

Rural Development

November 10, 2021

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Michael Ridley
Tuscarora Township
3546 S Straits Highway
Indian River, MI 49749

SUBJECT: Tuscarora Township Phase 1 Sewer Expansion Project
USDA Review of the Draft Engineering Agreement
Prepared by: Performance Engineers, Inc.

Dear Mr. Ridley,

We have received a draft copy of the proposed engineering agreement for the above-mentioned project. Performance Engineers, Inc., the consulting engineer, has submitted a draft engineering agreement for our review. They have prepared the 2014 version EJCDC Agreement between Owner and Engineer for Professional Services (E-500) which is acceptable for use on our projects. With regard to the draft agreement supplied, we also have the following comments:

This project is subject to the American Iron and Steel requirements set forth in Rural Development's appropriation language of May 5, 2017. As such, the engineering agreement will need to be edited to reflect engineer's duties under the regulation. The required edits will be transmitted to your engineer accordingly.

AMERICAN IRON & STEEL COMPLIANCE STATEMENT

Section 746 of Title VII of the Consolidated Appropriations Act of 2017 (Division A – Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriation Act, 2017) and subsequent statutes mandating domestic preference applies an American Iron and Steel requirement to this project.

All parties are required to comply with these requirements and to ensure that all iron and steel products used in this project must be produced in the United States. The term "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.

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Procurement of architectural or engineering services for RD funded projects must be in accordance with our regulations. Our procurement requirements are included in RUS Instruction 1780.39 (b) and can be found at:

<http://www.rd.usda.gov/publications/regulations-guidelines/bulletins/water-and-environmental> .

Engineering Fees

According to Attachment C of the agreement, the fees for professional services are as follows:

Description of Service	Basis of Payment	Fee
Basic Services	Hourly Rates & Charges	\$654,238
Resident Project Representative	Hourly Rates & Charges	\$132,000
Additional Services	Hourly Rates and Charges	zero
	Total:	\$786,238

The construction budget for this project, as documented in the preliminary engineering report is \$4,962,000.

Rural Development has developed a fee guideline for total engineering fees for our Michigan projects. Our guideline includes total engineering fees (basic services, resident project observation, and additional services) versus total construction cost based on our experience with similar projects.

For this project, the total engineering costs are about 15.7% of the construction cost. We consider the fees to be within an acceptable range for a project of this size and complexity.

Engineering Schedule:

The owner must provide written authorization for the engineer to proceed for the deadlines to be in force. As stipulated in Exhibit A of the Engineering Agreement, the following are the engineer's deliverable deadlines.

Description of Service	Engineering Agreement Section	Copies	Deadline (days after written authorization)
Preliminary Engineering Report	Exhibit A Section 1.01A7	2	5 days after Effective Date of Agreement
Revised Preliminary Engineering Report	Exhibit A Section 1.01A8	3	5 days after receipt of Owner's comments
Preliminary (60%) Design	Exhibit A Section 1.02A6	2	120 days after written authorization to proceed
Revised Preliminary Design	Exhibit A Section 1.02A7	2	15 days after receipt of Owner's comments

Final Design submitted to RD and regulatory authorities	Exhibit A Section 1.03A5	2	15 days after Owner's comments on draft final design
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Please note that owner's timely response to the deliverables in the form of comments or approval is critical to moving the project forward. **All copies of written authorizations and comments shall be provided to Rural Development, so that deadline dates can be established and retained for our records.**

As a supervised credit agency, we review the engineering agreements and give you a second opinion based on our experience. Signing the agreement doesn't constitute further consideration for funding. When you are ready to sign the agreement, a signed digital version can be emailed. **When final signed agreement is prepared make sure the effective date of the agreement is written in on Page 1, and in the upper right-hand corner of each Exhibit. Owner and engineer must sign both the signature page of the agreement and the RUS Certification Page (RUS Bulletin 1780-26 Exhibit C).**

Rural Development will hold the signed agreement until the Letter of Conditions is signed and funds are obligated for the project. After obligation, agency concurrence will be given and the agreement can be distributed to the parties.

As always, if you have any further questions about engineering agreements or other engineering matters associated with your project, please do not hesitate to call me.

Sincerely,

Andrew H. Granskog, P.E.
State Engineer

cc Blake Smith, Area Specialist – Traverse City A/O (by email)
Performance Engineers, Inc. – Aaron E. Nordman, PE (by email)