

## State Aid for Local Transportation Federal Aid Agency Agreement Preparation and Payment Process

**Agreements are used to spell out the responsibilities of each agency (MnDOT and LPA) on the project. They can be used as an instrument to collect and/or disburse funds needed on the project. SALT has an overall agency agreement with each State Aid agency.**

### **Types of Agreements used by federal aid section:**

- I. Delegated Contract Process (DCP)—One agency agreement for state aid clients, one agreement per project for non-state aid clients. DCP agreement specifies responsibilities of each agency in a federal aid project. This agreement was rewritten in late 2017 for all state aid clients who had a previous DCP agreement or had a project in the 2018-2021 STIP. This type of agreement is not considered a grant.
- II. Force Account (FA)—used when the LPA is going to do work or provide materials for the project that they wish to be reimbursed for with federal funds. The LPA must document that it is clearly in the public interest that the materials or services not be provided by private vendors, consultants or contractors (cannot assume that the Agency forces can perform work at a lower cost). Information must be provided for Agency costs. Proposals must be “cost plus fixed fee” type; estimating tasks to be performed, number of hours for different employees, employee salaried and overhead, and all direct costs specified and estimated. This type of agreement is not considered a grant.
- III. Right of Way (ROW)—used to purchase right of way with federal funds for a project. Very limited usage is allowed in Minnesota. This type of agreement is considered a grant.
- IV. Preliminary Engineering (PE)—used for studies, design or other engineering activities paid for with federal funds for a project. Very limited usage is allowed in Minnesota. This type of agreement is considered a grant.
- V. Construction Engineering (CE)—used for federal reimbursement of construction engineering activities, such as inspection, surveying, and materials testing. Very limited usage is allowed in Minnesota. This type of agreement is considered a grant.
- VI. Fund Exchange Agreements—Donor and Recipient—used to exchange federal funds and state aid funds between 2 or more counties or 2 or more cities. See guidelines for criteria. This type of agreement is not considered a grant. Cities and counties cannot exchange with each other.
- VII. Advance Construction (AC)—used when an LPA wants to build a project before the federal funds are available. It is basically a promissory note for the LPA to reserve federal funds in a future year. LPA must cover all costs until the project is converted to federal funds. This type of agreement is not considered a grant.
  - a. Traditional—Project funds are in a different federal fiscal year
  - b. Cash flow—Projects let in the same fiscal year, but greater than \$5,000,000 (this amount is reviewed annually in February or March with 3<sup>rd</sup> floor.
- VIII. General Construction
- IX. Specific Construction
- X. Other agreements including fund transfers to other federal entities. This type of agreement is not considered a grant.

## Agreement process:

1. LPA submits a request for an agreement generally in the form of a project memo.
  - A. Project must be in the STIP and CHIMES
  - B. Project needs a project memo to document work to be performed
    - a. Includes scope of work.
    - b. Who will perform the work.
      1. LPA-- \*PIF is needed if work done by LPA
      2. Consultant
      3. Railroad or Utility
    - c. Includes estimate of cost.
    - d. Project location.
2. MnDOT assigns an agreement number from the CAATS system.
3. If the project will involve the LPA hiring a consultant, PE or CE a DBE goal is required to be determined and if the cost estimate exceeds \$50,000 a preaward audit is needed.
7. Request DBE goal from OCR.
8. Provide LPA with DBE language and Certification forms to be included in the Request for Proposal (RFP). Once consultant has been selected, the paperwork must be forwarded to the OCR office. If there is a numeric goal then the OCR needs to clear the goal before the contracts can be signed between the LPA and the Consultant.
9. Request authorization of the project by FHWA
10. Send a copy of the agreement to the LPA. LPA executes the agreement with their governing board or council. A resolution from the governing board is required and the signatures must match those who sign the agreement.
11. LPA advertises for RFQ and works with their governing board to approve the agreement,
12. Agreement is returned to MnDOT for final signatures.
13. Once all signatures are on the agreement, the contract is executed as of the date of the last signature. A copy of the agreement originals will be returned to the LPA.
14. Once a consultant is chosen and if the agreement exceeds \$50,000 a preaward audit needs to be completed before the LPA/Consultant Contract is executed. Preaward audit is a recommendation of how the contract should be set up for MnDOT Audit purposes.
15. Any preaward audit issues resolved and the consultant contract is executed.
16. Work proceeds as planned.
17. Billing for reimbursement occurs on a regular basis.