SECTION F
SMALL TOWNS ENVIRONMENT PROGRAM (STEP)

TABLE OF CONTENTS

Page

F. Introduction 2

F.1 Eligible Activities 2

F.2 STEP Procedures 3

F.2.1 Allowable Costs 3

F.2.2 Force Account 5

F.2.3 Pre-Construction STEP Meeting 5

F.2.4 Amendments and Modifications 5

F.2.5 Closeout 5

F.3 Recordkeeping and Reporting 5

F.3.1. Local Contribution 6

F.3.2. Quarterly Report 6

F.3.3. Volunteer Time 6

SECTION F
SMALL TOWNS ENVIRONMENT PROGRAM (STEP)

F. Introduction

The STEP program provides funds to eligible applicants for water and sewer infrastructure improvements utilizing self-help methods. The community must provide local volunteer labor and available material resources such as equipment in order to demonstrate a 40% cost saving off the retail construction price of the water or sewer project. The STEP award recipient must also demonstrate strong local participation in the implementation of the TxCDBG contract, and the overall construction and implementation must be performed predominately by community volunteer workers.

This chapter covers activities that are eligible for assistance under the Small Towns Environment Program (STEP) **in accordance with the 4 TAC § 30.63 (Texas Administrative Code Title 4, Part 1, Chapter 30, Subch. A, Div. 3 § 30.63) and 24 CFR Part 70.** This Chapter is not intended to replace required procedures outlined in the other sections of this manual*;* rather, it is to serve as a guide in accomplishing the program-specific administrative requirements required of STEP Grant Recipients.

F.1 Eligible Activities

TxCDBG STEP fund eligible activities are limited to:

- The installation of facilities to provide first-time water or sewer service;
- The replacement of water or sewer service lines;
- Ancillary repairs related to the installation of water and sewer systems or improvements;
- The acquisition of real property related to the installation of water and sewer systems or improvements (easements, rights of way, etc.);
- Sewer or water taps and water meters;
- Water or sewer improvements on private property (for low and moderate income persons) such as:
  - yard service lines;
  - house service connections;
  - connection fees; and
  - plumbing improvements associated with providing services to a housing unit;
- Limited rental of equipment for installation of water or sewer improvements (approved on a case-by-case basis);
- Reasonable associated administrative services costs; and
- Reasonable associated engineering services costs.

Highly complex and specialized installation of water or sewer system improvements (such as improvements to treatment facilities, lift stations, water storage facilities and wells, etc.) are not typically activities that can be completed by volunteer workers and are therefore **not considered feasible as STEP activities.**

Definition of Volunteer
For the purposes of establishing volunteer eligibility for STEP projects, TDA has adopted the U.S. Department of Housing and Urban Development (HUD) definitions for the use of volunteers on projects as outlined in 24 CFR Part 70 (See *STEP 24 CFR 70 Use of Volunteers* **Form F6**).

The following points are established in 24 CFR Part 70:

- A volunteer, for purposes of this part, is an individual who performs service for a public or private entity for civic, charitable, or humanitarian reasons, without promise, expectation or receipt of compensation for services rendered, on a HUD-assisted or insured project which is subject to a requirement to pay prevailing wage rates (24 CFR 70.3 (a)).
- Individuals shall be considered volunteers only where their services are offered freely and without pressure and coercion, direct or implied, from an employer (24 CFR 70.3 (a)(1)).
- An individual shall not be considered a volunteer if the individual is otherwise employed at any time in the construction or maintenance work for which the individual volunteers (24 CFR 70.3 (a)(2)).

Since volunteer participation is fundamental to the self-help process and to maintaining the required 40% cost savings, the Grant Recipient must ensure that documentation of applicable volunteer participation and contributions are maintained at the locality throughout the contract period as described in Section F.3 of this chapter and are available for review upon request.

Definition of Sparkplugs
The community must have at least three individuals willing to lead and sustain the self-help effort. These local leaders are referred to as "Sparkplugs" and must be identified in the STEP application. Only one local official may serve as a sparkplug. (See 4 TAC § 30.63(h)(1)).

F.2 STEP Procedures

F.2.1 Allowable Costs

Professional Services/Administration Services
Reasonable administration and engineering services are allowable expenses for STEP projects and may be reimbursed with supporting documentation as outlined in **Chapter 2: Financial Management**. For total grant amounts of $125,000 or less, the Grant Recipient may request the administration and engineering fees be based on the retail amount of construction and acquisition. The total cost for administration shall not exceed 16% of the total TxCDBG funded amount for construction and acquisition. Requests will be considered by TDA on a case-by-case basis.

Materials
Materials costs are an eligible expense, and are expected to make up a large proportion of the STEP budget. Materials contracts paid in whole or in part with TxCDBG funds must be procured using either Micro-purchase procurement, the Small Purchase procurement method, or the Sealed Bid procurement method described in **Chapter 5: Procurement Procedures**.

Equipment Use
Grant Recipients are expected to have access to the necessary equipment as part of their local capacity to complete the project through self-help methods. However, if rental of specialty equipment is required, the rental must be approved by TDA before any rental expenses are incurred.

- If the use of equipment is donated by the Grant Recipient, the service provider, community volunteers, or others, the cost of fuel necessary to operate the equipment is an eligible cost if supported by invoices.
- Equipment rental costs, plus fuel may be eligible costs.
- Equipment purchases are not allowed under the STEP program.

Equipment rental costs will be reimbursed ONLY if they are reflected in the TxCDBG contract Performance Statement (Exhibit A) and pre-approved by TDA. TxCDBG will pay for the time that rented equipment is in use on the TxCDBG project using the actual rental cost, plus documented fuel costs. Any additional costs related to rental will be the responsibility of the Grant Recipient. Charging for equipment usage is described in **Chapter 8: Force Account Labor**.

The *STEP Equipment Cost Calculation Sheet* **(Form F3)** must be submitted with each Request for Payment that will reimburse the equipment use costs for rented or donated equipment.

- Equipment timesheets must be included documenting the hours the equipment was used for the STEP project. For a recommended sample format, see *STEP Equipment/Materials Time Distribution Sheet* (**Form F2)**. While this format is not required, the costs must be organized to clearly indicate and identify the type of equipment, the hours operated, and costs claimed for the equipment usage.
- If requesting reimbursement based on the actual rental cost, an hourly rate must be calculated by dividing the weekly rental cost by a 40 hour work week as required on **Form F3.**

Contract Labor

The Grant Recipient shall recruit skilled laborers as volunteers to maximize the grant funds. Under limited circumstances, a Grant Recipient may procure a construction contractor for a small portion of a STEP project. If the project requires a task that is beyond the capacity of the volunteer laborers (e.g. road boring or laying pipe at depths that require trench protection), the Grant Recipient must request written approval from TDA before contracting for the required services. Construction contracts executed without TDA approval will be considered ineligible costs and will not be reimbursed by TxCDBG.

Contract labor contracts paid in whole or in part with TxCDBG funds must be procured using either the **Small Purchase** procurement method or the **Sealed Bids** procurement method described in Chapter 5: Procurement Procedures, and in accordance with **Chapter 7: Davis Bacon Labor Standards**. An approval to use contract labor by TDA does not preclude the locality from following these requirements.

Construction supervision is **not** an eligible cost under the STEP Program. The Grant Recipient or volunteer workers must supply the necessary supervision needed to complete the project as part of the Grant Recipient's capacity to utilize self-help methods. Grant Recipients are encouraged to appoint one or more of the "sparkplugs" as persons that are able to provide the appropriate supervision.

If the STEP application did not identify the need for contracted construction services, the Grant Recipient must submit a revised Self Help Cost Estimate (Table 2a of the STEP application) with the request for contract labor to document the required 40% project savings. If the procurement of such services would have changed the outcome of the applicant's score, the request to procure such services may be denied.

F.2.2 Force Account

TxCDBG will not reimburse force account work for construction activities on STEP projects. Force Account services are not eligible costs for the STEP program. All personnel and equipment provided by the Grant Recipient or service provider are considered donated services and will not be reimbursed.

F.2.3 Pre-Construction STEP Meeting

Once materials for the project have been procured and prior to the delivery, the Grant Recipient must hold a pre-construction STEP meeting with the administrative consultant, engineer, sparkplugs, volunteer workers and any other interested parties. The Grant Recipient should use this meeting to coordinate all project components to ensure completion of construction before the Grant Recipient's contract with TDA expires, including:

- Delivery of materials and other supplies;
- Volunteer work schedules; and
- Access to donated or rented equipment.

F.2.4 Amendments and Modifications

During the course of administering a STEP contract, situations may occur that require a change in the original terms of the TxCDBG contract. Refer to **Chapter 11: Contract Amendments** to determine if a contract amendment or modification is needed. (See *STEP Contract Amendment Checklist* **Form F4**)

For STEP contracts, Budget Amendments and Performance Statement Amendment requests to the TxCDBG contract with substantial changes in activity, benefit, project scope, contracted equipment or construction services, or location must include the following additional documentation:

- Revised Retail Cost Estimate (Table 2a of the STEP application), signed and sealed by the project engineer, with supporting evidence for the method used to calculate these costs in the local files;
- Revised Self-Help Cost Estimate (Table 2b of the STEP application), signed and sealed by the project engineer, to verify that the **40% construction savings** will be maintained; and
- Letter from the Grant Recipient confirming that the project will continue to be performed predominantly by volunteers.

F.2.5 Closeout

Once all contract activities are complete, STEP contracts must complete the contract closeout process as outlined in Chapter 12: Contract Closeout.

In addition, the STEP Certificate of Construction Completion (Form F5) must be submitted to certify the amount of work completed, that the 40% savings were maintained, and that the project was performed predominantly by community volunteer workers as stipulated in the contract.

F.3 Recordkeeping and Reporting

Grant Recipients should follow the recommended filing system as listed in *Administrative Activities Checklist* **Form A102** to meet TxCDBG monitoring requirements. All reports applicable to the TxCDBG contract must be completed and submitted in an accurate and timely manner. Failure to submit any such reports may result in delays or denial of Requests for Payment.

In addition to the recommended TxCDBG filing system, the following must be kept on file at the locality for STEP contracts:

- Supporting documentation of volunteer time;
- Supporting documentation of rented or donated equipment or materials if applicable; and
- Other information relevant to documenting the self-help process such as newspaper clippings, photographs, etc.

The three designated local leaders ("Sparkplugs") should be organized enough to maintain volunteer records related to the project and assist in leading and motivating the self-help effort.

F.3.1. Local Contribution

STEP projects must demonstrate a savings of 40% over retail construction costs by using self-help methods as described in the application. For example, if the application committed locally owned equipment to be used for the project in addition to the volunteer labor commitment, documentation that such equipment was actually used will be considered evidence of the savings.

Although the donation of equipment time and other material is not a programmatic requirement, the Grant Recipient must comply with pledges of equipment submitted in the application unless an approved contract amendment releases that obligation.

The Grant Recipient must document the local contribution of the 40% construction cost savings on the Retail and Self-Help Cost Estimates (Table 2a and 2b), and must submit supporting evidence of actual contributions, such as:

- Donation of locally available equipment for use on the project **(Form F2** or similar**)**;
- Donation of materials for the project **(Form F2** or similar**)**;
- Volunteer labor **(**See *STEP Volunteer Time Distribution Sheet* **Form F1** or similar**).**

F.3.2. Quarterly Report

Grant Recipients must complete the STEP section of the standard *Quarterly Progress Report* **(Form A104) as described in Chapter 1: Administration & Reporting.**

F.3.3. Volunteer Time

In order to ensure that the project is performed predominantly by volunteers, local files must document:

- Volunteer work hours
  - Construction activities (such as digging trenches for water lines); and
  - Non-construction activities (such as project planning and food preparation for volunteer support).

- Other participant hours
  - Employees of the Grant Recipient or utility service provider; and
  - Other individuals not defined as a volunteer per this chapter.

The major component of the STEP program is the use of primarily volunteer labor to complete the construction project; if volunteer efforts are not adequately documented, the contract may be considered non-compliant and subject to disallowed costs or termination.