

<p style="text-align: center;">State of Alaska Department of Environmental Conservation Division of Water</p>  <p style="text-align: center;">Program Operating Guideline</p>	<p style="text-align: center;">Program Operating Guideline Number 401.10</p>	<p style="text-align: center;">PAGE 1 of 3</p>
<p>SUBJECT</p> <p style="text-align: center;">Heavy Equipment Charge Rates for Force Account Projects</p>	<p style="text-align: center;">EFFECTIVE DATE December 11, 2015</p>	
<p>Program or Programs Group</p> <p style="text-align: center;">Village Safe Water Program (VSW) and Municipal Grants and Loan Program (MGL)</p>	<p>SUPERSEDES</p> <p style="text-align: center;">POG 401.10 dated April 15, 2015</p> <p>APPROVED BY</p>  <p style="text-align: center;">Facility Programs Manager</p>	

PURPOSE

To establish a policy and procedure for determining and approving equipment charge rates for work performed by local force account projects under the Village Safe Water and Municipal Matching Grants and Loans programs.

AUTHORITY

- AS 46.03.030, .032 & .036; ; AS 46.07; 18 AAC 73.010(f)(1), 76.010 & 76.215
- Uniform Administrative Requirements 200.313 and OMB A-87: Attachment B
- 7 CFR 1784

OPERATING GUIDELINE POLICY

The Village Safe Water Program (VSW) and the Municipal Grant and Loan Program (MGL) both authorize grantees and borrowers to construct projects using a local labor crew and equipment, a method referred to as “force account.” The option to construct projects by force account is left to the grantee/borrower, but VSW or MGL must give prior approval of the labor and equipment rates in so that the expenses will be grant or loan eligible.

The on-line rental rates published by Equipment Watch Blue Book are used by both programs as the standard reference for equipment rental rates.

OPERATING GUIDELINE

If the equipment is owned by the grantee/borrower, the original source of funding used to purchase the equipment must be identified. If the equipment is being rented by the grantee/borrower from a commercial source, no such analysis is necessary.

Prior to executing an equipment use agreement, the VSW Project Manager or MGL Engineer shall determine whether the equipment owned by the grantee was originally purchased with state and/or federal funds, or if the equipment was purchased with local funds.

I. Equipment purchased with state or federal funds

If the equipment was purchased with state and/or federal funds, only the cost of operating the equipment can be paid by the project (reference Uniform Administrative Requirements 200.313 and OMB A-87: Attachment B).

(A) Equipment maintained by the grantee/borrower (shorter term use)

If the equipment will be maintained by the grantee while being used for the project, only the operating cost of the equipment can be included in the usage agreement. No ownership cost can be included in the usage agreement.

The operating cost should be calculated based on the Equipment Watch Blue Book rate using the actual active operating hours of equipment used, based on the equipment hour meter. The initial hour reading recorded from the meter must be included in the agreement. If the cost of fuel is billed separately, the hourly operating cost should be adjusted accordingly to exclude the fuel cost. Other user defined adjustments may be made using the Equipment Watch Custom Cost Evaluator as necessary to match operating services being provided.

The equipment usage cost is therefore calculated as follows:

$$\text{Cost} = \text{hourly operating cost} \times \text{actual operating hours}$$

(B) Equipment maintained directly by the project (longer term use)

If the cost of operation and maintenance will be incurred directly by the project through labor and supply costs, The grantee/borrower will not be allowed any compensation and the use agreement will be at "no cost." No usage charge, either ownership or operating, by the grantee is allowed to be included in the usage agreement.

II. Equipment purchased with local funding

(A) Restriction for construction grant funds from the U.S. Department of Agriculture-Rural Development (USDA-RD) Program

For any construction grant funded by USDA-RD's Rural Alaska Village Grant program (7 CFR 1784), funds may not be used to pay basic/rental fee or depreciation for the use of any equipment owned by the recipient community. For any construction grant funded by USDA-RD's water and waste program (7 CFR 1780), loan and grant funds may not be used to finance rental for the use of equipment or machinery owned by the applicant.

(B) Construction grant or loan funds from sources other than USDA-RD Program

For construction grants or loans funded by sources other than the USDA-RD Program, if the equipment was purchased with local funding (not state or federal funding), both the operating cost and the ownership cost of the equipment can be charged to the project.

Equipment will be charged to the project at the monthly ownership rates from the Equipment Watch Blue Book, plus the hourly operating rate. The ownership rate for rentals of less than a month's duration are to be computed on an hourly charge determined by dividing the monthly ownership rate by 176.

The equipment usage cost is therefore calculated as follows:

$$\text{Cost} = (\text{monthly ownership cost}/176 + \text{hourly operating cost}) \times \text{actual operating hours}$$

(Note that this methodology is used for the Federal Highway Administration (FHWA) rate, so the FHWA is approved for use in this scenario.)

Other user defined adjustments may be made using the Equipment Watch Custom Cost Evaluator as necessary to match operating services being provided.

All use/rental agreements must be written and be approved by the VSW Project Manager or MGL Engineer and the Project Community representative. Agreements are required to list all equipment items by manufacturer, model and serial/vehicle identification number and the applicable charge rate. The initial hour reading recorded from the meter must be included in the agreement. Agreements are limited to a duration of twelve (12) months or less as applicable. Agreements must be approved before the equipment use may begin.

Communities managing their own projects with their own equipment, and being reimbursed for project costs, are required to have equipment use rates approved prior to receiving any cost reimbursement.

Approval of equipment rates or use arrangements not covered by this procedure shall be referred to the relevant Program Manager.

This policy will apply unless the funding agency has different requirements for agreements concerning the use of a grantee's/borrower's assets.

IMPLEMENTATION RESPONSIBILITY

- Village Safe Water Program Manager for projects administered by the VSW Program
- Municipal Grants and Loans Program Manager for projects administered by the MGL Program