

Drinking Water Revolving Fund (DWRF) Loan Application Instructions for Completing the Project Cost Worksheet

1. Entering Cost Figures

To complete the Project Cost Worksheet, enter costs incurred to date in the first column and estimated costs in the second column. **Please use whole dollar amounts for all entries.** A budget line item may have costs entered in each column; however, the entries must accurately reflect the division between incurred costs and estimates (i.e., the costs in the second column must not be a cumulative total). If you have any questions concerning which line an item should be entered on, please contact your DEQ project manager for guidance.

2. Supporting Documentation

Adequate documentation must be attached to your Part II submittal to support the costs included on the Project Cost Worksheet. Please check the box in the third column on each requested line item.

- For incurred costs, adequate supporting documentation means proof of billing or payment for each cost that is to be reimbursed by DWRF funds. For engineering costs, this means copies of the monthly invoices from your consulting engineer.
- For estimated costs, adequate supporting documentation means either an executed contract or an invoice or letter from the vendor detailing the services to be rendered and their costs.
- For work performed by municipal employees (force account work), adequate supporting documentation means summaries that list the title or classification, hours worked, hourly wage rate, and indirect costs (e.g., fringe benefits, travel expenses, etc.) of each municipal employee involved in DWRF project administration (Line 5), project construction inspection (Line 12), or actual project construction (Line 14). For incurred costs, the summaries must be based on time sheets, daily logs, or other records that detail the actual hours worked. The services provided by each employee must be described in brief and specifically linked to the DWRF project. The term "municipal employee" refers to permanent staff on the current payroll of either the applicant or the municipality for which the DWRF project is being constructed. Please also note that the actual hours worked must be accounted for each municipal employee; a summary of estimated hours will not be accepted when the final project costs are reviewed by your DEQ project manager.
- For equipment (Line 15) and miscellaneous items (Line 16), adequate supporting documentation means a letter that details the purpose and cost of each item for which DWRF reimbursement of the purchase cost is being sought.
- For land purchases (Line 11), adequate supporting documentation means a letter that details the location, acreage, and need for each land purchase for which DWRF reimbursement is being sought, appraisals and review appraisals (or market study, if appropriate), the initial purchase offer, and the final purchase agreement.

3. Executed Contracts

Please note that a contract between the municipality and the vendor must be executed for each service that has been or is to be rendered in the design or construction of a DWRF project if the cost of such service is greater than \$50,000. An executed copy of each contract must be enclosed with your Part II submittal.

Line-By-Line Completion Guidance

Line 1 – Planning Costs

The costs associated with planning activities directly related to the project for which DWRF assistance is being sought should be placed on Line 1. Please see the **Drinking Water Revolving Fund Eligibility Guidance** for further details on eligible planning activities.

Line 2 – Revenue System Development Costs

The costs associated with the development or updating of the municipality's system of user charges to cover the costs of project construction, operation, and maintenance should be placed on Line 2.

The costs to develop and pass intermunicipal service agreements or rate methodologies that are necessary for the proposed project are eligible for DWRF reimbursement and may be included on Line 2.

Line 3 – Design Engineering Costs

The costs associated with DWRF project design should be placed on Line 3.

Reasonable carrying charges (i.e., at the prevailing interest rate) assessed by an engineering firm that accepts deferred payment for its design work are eligible for DWRF reimbursement and may be included on Line 3.

All costs associated with municipal borrowing that was necessary to pay for the DWRF project design work, including interest payments, are eligible for DWRF reimbursement and may be included on Line 3, provided the debt instrument can be retired at the time of DWRF loan closing. Interest paid on moneys transferred from one municipal account to another is not eligible for DWRF reimbursement and must not be included on Line 3.

Line 4 – Legal/Financial Service Fees

The costs associated with financial adviser services directly related to the DWRF project should be placed on Line 4.

The cost to obtain a credit opinion from a recognized rating agency (e.g., Fitch's, Moody's, or Standard & Poor's) is eligible for DWRF reimbursement and may be included on Line 4.

The costs associated with legal services directly related to the DWRF project should be placed on Line 4.

Line 5 – Administrative Costs

The eligible costs associated with the administration of the DWRF project by municipal employees should be placed on Line 5. Appropriate supporting documentation, as delineated on Page 1 of these instructions, must be attached to the Part II submittal. The Force Account Project Administration/Technical section of the **Drinking Water Revolving Fund Eligibility Guidance** should be consulted for a breakdown of eligible and ineligible cost items.

When a county serves as the applicant for a group of municipalities or for a municipality which lacks an investment grade bond rating, the work performed by county employees is eligible for DWRF reimbursement and may be included on Line 5. The salary, fringe benefits, and travel expenses of elected officials are not eligible for DWRF reimbursement and must not be included on Line 5.

The costs associated with a millage election held to increase the local property tax in order to pay for debt incurred in completing a DWRF project, or the costs associated with a referendum required to implement the intended method of financing, are eligible for DWRF reimbursement and may be included on Line 5.

Line 6 – Bond Counsel Fees

The costs associated with bond counsel services rendered for the applicant and directly related to the DWRF project should be placed on Line 6.

Line 7 – Bond Advertisement Costs

Although the municipality will not need to publish a bond advertisement since a buyer for the DWRF bonds has already been identified, it may find it necessary to publish a notice of intent to sell bonds to satisfy statutory or charter requirements. The cost to publish this notice of intent is eligible for DWRF reimbursement and may be included on Line 7.

Depending upon the state statute under which the municipality will be bonding to finance the DWRF project, it may be necessary to hold a public referendum. When necessary to comply with state statute, the cost to publish a referendum notice is eligible for DWRF reimbursement and may be included on Line 7.

Line 8 – Bid Advertisement Costs

The costs associated with publishing bid advertisements on The Michigan Infrastructure and Transportation Association's website or in a local newspaper or other publication should be placed *on Line 8*. The invoices for these publications should be sent to your DEQ project manager as soon as they are received.

Line 9 – Capitalized Interest

Please leave this line blank. Your DEQ project manager will complete this line upon receipt of your Part III application.

Line 10 – Land Acquisition/Relocation Costs

Federal regulations implementing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 are applicable to the acquisition of land necessary for projects receiving DWRf funding. Some examples of land acquisition/relocation costs that might be placed on Line 10 include:

- (1) The costs of a necessary appraisal of any property to be acquired for DWRf project construction, including any studies necessary to properly value improvements, minerals, timber, or other resources on the property.
- (2) The costs of surveys and legal boundary descriptions of any property to be acquired for DWRf project construction.
- (3) The costs of necessary services associated with the acquisition of property for DWRf project construction such as title searches, lease or easement agreement preparation, legal descriptions of the property, legal notices, and closing costs (e.g., transfer tax, evidence of title, recording fee).
- (4) The costs associated with the planning of necessary relocations as well as the actual reasonable moving and related eligible expenses for persons, businesses, or farms displaced by the DWRf project construction.

Line 11 – Land Purchase Costs

The costs associated with eligible purchases of land should be placed on Line 11. Since a number of conditions affect the eligibility of land purchases, please see the **Drinking Water Revolving Fund Eligibility Guidance** for further details.

Line 12 – Construction Engineering Costs

The costs associated with construction engineering services, including resident inspection, should be placed on Line 12.

A municipality may choose to use its own staff to perform resident inspection, either independent from or concurrent with resident inspection performed by a contracted engineering firm. If you wish to receive DWRf reimbursement for resident inspection performed by municipal employees and also intend to have an engineering firm provide inspection services, a letter that justifies the need for the force account inspection must be attached to your Part II submittal and the dollar amount for force account resident inspection must be placed on Line 12, not on Line 14.

A municipality may choose to establish a line item in a construction contract to pay for resident inspection instead of including such inspection costs as part of an engineering contract. This alternative method of paying for resident inspection will appear in a bid proposal under a reference such as “equivalent crew days” or “inspector days.” If this alternative method is selected by an applicant, the dollar amount for this line item in the accepted bid must be placed on Line 12, not on Line 13. Please also note that a special condition will be added to the DEQ Order of Approval to forbid double accounting of resident inspection costs and to preclude DWRf participation in any bonus payment

Line 13 – Construction Costs (Bid Contracts)

The costs associated with project construction that has been or will be competitively bid should be placed on Line 13. For construction contracts for which an award of contract has not yet been made, enter your consulting engineer's estimate; your DEQ project manager will complete this line with the actual bid amount upon the approval of your Part III application.

Line 14 – Construction Costs (Force Account)

The costs associated with actual construction that has been or will be performed by municipal employees should be included on Line 14. Since a number of restrictions apply to force account construction, please see the **Drinking Water Revolving Fund Eligibility Guidance** for further details.

Line 15 – Equipment Costs

The following are some examples of costs that might be placed on Line 15:

- (1) The cost to the owner to acquire DWRP-eligible furnishings for the treatment plant.
- (2) The cost to the owner to acquire a package treatment unit to be installed by municipal employees or an independent contractor.
- (3) The cost to the owner to acquire a standby power generator to be installed by municipal employees or the general contractor.
- (4) The costs to the owner to acquire DWRP-eligible water meters to be installed by municipal employees or an independent contractor (see the **Drinking Water Revolving Fund Eligibility Guidance** for further details).
- (5) The costs to the owner to acquire DWRP-eligible waterworks system security measures to be installed by municipal employees or an independent contractor (see the **Drinking Water Revolving Fund Eligibility Guidance** for further details).

Please note that equipment that costs \$50,000 or more must be procured through a competitive bidding process (i.e., a contract must be awarded through an open, competitive bidding process whereby a solicitation to bid is made by means of a formally advertised public notice).

Line 16 – Other Project Costs

The following are some examples of costs that might be placed on Line 16:

- (1) The costs associated with the mitigation of adverse environmental impacts that are the direct result of project construction or operation.
- (2) The costs associated with the cleanup of contaminated soil at a site that is directly affected by DWRP project construction (e.g., contamination encountered in a water main trench or within the footprint of a treatment works building).
- (3) The costs associated with utility relocations performed by local power company personnel.
- (4) The costs associated with the performance of soil borings or compaction testing that is not covered under the project's principal construction engineering services contract.

- (5) The costs associated with videotape or photographic recordings of the project site prior to the start of construction.
- (6) The costs associated with the compilation of or project-related revisions to an Operations & Maintenance Manual produced by the waterworks system staff or an independent contractor.
- (7) The purchase of public water supply capacity from another supplier (see the **Drinking Water Revolving Fund Eligibility Guidance** for further details).

Please note that any good or service that costs \$50,000 or more must be procured through a competitive bidding process.