



1



2

Rural Development

- **USDA Rural Development is a major financing partner for rural North Dakota for just about any project.**
- **USDA Rural Development uses a customer focus program distribution system.**
- **USDA Rural Development has 40 different programs to assist Rural America.**

3

Investment Breakdown for 2018

- **Housing Programs - \$79.6 million**
- **Community Facilities Program - \$48.5 million**
- **Business & Co-op Programs - \$10.7 million**
- **Water Programs - \$38.5 million**
- **Electric Programs - \$123.1 million**
- **Telecom/Broadband Programs - \$3.0 million**

TOTAL INVESTED: \$303.4 MILLION

4

Water and Environmental Programs

5

Types of Financial Assistance

- **Direct Loans:** USDA provides financing directly to the borrower and negotiates terms.
- **Loan Guarantees:** USDA partners with a local lender by backing or assuming a portion of the debt obligation if that borrower should default.
- **Grants:** money awarded to an eligible recipient, which does not need to be repaid.

6

Rates & Terms

- Interest Rates:
 - Poverty Line Rate is 1.750%
 - Intermediate Rate is 2.375%
 - Market Rate is 3.000%
- Term – Up to 40 Years.
- Median Household Income:
 - Poverty Rate Income Level \$39,918 or less: 75% Maximum Grant.
 - Intermediate \$39,919 to \$49,898: 45% Maximum Grant.
 - Market \$49,898 or Greater.
- 2010 Census data.
- Applications accepted all year long.

7

Funding Programs

1. Regular Loan and Grant.
2. Guaranteed Loans.
3. Emergency & Imminent Community Water Assistance Grant (ECWAG).
4. Special Evaluation Assistance for Rural Communities (SEARCH) Grant.
5. Predevelopment Planning Grant (PPG).

8

Emergency Community Water Assistance Grant (ECWAG)

- **Purpose:** ECWAG is to assist rural communities that have experienced a significant decline in either quantity or quality of water.
- **Applicant:** Local Government entities, nonprofits or Tribes.
- **Eligible Area:** Rural areas of 10,000 or fewer people and a MHI of less than \$49,898.
- **Grant Funds up to \$150,000 or \$500,000:**
Construction of waterline extensions, repairs to breaks or leaks in existing water distribution lines and related activity necessary to replenish a water supply or it can be used for construction of a new water source, intake and or treatment facility.

9

Special Evaluation Assistance for Rural Communities & Households (SEARCH)

- **Purpose:** This grant program helps small, financially distressed communities with predevelopment feasibility studies, design and technical assistance for water & waste disposal projects.
- **Applicant:** Local Gov't entities, nonprofits and Tribes.
- **Eligibility:**
Rural Area with a population of 2,500 or less.
MHI below 80% of State None- Metro MHI (\$39,918)
- **Maximum Grant:** Up to \$30,000 and can pay up to 100% of Pre Development Costs.

10

Predevelopment Planning GRANT (PPG)


- **Purpose:** Assist low income communities with initial planning & development of an application for USDA WEP programs.
- **Applicant:** Local Gov't entities, nonprofits and Tribes.
- **Eligible Area:**
Rural Area with a population of 10,000 or less.
MHI below 80% of State None- Metro MHI (\$39,918).
- **Maximum Grant:** Up to \$30,000 and can pay up to 75% of Pre Development Costs.

11

Partners

- Bank of North Dakota
- Bureau of Reclamation
- Community Development Block Grants – ND Planning Councils
- Corp of Engineers
- Indian Health Services
- Midwest Assistance Program
- North Dakota Department of Commerce
- North Dakota Public Finance Authority
- North Dakota Rural Water Systems Association
- North Dakota State Revolving Fund
- Private Lenders
- State Water Commission

12



Eligible Costs

- Funds may be used for the installment, expansion, and/or improvement of water and wastewater systems, solid waste disposal, and storm sewers.
- Technical Assistance either directly and/or through contractors.

13

Ineligible Costs

- Facilities which are not modest in size, design, and cost.
- Construction of combined storm/sewer facilities.
- Any portion which does not serve a rural area.
- Reduce EDU Costs to levels less than similar systems cost.

14

Eligible Applicants

- Public Body
- Not-for-Profit Organization
- Tribes



15

Rural Water System Service Areas

- Service areas of 10,000 population or less (1780.39 (c) (5)).
- Aggressive information program.
- Assure installation available.
- Aggressive action on collection.

16

Application Steps

- Community/System determines a water or waste water issue that needs to be addressed.
- Community/System selects a consulting engineering company based on their qualifications for conducting engineering services and to assist with the Rural Development application process.
- Application is filed to Rural Development for underwriting and funding.
- Once an award has been made by Rural Development, construction on the project begins.

17

Application

- Rural Development forms and applicant information.
- Preliminary Engineering Report.
- Environmental Report.
- RD Apply.

18

RD APPLY

- RD Apply is an application intake system that allows applicants to apply for loans and grants for Rural Utility Services (RUS) Programs electronically.
- RD Apply is an internet web base application process which replaces the paper application.
- RD Apply is located on the web:
<https://rdapply.usda.gov/>

19

How to Access RD Apply

- Create a Level 2 eAuthentication account.
- Obtain online identity proofing (recommended).
- Complete the Authorized Representative Request (ARR) Process.
- Have the applicant user roles identified.
- Add users in the Application Authorization Security Management (AASM) system.
- Sign up for Notifications in RD Apply.
- Creating an application in RD Apply.
- <https://www.rd.usda.gov/programs-services/rd-apply>

20

Application Processing Notes

- Rural Development funding is considered supervised credit.
- Get Rural Development involved as early as possible.
- The initial application process should have environmental requirements discussed.
- It is suggested to keep Rural Development involved throughout the application process.
- Rural Development's engineer is able to discuss preliminary engineering and environmental requirements with applicants and their engineer.

21

Basic Knowledge of Engineering Requirements



22

Request For Qualifications (RFQ)

- USDA Rural Development requires all applicants to go through a selection process when hiring engineering firms for water/waste projects.
- Required by RUS Instruction 1780.39(b)(1).
- Selection based on qualifications and cost of services.

23

Preliminary Engineering Report (PER)

- The Federal Code of Regulations, 7 CFR 1780.33 © and 1780.55 require that a PER be submitted for review and approval on all projects.
- The PER is a planning document that describes the proposed project, analyzes alternatives with associated costs, and provides other info critical to the underwriting process.
- Prepared by consulting engineer.
- Submitted to RD as part of initial application process.

24

Preliminary Engineering Report Purpose

- Establishment of need
- Evaluate alternatives
- Project cost estimate
- Operating budget
- Defines scope of project
- The PER is inter-related with the entire funding process
 - Underwriting
 - Eligibility
 - Environmental Report

25

Electronic Preliminary Engineering Report or ePER

- Rural Development's version of an electronic Preliminary Engineering Report and Environmental Report.
- It is able to be completed online by a consulting engineer.
- It is able to be uploaded to RD Apply.
- It will fulfill the PER/ER requirements for a Rural Development WEP application.

26

Preliminary Engineering Report (PER)

- Includes Environmental Report (ER), if required.
- Once again, recognize the PER is a planning document, not final design.
- The PER should be prepared for the 'entire project' being proposed, even if construction phasing is anticipated. Cost Estimates should represent the 'entire' project cost of alternatives. For engineer recommended alternative, if project is to be phased then estimates are presented for each phase of the project. If, later on, circumstances result in changes to scope of work in a phase(s), then the approved project PER is amended (or updated) with new Phase Construction Estimate. Likewise map corrections are made to approved PER, if necessary, showing changes. One PER per project, regardless of phased construction.

27

Preliminary Engineering Report (PER)

Short Lived Assets (SLA)

- Reserves to replace/repair components
 "Useful life significantly less than the loan repayment period"
- Not daily/weekly/monthly O&M type items
- Three periods: 0-5, 5-10, and 10-15 years
- Provide in a tabular form or simply list in PER
- Also in 1780-2 (appendix A)

28

Short Lived Asset Examples

Asset	Years			
	5	10	15	20
Pumps (years depends on type)	X	X	X	X
Motors		Individual X		
		Motor X		
Task Printing			X	
Control Valves		X	X	
Inspectional Equipment	X	X	X	
Computer Equipment/Software		X		
Control Equipment		X		
		Gauges X		
		Transmitters X		
		Sensors X		
Power &/or Specialty Equipment			X	
Vehicles			X	
Lab Equipment		X		
Tools		X		
Emergency Generator		X		
Tank Cathodic Protection Replacement		X		
Filter Media Replacement		X		

29

Preliminary Engineering Report (PER)

RD Review of PER

- Have all viable alternatives been considered?
- Was the analysis of alternatives thorough/reasonable?
- Is there enough technical data included for all listed alternatives to make sound recommendation?
- RD engineer or specialist may visit the site to review and meet with borrower to discuss alternatives.
- Were Bulletins fully addressed?

30

Preliminary Engineering Report (PER)

RD Review of PER

Part of The Rural Development State Engineer's assigned duties is to "Provide borrower guidance in the negotiation of engineering design and RPR fees". Engineering fee breakdown should accompany submitted PER

- If proposed engineering fees for design & RPR services do not appear to be modest and reasonable for the scope of work defined in the PER, the engineer will be notified of this in the PER approval letter. Engineer is provided opportunity to defend fee being requested, or fees should be adjusted 'prior' to submitting Owner/Engineer Agreement to RD for approval.

31

NATIONAL ENVIRONMENTAL POLICY ACT OF 1969 (NEPA)

- Congress authorized and directed that, to the fullest extent possible, all agencies of the Federal Government shall include in every recommendation or report on proposals for legislation and other major Federal actions significantly affecting the quality of the human environment, a detailed statement by the responsible official on:
 - (i) The environmental impact of the proposed action.
 - (ii) Any adverse environmental effects which cannot be avoided should the proposal be implemented.
 - (iii) Alternatives to the proposed action.
 - (iv) The relationship between local short-term uses of man's environment and the maintenance and enhancement of long-term productivity.
 - (v) Any irreversible and irretrievable commitments of resources.

32

ENVIRONMENTAL

- In the past, there were two environmental regulations:
 - ☐ 7 CFR 1794 was used for Rural Utility Service (RUS) projects.
 - ☐ 7 CFR 1940, Subpart G, was used for Rural Housing and Rural Business-Cooperative service.
- Both have now been replaced by 7 CFR 1970 (2016) – Environmental Policies & Procedures.
 - ☐ Establishes agency-specific policies and procedures.
 - ☐ Classifies agency actions into NEPA levels of review.
 - ☐ Describes public involvement requirements.
 - ☐ Must complete environmental review before a commitment of agency resources is made.
- NEPA thereby applies to all RD actions – loans, grants, and guarantees

33

ENVIRONMENTAL

Categorical Exclusion (CE)

Environmental Assessment (EA)

Environmental Impact Statement (EIS)

- Increasing Complexity
- Categorical Exclusions:
 - Minimal to no effect individually or cumulatively; but...
 - Consider "Extraordinary Circumstances" – When a normally CE action, due to a unique situation presented by a specific proposal, requires further analysis (Present unique risks or uncertainties about impacts. Where a violation of law or environmental protection procedures may occur...ie: wetlands, endangered species, historic properties).

34

ENVIRONMENTAL

- The Environmental Information must include:
 - Detailed project description.
 - Full environmental resource documentation.
 - Applicant must have an understanding of any necessary and required studies (i.e. Cultural resources, listed species).
 - Are there other Federal agencies that have done, or will be doing NEPA on the same action? Cooperate, adopt, or incorporate by reference. Try and minimize duplication of effort.

35

AGREEMENTS

- Owner/Engineer Agreement to use on RD funded projects is EJDC E-500 (2014)
 - Submit three original sets for RD concurrence 'after' PER review completed.
 - Completed per 1780-26, Exhibit A.
 - Mandatory revisions per 1780-26, Exhibit B (either make revisions or include exhibit)
 - Include RUS Certification Page 1780-26, Exhibit C (if contract over \$25,000)
 - Once submitted, RD will first conduct a debarment check.
 - RD Specialist will review for completeness and forward to SE.
 - SE, upon concurrence, will provide Owner/Engineer concurrence letter.
- Prior to bid advertisement, submit to RD for concurrence the Final Plans & Specification (Project Manual). RD State Engineer will provide a concurrence letter.

36

AGREEMENTS

Construction Documents
 Engineers Joint Contract Document Committee (EJCDC) (2013),
 with RUS Bulletin 1780-26 (4/11/2014) for guidance.

Contract Document Checklist
 Table of Contents.....Engineer
 Advertisement for Bids.....EJCDC C-111
 Instruction to Bidders.....EJCDC C-200, as modified by RUS Bulletin 1780-26 (2014)
 Bid Form.....EJCDC C-410, as modified by RUS Bulletin 1780-26 (2014)
 Bid Bond.....EJCDC C-430
 Statement of Contractor's Qualifications.....EJCDC C-451
 Compliance Statement.....Form RD 400-6 (2009)

37

AGREEMENTS

Contract Document Checklist (continued)
 Certification Regarding Debarment.....Form AD-1048 (1992)
 Certification for Contracts, Grants & Loans.....RD Instruction 1940-Q, Exhibit A-1 (1991)
 Notice of Award.....EJCDC C-510
 Agreement.....EJCDC C-520 as modified by RUS Bulletin 1780-26 (2014)
 Performance Bond.....EJCDC C-610
 Payment Bond.....EJCDC C-615
 Cert. of Owner's Attorney/RUS Concurrence.....RUS Bulletin 1780-26, Ex. 1 (2014)
 Standard General Conditions.....EJCDC C-700
 Supplementary General Conditions.....EJCDC C-800 as modified by RUS Bulletin 1780-26 (2014)
 Special Conditions.....Prepared by Engineer
 Resident Project Representative Services, Exhibit D.....EJCDC E-500 (2014)
 Davis-Bacon 29 CFR 5.5.....RD version (only req'd if other funding sources mandate)

38

AGREEMENTS

Contract Award:

- Submit the three lowest bids to Rural Development for review
- Letter of Recommendation from engineer to award

39

Construction Management

- Pre-Construction Conference
 - No required format (Engineer prepares)
 - All parties to sign forms
 - Review project scope
 - Introduce all players
 - Review change order procedure
 - Only Rural Development can obligate Rural Development funds
 - Review contractor's construction schedule
 - Pay Request procedures with or without interim financing
 - Engineer to distribute written record

40

Construction Management

- Inspection
 - If a contract is for full time inspection then the RPR assigned should not at the same time be inspecting another project. If they are, then this is not full-time inspection.
 - Daily reports/logs (can be submitted to RD monthly) need to be specific in discussing daily activities at project site. Should discuss whom onsite, work taking place, troubles encountered (if any), and progress made.
 - Contractually, the Project Engineer is to visit the site at least once per month during construction. Visits should be documented and submitted with the daily reports.

41

Change Orders

- All change orders need to be pre-approved by Rural Development.
- Only Rural Development has the authority to obligate federal funds.
- Call Scott or Loan Specialist for verbal OK if time is critical.
- The change order should clearly define what is in the change order, what the funding source will be, provide justification in the need for the change order.

42

Change Order

- Work performed prior to change order approval is at the contractor's risk.
- DO NOT include in pay request before the change order is approved.
- In Unit Price Contracts, any work done in excess of estimated quantity (per line item) requires a change order, even if the other line items will be under the final balancing of all the construction categories.

43

Retainage

- Follow state law.
- 10% retained until 50% complete.
- 5% retained until substantially completed (95%).
- Retainage will not be reduced without prior approval from Rural Development.
- Will need to amend EJCDC Agreement.

44

Substantial Completion Date

- It is the Engineer's responsibility to notify Rural Development in writing with the substantial completion date for each contract.

45

Project Close Out

- Substantial Completion.
- Final Completion.
- Final Contract Payment.
- Warranty Inspection.

46

Remaining Funds

- Remaining Funds (Typically Grant Dollars).
- Not to be use to complete a "Wish List".
- Needs identified in the initial scope and budget of the project (is it in the PER?).
- Priority to ADA/Accessibility needs of applicant.
- Proposed use of funds must be for eligible project costs.
- On multi-phased projects, cannot move grant dollars to later phases.

47

Paving


- Rural Development Water/Waste is not in the street reconstruction business.
- We only fund repair from trenching, etc. (Normally 10 feet).
- More than 10 feet of street repair may be authorized if there are mitigating circumstances. This is a case by case basis and only area specific. This is not for an entire project. Poor condition of the existing street is not a mitigating circumstance.
- Other Funding Sources for Paving (RD CF program or BND).

48

Handling Multiple Funding Sources

- Can put all in one contract.
- Prorate engineering fees.
- Clearly identify what fund to be used in pay requests (Engineer or Contractor).

49



Water Treatment Projects

50



Water Reservoirs Projects

51

Sanitary Sewer Treatment Facility Projects



52

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53