD Oversight during construction
 - Reviews and Concurs with Payments to:
 - Contractor, Engineer, Attorney, others
 - Reviews and Concurs with Change Orders & Payment Applications
 - Makes Periodic Site Visits
 - Attends Pre-final and Final Inspections
 - Monitors American Iron & Steel implementation



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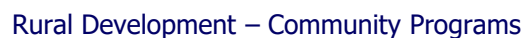
24

- **Outlay Report** — Budget Breakdown and Tracking Spreadsheet
 - Soft costs
 - Engineering fees
 - Construction costs
 - Contingency
 - Funding sources \$
 - Signature block
 - Financial status

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25

- RD Services Loan
 - Security inspections & ADA/Civil Rights Compliance review
 - Payment collection, using Pre-Authorized Debit
 - Annual Reports Audit reviews
 - Cash Flow and Sustainability
 - O&M budgets
 - Reserve Balances
 - Loan delinquency
 - Graduation review



26

New Items at RD

- RDApply
- ePER
- Buy American Iron and Steel (AIS)

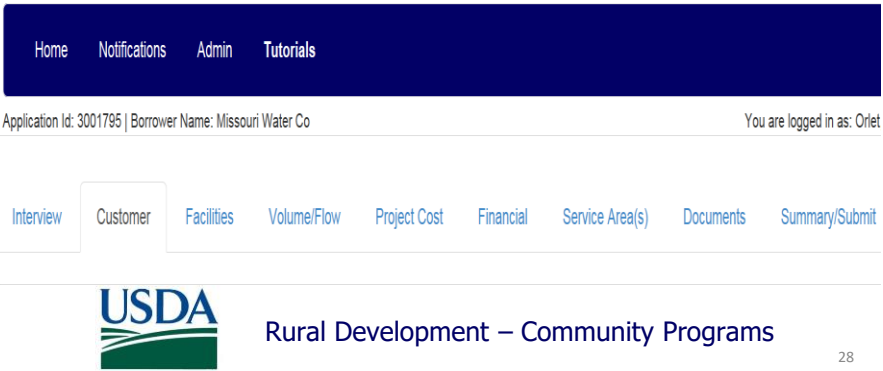


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27

RD Apply Online Application

- What is RD Apply?
 - New web-based application system used to apply to Rural Development
 - User-friendly tracking of application process, keeps track of the flow
 - Currently can be used for Water and Wastewater program
 - Users will be linked to the application with an E-Authentication ID



28

New Items at RD

- ePER -

electronic Preliminary Engineering Report format

A new PER development tool for Consultants

- What is ePER?
 - ePER - Electronic Preliminary Engineering Report
 - Web-based application for consulting engineers to write the PER
 - Introduced Fall of 2017 as part of the application process
 - Obtain eAuth level 2 account (electronic Authorization to Government network)
 - Follows the PER outline RUS Bulletin 1780-2
 - Interactive system steps engineer through the PER development
 - Secure portal protects engineer's work, remains proprietary
 - Generates PER in PDF and XML data format
 - Compatible with the RD Apply online application process
 - Optional – not mandatory



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29

New Items at RD

Buy American Iron & Steel (AIS)

- Executive Order
 - Executive Order 13788, “**Buy American and Hire American**” April 18, 2017
- Statute
 - **Section 746 Division A Title VII** of the Consolidated Appropriations Act of 2017
 - **Requires iron and steel products** used in projects funded by the Water and Waste Disposal Loan and Grant program **be produced in the United States.**
- What is American Iron & Steel
 - “**iron and steel products**” means the following products made primarily of iron or steel: **lined or unlined pipes and fittings, manhole covers and other municipal castings, hydrants, tanks, flanges, pipe clamps and restraints, valves, structural steel, reinforced precast concrete, and construction materials.**
- RUS Bulletin 1780-35 (AIS)
 - RD instructions for implementing **AIS Language into the EJDC Documents.**



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30

New Items at RD

Buy American Iron & Steel (AIS)

Parties involved in compliance with the AIS statute:

- Agency
 - Provide AIS guidance through RUS Bulletin 1780-35
- Owner Responsibility
 - **Acknowledge** responsibility for compliance with AIS by signing:
 - letter of conditions, agreements for engineering services, construction contracts, change orders, partial payment estimates
 - Completion of project: obtain the **certification letters** from the consulting engineer and maintain this documentation for the life of the loan



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31

New Items at RD

Buy American Iron & Steel (AIS)

Parties involved in compliance with the AIS statute:

- Consulting Engineer
 - **Implements AIS** as directed by RUS Bulletin 1780-35
 - Provides **Engineers' Certificate of Compliance** (Exhibit B)
 - Provides **Manufacturer's Certificate of Compliance** (Exhibit D) for **specified products and materials** in the Contract Documents **to Contractor**
 - Review **shop drawings and change orders** to ensure compliance with AIS
 - Obtain **Manufacturers' Certification of Compliance** (Exhibit D) **from Contractor** submitted with shop drawings and change orders
 - Keep all certification letters in the engineer's **project file**
 - Upon Substantial Completion: Provide copies of **engineer's, contractors', and manufacturers' certification letters** to the owner and RD



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32

New Items at RD

Buy American Iron & Steel (AIS)

Parties involved in compliance with the AIS statute:

- General Contractor
 - Provide **manufacturers' certification** letter (Exhibit D) with shop drawings, change orders and for proposed or-equals/substitutes
 - Ensure copies of **manufacturers' certification** letters (Exhibit D) are filed and maintained on-site
 - Provide **contractors' certification letter** (Exhibit C) to engineer/owner and **manufactures' certification letter** to owner upon substantial completion
- Manufacturers, Supplier, Fabricator, et. al.
 - If iron & steel products are produced in the United States as defined in this Bulletin, prepare **manufacturers' certification letters** and **make available** upon request to consulting engineers, general contractors, etc.



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33

New Items at RD

Buy American Iron & Steel (AIS)

- Purchase of Equipment and Materials
 - Owner, contractor or other parties must ensure that the products were produced in the United States.
 - Manufacturer must provide **manufacturers' certification** letters (Exhibit D) to ensure compliance.



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34

New Items at RD Buy American Iron & Steel (AIS)

- Waiver Process
 - Categorical & Case by Case
 - Applying the requirement would be **inconsistent with the public interest**;
 - The required items are **not produced** in the United States **in sufficient** and reasonably available **quantities or** of a satisfactory **quality**; or
 - Inclusion of iron and steel products produced in the United States will **increase the cost** of the overall project **by more than 25%**.
- Non-Compliance
 - ID noncompliance product, RD Program Director will notify the National Office, Director of Engineering & Environmental Staff
 - USDA will apply remedies for noncompliance as per 2 CFR 338 – 342



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35

Rural Development Web Sites

- Engineering Documents
 - Preliminary Engineering Report
 - RUS Bulletin 1780-2
 - Construction Contracts (modifies EJCDC)
 - RUS Bulletin 1780-26
 - American Iron & Steel
 - RUS Bulletin 1780-35
 - Most RUS Forms & Bulletins
- <http://www.rd.usda.gov/programs-services/services/water-environmental-engineers>



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36

Rural Development

Loan Specialist

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37