

Design-bid-build is the preferred project delivery method for completing a project. Other methods of delivery will be considered only upon written request and Agency concurrence. The following guidance outlines the requirements of using the Owner Construction delivery method as provided for in RUS Instruction 1780.67. The guidance outlined in this document also pertains to all Owner Performed Services and activities such as inspections, engineering, easements, environmental assessments, acquisitions or other tasks necessary to complete the project. These methods will require significantly more management time of the Owner and the Agency.

Under this delivery method the Owner is responsible for performing all or part of the work. An Owner may accomplish construction or services by using their own personnel and equipment provided the Owner possesses the necessary skills, abilities and resources to complete the work in a reasonable time; there is a proposed cost savings; use of funds is appropriate; and the Agency determines this method is in the best interest of the government compared to traditional procurement methods.

Conditions for using the Owner Construction or Owner Performed Services delivery method are:

1. **Agency Concurrence:** The Owner's written request to the Agency for authorization to utilize Owner Construction or Owner Performed Services will be submitted with the PER See Attachment A for information to be submitted for Agency authorization. The Agency will provide written concurrence to the Owner in the Letter of Conditions (LOC). The LOC will outline the scope of work, approved project costs and the completion schedule. Only approved project costs will be reimbursed.
2. **Engineering Services:** The Owner will retain professional engineering services for planning, design, and construction of the project. The specific services of the Project Engineer may have to be modified to interface properly with the Owner Construction or Owner Performed Services. An in-house engineer may be utilized subject to prior Agency concurrence.
3. **Procurement:** Leases, materials, supplies, and contracted services must be procured using Agency regulations and methods outlined in RUS Instruction 1780.70 and 1780.72.
4. **Drawings and Specifications:** Drawings and Specifications will be submitted for review and concurrence by the Agency State Engineer, prior to the start of construction.
5. **Permits and Approvals:** The Owner will obtain all necessary permits and approvals, prior to the start of construction.
6. **Insurance:** The Owner is required to provide insurance for the construction project and will propose specific amounts and types of insurance to the Agency after consultation with their Project Engineer and insurance agent. Agency concurrence with the amounts and types of insurance is required.

7. **Preconstruction Conference:** A preconstruction conference with the Owner, Project Engineer, and Agency will be held prior to the start of construction. The Agency will provide written concurrence prior to start of construction with a Notice to Proceed. See Attachment C that provides the written Notice to Proceed with construction as well as the General Conditions for Owner Construction.
8. **Operating Capital:** Documentation will be provided to show that the Owner has the required operating capital or availability of operating capital in a sufficient amount to be able to pay all material, labor, supplies, and other expenses associated with the construction of the proposed project. The operating capital must be sufficient for the Owner to provide the construction services without any stoppage due to a lack of funding while waiting for Agency reimbursement. Operating capital for construction services will not be reserved or taken from enterprise funds of the facility. A line of credit is the preferred option.
9. **Progress Reports:** Once a month the Owner will report progress in relation to the completion schedule to the Agency Processing Office. This report will include any updated projections for the project. Owner and Engineer will use IA Guide E-1, Monthly Construction Monitoring Report, or similar format and address each item.
10. **Changes in Agreement between Owner and Agency:** The Letter of Conditions (LOC) is the Agreement between the Owner and Agency. After the Owner has signed the Letter of Intent to meet the LOC, any changes in the scope of work, the project cost, or the completion schedule will require an amended Letter of Conditions.
11. **Change Orders:** The Owner will consult with the Agency prior to any changes in the Agency approved Plans and Specifications. If the Agency concurs in a change to the approved Plans and Specifications, an Agency approved change order form will be signed by the Owner, Project Engineer, and Agency. No changes are to be completed until the Agency signs the change order.
12. **Final Completion:** The Project Engineer will certify that the completed project was constructed in accordance with Owner approved and Agency accepted Drawings, Specifications, and approved change orders. The Owner will certify the work was completed in accordance with the accepted Drawings, Specifications, and approved change orders, and that the project was managed and conducted in accordance with Federal, State, and local requirements.
13. **Payment for Owner Construction or Owner Services:** Reimbursement made to the Owner will be limited to items approved in the Letter of Conditions. Requests for reimbursement of eligible costs shall be submitted to the Agency Processing Office once a month while work is in progress. Owners will use Form RD 1924-18, Partial Payment Request.
 - A. The following items are eligible for reimbursement:
 - i. Materials and supplies purchased for the project.
 - ii. Outside contract labor, contracted services, engineering, or legal services.
 - iii. Costs of fuel used to construct the project.
 - iv. Leased/rental of equipment.
 - v. The owner may be reimbursed a reasonable fee for construction work or services completed by their own personnel on the proposed project. The

following will be provided for Agency concurrence to determine who will be reimbursed, what work or service will be reimbursed and at what reasonable fee:

- a) The Owner will prepare a list of work activities or job classifications for the proposed project. A job classification is a method of describing the major work activities that will be performed by the Owner's employees. A job classification may include a laborer, equipment operator, electrician, easements, environmental assessment, project foreman, inspector, engineer, or other Owner defined job. Any number of employees may work on any job classification. The list requires written Agency concurrence.
- b) The Owner's hourly rate for each job classification in dollars per hour will be a reasonable fee established by evaluating other similar job classification hourly rates. The Owner will provide documentation on job classification rates from contractors, service providers, and work the Owner has completed on similar projects. If several job classifications have the same hourly rate the job classifications may be combined. The hourly rates require written Agency concurrence.
- c) The Owner will prepare an estimate of the amount of time needed for each job classification, the hourly rate and the total cost estimate for the proposed project.
- d) Each employee will have time sheet(s) documenting all hours worked per pay period. The time sheet will show work hours on the Agency funded project and any work hours on non-Agency project(s). The time sheet will show the amount of time for the each job classification the employee performed on the Agency funded project. In addition a monthly summary will be provided for each employee for hours worked on the Agency funded project for each job classification expensed.

B. The following items are not eligible for reimbursement:

- i. Rent or depreciation of Owner owned equipment and tools.
- ii. Owners administrative work on a project such as general office duties, purchasing materials, payroll, accounting, and executive staff time. Only preapproved job classifications are a reimbursable cost.
- iii. Purchase of tools or equipment to complete the project.
- iv. The cost of fuel for non-construction services such as inspections, easements, or user sign-up.

Attachment A

1	A statement identifying the work to be accomplished using Owner Construction, and/or Owner Services, the work to be contracted, and the work to be accomplished by other delivery methods.	
2	Name of the Project Engineer who will design the project along with the role of the Project Engineer.	
3	A description of the sequence of construction and a proposed construction schedule.	
4	A detailed listing and cost estimate of materials, fuel, and supplies necessary to construct the facility.	
5	List of job classifications with estimate of time, reasonable fee for each classification with supporting documentation, and estimated total project cost.	
6	A detailed analysis comparing the proposed itemized costs of the project using Owner Construction and/or Owner Services versus using the Preliminary Engineering Reports itemized costs of conventional design-bid-build methods. The comparison must be based on recent similar projects and show the costs savings to the Owner and Agency.	
7	The quality control measures the Owner will employ to oversee the project including a resume of qualifications of the resident inspector for Agency concurrence. The Owner will also describe the resident inspector's role, responsibilities and reporting requirements.	
8	Certification of Cost Accounting Plan (Attachment B). A cost accounting system for accumulating and documenting costs against work performed by an owner. This is an accounting system used by the owner across multiple projects to determine how direct costs (such as reimbursement for labor) and indirect costs (such as overhead) are allocated to specific projects. The cost accounting system should address how all costs realized by the owner are handled, including those that cannot be paid with Water and Waste Disposal program funds. The cost accounting system identifies direct costs and tracks what project they are related to and identifies indirect costs and determines the proper method for allocating those costs (such as overhead) to various projects. Cost accounting systems must be consistent with the cost principles of either OMB Circular A-87 (for local and tribal governments) or A-122 (for not-for-profit corporations).	
9	A statement certifying the Owner will comply with all Federal, State, and local requirements.	
10	Ability to accomplish the work in the proposed timeframe. This shall include a breakdown of the following: <ul style="list-style-type: none"> • Staffing availability (include current staff and any additional hiring necessary). • Person(s) who will be responsible for supervising the construction project, along with a description of their experience. This person(s) will be present during all construction activity. • Equipment owned by the Owner, and equipment that will need to be rented/leased. • Person(s) who will be responsible for the cost accounting for the construction project, along with a description of their experience and an assessment of time available to allot to the project. • Other projects (including maintenance) which will coincide with, and could affect this project. 	
11	Past performance of similar work. This shall include a breakdown of the following: <ul style="list-style-type: none"> • A description of the scope of the work completed, • A comparison of the final cost of the completed project to the original project cost estimate • Justification for any cost overruns on past project. 	
12	Documentation that sufficient operating capital is available to construct the project.	

Attachment B

Sample Certification of Cost Accounting Plan

Borrower XYZ
Main Street
Anytown, USA 12345

Re: Project ABC

Dear Borrower:

The Cost Accounting Plan for the subject project, which is proposed for the owner construction project delivery method, has been developed by me or under my supervision. I hereby certify that to the best of my knowledge and belief the Cost Accounting Plan complies with all applicable requirements of 7 CFR 1780 and with all requirements of the Water and Environmental Programs Owner Construction & Owner Performed Services Requirements guidance for Iowa Community Programs dated December 2, 2011. This certification is not intended to be a warranty, but rather my professional opinion that the document complies with these requirements.

Sincerely,

Accountant

Cc: USDA Rural Development Processing Office

Attachment C

Owner _____ **Project** _____

This document outlines the requirements that the Owner must follow in constructing this Project with their own staff and resources as outlined in the PER concurred in by Rural Development (RD). This document will serve as concurrence in Notice to Proceed when signed by RD. Attached are General Conditions that the Owner agrees to by signing this document. Any contract for Construction will use RD approved forms, will follow RD approved procurement procedures, and must be reviewed by RD prior to Award of Contract.

The following Owner Construction documents must be submitted to Rural Development for review and concurrence prior to the pre-construction conference and issuance of the Notice To Proceed.

- Plans, specifications, permits, Rights-of-Way, and any Contracts for the Work.
- Construction cost estimate based on plans concurred by RD. (Approximately 80% of the materials and equipment quotes have been obtained for this cost estimate)
- Construction Schedule.
- Equipment depreciation schedule.
- Itemized list of all expenses estimated to complete the Work.
- Names of all workers and hourly wage rate.
- Owner procurement methods and procedures.

Owner hereby agrees to the attached general conditions, will preform the Work shown in the Plans and Specifications, and will complete the Work as shown in the Construction Schedule.

Owner _____

By _____ Date _____

USDA Rural Development concurrence for Owner to proceed with construction.

As lender or insurer of funds to defray the costs of this Project, and without liability for any payments hereunder, the United States of America, United States Department of Agriculture, Rural Development hereby concurs in the Notice to Start Construction:

RURAL DEVELOPMENT

By _____

Title _____ Date _____

GENERAL CONDITIONS FOR OWNER CONSTRUCTION

The Owner must give all notices and comply with all laws, ordinances, rules, and regulations bearing on the conduct of the Work as specified in the Plans, Specifications, and permits. The Owner agrees not to sublet or assign this Work without the written consent of Rural Development.

Owner's Procurement Requirements:

Leases, materials and subcontracted services shall be procured using one of the four procurement methods outlined in RUS Instruction 1780.70 & 1780.72. The RD "Open and Free Competition on Water and Waste Projects" letter dated May 17, 2012, provides additional guidance.

Insurance:

The Owner will propose specific amounts and types of insurance to RD after consultation with their engineer and insurance agent. RD concurrence with the amounts and types of insurance is required. At a minimum, the following will apply:

- (1) The Owner shall purchase and maintain such insurance as is appropriate for the Work being performed and as will provide protection from claims which may arise out of or result from Owner's performance of the Work, whether such execution be by the Owner, any Contractor, any Subcontractor or Supplier, or by anyone directly or indirectly employed by any of them to perform any of the Work, or by anyone for whose acts any of them may be liable.
- (2) The Owner shall purchase and maintain property insurance upon the Work at the Project site written on a Builder's Risk "all risk" policy form. The United States of America acting through the United States Department of Agriculture shall be a certificate of holder.

Progress Reports and Partial Payment Requests:

The following Progress Reports and Partial Payment Requests must be submitted monthly and include the following information:

- (1) Form RD 1924-18, Partial Payment Estimate.
- (2) IA Guide E-1, Monthly Construction Monitoring Report. Include a summary of the work to date.
- (3) List of installed quantities (similar to bid tab sheet) showing the design estimated quantities, amount installed this pay period, and total amount installed.

- (4) Construction Transaction Tracking Summary, showing the approved expenses, amount requested this pay period, and total amount to date. The Tracking Summary will be provided to the Owner from the Agency at the pre-construction conference. For each line item on the Tracking Summary, a separate sheet itemizing all costs must be provided including supporting documentation (e.g. invoices).
- (5) Wages paid. A list showing the total hours each employee worked this pay period, hours worked on this Project, total wages and benefits paid.
- (6) Form RD 402-2, Statement of Deposits and Withdrawals or similar spread sheet.

Change Orders:

All changes affecting the Project's construction cost or modifications of the terms or conditions of the approved Construction Transaction Tracking Summary must be authorized by means of a written contract change order which is mutually agreed to by the Project Engineer, Owner and is concurred by RD. The contract change order will include extra work, work for which quantities have been altered from those shown in the specification schedule, as well as decreases or increases in the quantities of installed units which are different than those shown in the specification schedule because of final measurements. All changes must be recorded on a contract change order before they can be included in a partial payment estimate. Form RD 1924-7, "Contract Change Order" shall be used to record Project/Work changes.

Protection of Lives and Property:

In order to protect the lives and health of its employees the owner shall comply with all pertinent provisions of the Occupational Safety and Health Administration and any State Safety and Health agency requirements. The Owner alone shall be responsible for the safety, efficiency, and adequacy of its plant, appliances, and methods, and for any damage which may result from their failure or their improper construction, maintenance or operation.

Anti-Kickback:

The Owner shall comply with the Copeland Anti-Kickback Act (18 USC 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). This act provides that the Owner shall be prohibited from inducing, by any means, any person employed in the construction, completion, or repair of public facilities, to give up any part of the compensation to which they are otherwise entitled.