

Guide for Engineering-Services-Only SRF Projects



SC Department of Health and Environmental Control

This guide outlines the process for implementing Engineering-Services-Only (ESO) projects that are funded by the South Carolina Clean Water (CW) and Drinking Water (DW) State Revolving Fund (SRF) programs. ESO projects are SRF-eligible wastewater, stormwater or drinking water projects where funding from the CWSRF or DWSRF will cover the cost of the engineering services needed to study, plan, design, permit, bid, prepare reimbursement requests, and/or provide construction oversight. Construction for ESO projects will be funded by the sponsor and/or other funding sources.

Because SRF is not funding construction activities for ESO projects, the SRF federal requirements related to construction bidding, contracting, implementation, and administration are **not** required. Please note that other funding sources may have requirements related to construction activities that must be met.

Project sponsors and their consultants should coordinate closely with the DHEC SRF project manager assigned to the project regarding the specific engineering services that will be funded by the SRF program, the types of deliverables that will be required, and the non-construction federal requirements that will apply to the project.

General Outline of the Process and Funded Activities for ESO Projects

1) Project Initiation

The project sponsor or engineer will submit a CWSRF Project Questionnaire (DHEC 3461)* or DWSRF Project Questionnaire (DHEC 3463)* to DHEC. The project sponsor must submit a *Utility Sustainability Assessment Form* (DHEC 0574)* and be deemed sustainable prior to receiving SRF funding. Projects will be identified for funding on an Intended Use Plan. DHEC SRF staff will notify the sponsor that their ESO project has been identified for CWSRF or DWSRF funding and identify the DHEC SRF project manager for the project. The DHEC SRF project manager will contact the project sponsor and/or the sponsor's engineer to request a detailed scope of work, a detailed cost estimate and a project schedule.

2) SRF Loan Document and Completion

The DHEC SRF project manager will coordinate with the sponsor, the sponsor's consultant and SRF Staff with the SC Rural Infrastructure Authority (RIA) SRF staff to prepare the Loan Agreement (LA - regular loan projects) or Loan Assistance Agreement (LAA - principal forgiveness projects). RIA staff will contact the sponsor about the bond ordinance or resolution that needs to be approved by the sponsor's governing body (e.g., town council, utility board, etc.). Once the bond

ordinance or resolution is finalized, RIA staff will work with the sponsor to complete and execute the LA or LAA.

3) Engineering Services

Below is a general discussion of the types of engineering services that can be funded by the SRF program along with guidelines and requirements that apply to those services. Engineering services fall into two broad categories: 1) Planning and Design, and 2) Construction Engineering.

Planning and Design

a) Preliminary Engineering Report

A Preliminary Engineering Report (PER) is required for ESO projects and should be prepared in accordance with PER guidance documents for CWSRF and DWSRF projects (see the SRF webpage, scdhec.gov/srfguidance). Costs associated with preparation of the PER can be reimbursed by the SRF program. The SRF project manager will review and approve the PER. Because environmental reviews are related to construction activities, the SRF program will **not** conduct environmental reviews for ESO projects. However, the SRF program can reimburse costs associated with engineering services required to perform an environmental review, if needed, and to obtain environmental permits for construction such as stormwater permits or 404 permits required by the Corps of Engineers.

b) Construction Permit

ESO projects that require a construction permit will follow the requirements and procedures used by DHEC for non-SRF projects. The plans and specifications needed to support a permitting decision will be those required for non-SRF projects. Therefore, SRF contract conditions ("Appendix A") and bidding forms will not be required to be submitted with the construction permit application package. Furthermore, federal requirements related to construction activities, such as Davis-Bacon wage rates, American Iron and Steel, Build America Buy America, and Disadvantaged Business Enterprises, will not be required by SRF.

c) Bidding and Contractor Selection

The SRF program can reimburse costs associated with engineering services needed to support the bidding and contractor selection process. The bidding process and the development and execution of contractual documents for construction services will be the sole responsibility of the sponsor of the ESO project. The SRF program will not review or approve any bid-related documents or be a party to the contractor selection process.

Construction Engineering

a) Engineering Services for Construction Oversight

The SRF program can reimburse costs associated with engineering services needed to perform construction oversight. These costs may include monitoring or reporting required by the sponsor, preparing change orders, responses to RFIs and shop drawing requests. For ESO projects, the following SRF forms are **not** required to be completed and submitted to DHEC: *Monthly Construction Inspection Report* (DHEC 3587 or DHEC 4366)*, *Project Sponsor's Davis-Bacon Certification* (DHEC 2557)*, *Project Sponsor's American Iron and Steel Certification* (DHEC 0962)*, and *Project Sponsor's Build America Buy America Certification* (DHEC 4359)*. However, the SRF program should be provided copies of any construction inspection or progress reports required by the sponsor and/or another funding source (e.g., RIA Quarterly Progress Reports).

b) Preparing Reimbursement Requests

The SRF program can reimburse costs associated with engineering services needed to prepare and submit reimbursement requests including reimbursement requests for construction services [see "Disbursements" section below].

c) Finalizing Construction and Approval to Operate

The SRF program can reimburse the costs associated with engineering services needed to prepare record drawings/as-builts and obtain the Approval to Operate.

4) Disbursements

The State Revolving Fund disbursements are reimbursements for expenditures by the sponsor. Because an ESO project does not include costs associated with construction, the sponsor can request SRF reimbursement by submitting an SRF draw request for eligible project costs once the LA or LAA has been signed and eligible costs have been incurred. SRF draw requests, with supporting documentation, are submitted to DHEC for review and approval. Once the SRF draw request has been approved, reimbursements are issued to the sponsor by the SC Office of the State Treasurer through RIA. Costs associated with draw request preparation also are reimbursable through the SRF.

For the Planning and Design portion of the project, reimbursement can be requested at the following project milestones: (1) PER submittal; (2) 30% design; (3) 60% design; (4) 90% design; (5) issuance of a construction permit or, if one is not required, a letter of approval; and (6) completion of the bidding phase. The sponsor must submit a cost estimate for engineering costs associated with each of these categories to both RIA and DHEC prior to signing the LA or LAA. An executed engineering agreement should also be submitted at this time. For the construction engineering portion of the project, reimbursement will be made for eligible costs incurred during the construction phase of the project.

A 10% retainage will be held on reimbursements for engineering services until the final draw request has been received.

Prior to processing the first draw request, the sponsor must designate and authorize the individuals that will be responsible for administration of the LA or LAA and processing draw requests. The names of the designated individuals must be provided in writing on the *Official Designation and Signature Form* (DHEC 3586)*. Two original forms must be executed with one original submitted to SRF at DHEC and the other original submitted to RIA. This form requires the sponsor to:

- Designate a “Sponsor Representative” to attend to disbursements, payments and other matters pertaining to administration of the LA or LAA. This individual must be an official or employee of the project sponsor.
- Identify and provide signatures of the two persons authorized to sign draw requests. These two individuals should be the designated Sponsor Representative and the project engineer.

Draw requests must be submitted on the appropriate DHEC form:

- 1) *Draw Request Form — Loan* (DHEC 3585)*; and,
- 2) *Draw Request Form — Principal Forgiveness* (DHEC 2560)*.

Draw requests shall include no less than one month of incurred costs and shall not be submitted more often than once per month.

The final draw request and disbursement for the ESO project will be processed once all required documentation (e.g., record drawings/as-builts, Final Approval to Operate) has been submitted to DHEC and approved by the DHEC SRF project manager.

See appropriate Disbursement Package at scdhec.gov/srfguidance for more detailed guidance.

***DHEC forms referenced in this document can be found at: scdhec.gov/srfforms.**

