



Project Administration Manual

Montana Coal Endowment Program

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Chapter 1 – Project Start-up Requirements

Overview

This chapter offers background information on the Montana Coal Endowment Program (MCEP) and summarizes the key considerations and important steps each grantee will need to take to start a successful MCEP grant award project.

The 2021 Legislative session included a modification to MCA 90-6-710 allowing for applicants to begin construction before Legislative approval. If your project proceeds before Legislative approval the conditions of HB11 amended language must be met and supporting documentation will be required prior to later entering into contract with Commerce. For projects that wait for Legislative authorization, those costs will be eligible for reimbursement once the grantee meets all start-up conditions and executes a contract with Commerce. If the grantee fails to meet requirements, a contract is not executed, a grant recipient is unable to comply with the terms and conditions of the contract, or costs incurred are not eligible for MCEP funding, those costs will be the sole responsibility of the grantee. All biennial MCEP projects must meet conditions and deadlines established in authorizing legislation for project awards, which may impact the obligation or commitment of MCEP funds. Please note that biennial projects will be reviewed by the next legislature to determine if a grant should be terminated.

Project Budget

The preliminary project budget submitted in the grant recipient's application must be updated to reflect current conditions at the time of contract execution and will be attached to and incorporated by reference into the contract. At the time the project is ready to enter into a contract, an updated budget narrative explaining the amounts listed for each line item that MCEP will be paying for, must be submitted. It is important that the preliminary project budget at the time of contract execution is acceptable to all the funding sources identified. When the project is ready to begin the construction phase,

the project budget will need to be revised to reflect the actual amount in the construction bid. In the event, that the construction bid is less than the budgeted amount, the construction line items must be revised to reflect the reduced costs. For information on the process to follow in amending the project budget after the contract has been executed, see Chapter 2.

Project Implementation Schedule

The project implementation schedule submitted in the grant recipient's application must be updated to reflect current conditions at the time of contract execution and will be attached to and incorporated by reference into the contract. The final implementation schedule for the MCEP contract should identify all key tasks and more precisely define, if possible, when each must be accomplished to complete the overall project. **All MCEP project activities must be completed as identified in the grantee's implementation schedule and the executed contract with Commerce.** Commerce, in its sole discretion, may grant an extension to this deadline if the project is near completion and the grant recipient can demonstrate a good faith effort to complete the project on time and within the original budget.

Obtaining Firm Commitment of Other Funding Sources

The MCEP grant recipient must provide adequate documentation of the firm commitment of all non-MCEP funds for the project, identified in the preliminary project budget. A description of acceptable documentation of non-MCEP funding sources is provided in later pages of this document.

If the MCEP grant recipient changes one of its sources of funding after executing a contract with Commerce, or if the cost of the project increases substantially after obtaining the firm commitment of non-MCEP funds and additional funding is required from existing or new sources, the grantee should notify Commerce immediately.

Commerce may, at its sole discretion, suspend distribution of MCEP funds until there is once again a firm commitment of all funding for the project.

Established Financial Accounting System

Local government and district grantees must be in compliance with the auditing and reporting requirements provided for in Section 2-7-503, MCA, and demonstrate that they have an established financial accounting system in place that conforms to generally accepted accounting principles. Tribal governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.

Program staff will contact Commerce of Administration, [Local Government Services Bureau](#), to confirm whether a grant recipient is in compliance with the auditing and reporting requirements. A grantee can also view information related to their audit and financial status available at any time on the [Department of Administration](#) website.

The Local Government Services Bureau services are available at the request of any local government to help the entity comply with statutory financial and budgetary reporting requirements.

The Management Plan

All MCEP grant recipients must prepare and submit a signed management plan. The management plan will establish how the grantee will allocate responsibility for complying with the MCEP grant and other state requirements, including but not limited to the proper financial management of MCEP funds, review of contracts and requests for reimbursements, compliance with labor standards, and completion of environmental review. In all cases, the grantee must maintain effective control over and accountability for all funds.

In the management plan, the grantee may designate an existing or new public employee, such as a planning director, public works superintendent, or clerk, as the MCEP grant manager; hire a consultant to manage the grant through applicable competitive procedures for procurement of services; or contract with another local government or existing special purpose agency, such as an economic development corporation, to manage a grant. If the grantee will work with any other governmental entity or non-profit organization to manage its MCEP grant, the grantee must execute an agreement establishing the responsibilities and duties between the two agencies. A sample agreement is available on the website in Commonly used forms. All executed contracts or agreements, including those for engineering services or grant services, and documentation of procurement for applicable services, to be paid for in whole or in part by MCEP funds must be submitted to Commerce. Additionally, MCEP may request a copy of any contract related to project activities.

Environmental Review

While MCEP no longer requires documentation to be submitted in compliance with the Montana Environmental Policy Act, all permitting for projects, which may be issued by another agency, must be submitted or records when issued throughout the project's life.

Requirements of the engineering industry processes, which consult on proposals, also include consideration of potential environmental impacts during preliminary assessment of projects.

MCEP Contract

The executed contract between the grantee and Commerce is the legal document that governs the administration of the grant, and will identify the following items:

- The total amount of MCEP funds to be provided;
- The scope of work;

- A preliminary project budget for the use of MCEP funds and any other funds involved in the project;
- The implementation schedule for the project;
- Any special conditions placed on the grant by the Legislature; and
- The general terms and conditions associated with the grant.

The process of finalizing the contract will include finalizing the project budget, implementation schedule and incorporating the scope of work to be completed by the grantee. The grantee's application for MCEP grant funds, as approved by Commerce and/or the Legislature, is incorporated by reference into the contract and the representations made therein are binding upon the grantee.

At the time the project is ready to execute a contract, the MCEP project specialist will contact the grantee to confirm grantee authorized representatives for signatures. The contract will be reviewed in Commerce and then transmitted to the grantee through an electronic process for signatures, DocuSign. A copy of the final executed contract will be available electronically when all signatures have been obtained. Please contact the project specialist if there are concerns or assistance needed with this process.

Guidelines on Documenting Firm Commitment of Non-MCEP Funds

The following information describes the documentation that is required for the various types or forms of matching funds:

A. Grants and Other Government Appropriated Funds

A letter is required from the funding agency documenting the amount of funding that has been approved or appropriated and indicated when funds will be available.

B. Local Government Funds



Local governments that have committed reserves or budgeted their own funds toward a MCEP project have documented these funds as submitted in the grantee’s application and will be confirmed upon execution of the contract between the grantee and Commerce. This commitment may be documented via resolution, or an approved local government budget identifying the local funds specific for the project.

C. Loans (revenue bonds, general obligation bonds, special improvement districts, rural improvement districts)

| Loans to municipalities, counties, districts, or tribes, that require a vote by only the governing body | Loans that require a vote by the general population or uses |
|---|---|
| SRF loan | |
| <ul style="list-style-type: none"> • “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement”, adopted by Resolution | <ul style="list-style-type: none"> • “Commitment Agreement” or “Letter of Approval for State Revolving Fund Loan Program in Lieu of Commitment Agreement”, adopted by Resolution • Successful certified debt election results (attach supporting documents) |
| USDA RD loan and/or grant | |
| <ul style="list-style-type: none"> • Letter of Conditions from USDA RD • Letter of Intent to Meet Conditions signed and returned to USDA RD FORM: RD 1942-46 | <ul style="list-style-type: none"> • Letter of Conditions from USDA RD • Letter of Intent to Meet Conditions signed and returned to USDA RD FORM: RD 1942-46 |

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| <ul style="list-style-type: none">• Request for Obligation of Funds FORM: RD 1940-1 | <ul style="list-style-type: none">• Request for Obligation of Funds FORM: RD 1940-1• Successful certified debt election results, attach supporting documents |
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Chapter 2 – Project Management

Overview

This chapter provides information about the management of a MCEP project, including budget amendments, expenses eligible for reimbursement, eligible match, and requirements for request for reimbursement of MCEP funds.

Each grantee is required to comply with all applicable local, state, and federal laws of regulations throughout the project. This includes adherence to all applicable design standards, environmental mitigation requirements, and building codes. A copy of all applicable permits that are obtained for the project must be submitted to Commerce prior to commencing construction activities.

Project Lifespan

MCEP projects must have construction activities completed as identified in the project's implementation schedule and the executed contract with Commerce. Commerce, in its sole discretion, may grant an extension to the scheduled date if the project is near completion, and the grant recipient can demonstrate a good faith effort to complete the project on time and within the original budget.

Project Amendment

At some point during the project, the grantee may need to modify the project components as identified in the legislative report, budget, or implementation schedule for the project. The following process should be followed for accomplishing such modifications:

Budget

Modifications to the budget of less than \$5,000 to any one line item of the budget can be submitted as part of the grantee's request for reimbursement request, and Department approval of the request for reimbursement will constitute approval of the modification.

For budget modifications of \$5,000 or more to any one line item of the budget, or when the sum of budget modifications exceeds \$5,000, the MCEP grantee must provide a written justification to Commerce that clearly demonstrates the appropriateness and necessity of the modification. Commerce must agree in writing to any significant changes in the budget before such changes may be implemented by the grantee. If such changes are proposed, Commerce has 45 days to review and approve the changes requested.

Any and all budget modifications made during the project should be listed and tracked continuously on funding tracking spreadsheets throughout the project.

When bid tabs are received for construction, the amount budgeted in the project budget may be reduced by an amount proportionate to the reduction in the amount required for construction. For example, if the overall savings were 20 percent, the amount to be provided by MCEP for construction activities would be reduced by 20 percent. Any savings would then be added to the contingency line item amount. If there are any savings upon completion of the project, Commerce reserves the right to share proportionately in those savings with all funding sources.

Budgets will be approved with contingency amounts for completion of project activities. Contingency amounts are reserved for use of construction activities and will seldom be transferred to other line items or administrative costs. Please work closely with the project specialist if your situation may require a transfer of contingency funds. The

MCEP grant recipient may request to use the difference between the final actual project costs and the original grant award to fund additional work that further enhances the system. The MCEP grant recipient should submit a written request to use remaining MCEP funds for the additional work activities, including full rationale and cost details, for Department review and approval. The decision to allow additional work activities to be funded with remaining MCEP funds is strictly at the sole discretion of Commerce.

Implementation Schedule

The grantee may modify the implementation schedule as necessary to reflect the timeline being followed as the project moves forward, so long as the project's completion date as listed in the executed contract is met. The grantee should submit details regarding any changes to the schedule as part of the grantee's next request for reimbursement, and Commerce approval of the request for reimbursement will constitute approval of the modification.

If the grantee seeks to extend the completion date of its MCEP project beyond the termination date identified in the executed contract and implementation schedule, the grantee must contact Commerce as soon as possible to request an extension. Projects that encounter delays or are not completed by the contract termination date may be required to execute an amendment to their contract. Rationale for extending the contract beyond the termination date will be required.

Scope of Work

If the grantee seeks to change any part of the scope of work of the project, as identified in the contract with Commerce, the grantee must first provide a written request with justification to Commerce that clearly demonstrates the appropriateness and necessity of the modification.

Commerce, in its sole discretion, may grant a modification to the project scope of work that does not materially alter the ranking priority, intent, or circumstances under which the project was ranked and approved for funding.

Eligible Project and Matching Expenses

Expenses **eligible** for MCEP funding include, but are not limited to:

- Expenses that directly relate to construction activities that implement the scope of work identified in the MCEP contract;
- Professional services that directly relate to design activities that implement the scope of work identified in the MCEP contract;
- Repayment of interim financing directly related to project activities that implement the scope of work identified in the MCEP contract;
- Water meters;
- Connection charges, hook-up fees and connection costs;
- Legal costs and fees including bond counsel;
- Purchase of computer software necessary to carry out MCEP grant requirements, such as remote meter reading transmitter software and other computer programs;
- Up to 50% of the cost of computer hardware, if it is required, to run the software or needed to otherwise manage the MCEP project;
- Direct grant administration expenses, up to a maximum 10% of the total MCEP budget for the project, including but not limited to personnel costs, office rent, office equipment, supplies, telephone, postage, travel, procurement related costs;
- Financial costs such as original loan origination fees, administrative fees, debt service reserves, and capitalized interest;
- Bond issuance and interest costs; and
- Land and easement acquisition.

Expenses that are **not eligible** for MCEP funding include but are not limited to:

- Operation and maintenance costs;
- Purchase of furnishings and fixtures or equipment that is not permanently installed in and solely dedicated to the operation of a public facility;
- Costs related to refinancing, servicing, or interest on any existing debt; and
- Facility Operator Salaries, unless clearly documented specific tasks for project completion are outside of regular tasks for facility operation
- Privately owned service lines.

Expenses eligible for MCEP grantees' **matching project funds** include but are not limited to:

- Cash match - The expenditure of any of the funds identified below on any eligible MCEP expense, see above, after the application date are eligible as MCEP matching funds:
 - Local general funds or other cash;
 - Proceeds from the sale of general obligation, revenue, special assessment or other bonds;
 - Entitlement or formula-based federal or state funds such as federal highway funds or payments in lieu of taxes; and
 - Loan or grant funds from a state or federal program other than MCEP.
- Previous cash expended - The expenditure of any of the funds identified above prior to the application date is not eligible as MCEP matching funds, except when directly related to the preparation of engineering studies, reports, plans, or the grantee's MCEP grant application directly related to the MCEP project up to 2 years prior to the application date.
- In-Kind Match - The following sources of value are eligible as MCEP matching funds:

- The value of land provided by the grantee, which value is based on an appraisal conducted within six months of acquisition of such land;
- The value of labor performed by the grantee's employees on the MCEP project after the date identified in the Notice of Award letter, as long as the employee is paid at his or her standard hourly rate of pay and the time worked is adequately documented; and
- The value of machinery or materials used in the process of constructing the project that is owned or leased and operated by the applicant, which value is based on the most recent Federal Emergency Management Agency equipment rate schedules or, in the case of materials, adequately documented acquisition costs.

Requests for Reimbursement and Progress Reports

Project Requests for Reimbursement

The request for reimbursement form is used by grantees to request MCEP funds for reimbursement of eligible project expenses. A request for reimbursement form is available on the [MCEP website under the "Toolkit" tab](#). To process the first request for reimbursement, the grantee must submit a completed copy of the signature certification form and designation of depository form. These forms are available on the [MCEP website under the "Toolkit" tab](#). MCEP is a reimbursement-based program and on tracking spreadsheets, should have proof that the local government has already paid contractors at the time the program is requested to release funds. If a grantee has not previously set up a deposit account with the state, or is requesting funds are reimbursed to a different account than is on file with the state, an additional form will be required. The Department of Administration requires "204 Form – Electronic Funds Transfer" for all new bank accounts. This form can be found on [MCEP website under the "Toolkit" tab](#). Please work closely with your project specialist to ensure account information is accurate. The grantee must also provide a copy of current insurance documentation prior to funds being released and throughout the project.

Grantees initiate a request for MCEP funds by preparing and submitting the request for reimbursement form. The grantee can only be reimbursed for project-related, actual costs that have been incurred, and must provide adequate and sufficient documentation supporting each claim for expenses to be reimbursed. Itemized invoices, for the contractor, any subcontractors, consultants, and vendors or suppliers, typically constitute adequate and sufficient documentation for reimbursable expenses, the invoice must include:

- A description of work performed;
- Hourly rates for professional or grant administration services
- The number of hours worked to accomplish each item;
- The amount being billed for each item;
- Work performed date(s) and work items completed, beginning and ending billing period dates;
- A description of any other eligible expenses incurred during the billing period; and
- The total amount being billed.

Lump-sum contracts typically do not provide for adequate and sufficient documentation for reimbursement of project expenses with MCEP funds and they are generally not allowed for design and construction engineering services. Cost plus contracts are not allowable on MCEP projects.

If budget modifications are found to be necessary while preparing a request, MCEP should be notified of the modification prior to the request being submitted. Please see Section III. a. for more information regarding budget modifications. Please work closely with your project specialist regarding budget modifications. The grantee must also approve the changes of tracking or recording of payment for previously paid invoices.

Commerce will retain two percent of the total authorized grant amount until:

- The project has been completed and a “Certificate of Substantial Completion” has been submitted to Commerce; and
- Final completion report has been submitted by grantee and approved by Commerce.

Additional guidance on submitting project requests for reimbursement can be found on the Community MT Division’s webpage.

Project Progress Reports and Photos

Each request for MCEP funds must be accompanied by a project progress report. In the absence of a request for reimbursement regularly submitted, a project progress report should be submitted every 90 days as a project update on activities occurring on the project. A sample Project Progress Report is available on the [MCEP website under the “Toolkit” tab](#). The project progress report provides Commerce with information on the use of the funds requested and the progress and status of the project. On the report, the grantee must describe the status of all activities in the scope of work, including: the percentage complete, costs incurred, funds remaining, projected completion date, any significant problems encountered in carrying out the project and the scope of any necessary modifications the grantee is requesting in the scope of work, budget, or implementation schedule.

Project photos are encouraged to be submitted to Commerce at the beginning of the project and at the completion of the project. Photos should evidence the improvements made during construction and the new or upgraded facilities.

Uniform Status of Funds Form and Invoice Tracking Spreadsheet

Each request for MCEP funds must also be accompanied by an updated uniform status of funds form and uniform invoice tracking spreadsheet. These forms are available on the [MCEP website under the “Toolkit” tab](#). The uniform status of funds form provides Commerce updated information on the remaining budget for the project and the status of all funding sources involved in the project. The uniform invoice tracking spreadsheet provides Commerce updated information on all cumulative invoices received and paid for on the project, broken out by all funding sources involved in the project.

Accounting and Auditing Requirements

MCEP local government grantees must maintain all receipts and expenditures of MCEP grant funds in accordance with generally accepted accounting principles and be in compliance with the auditing requirements of Section 2-7-503, MCA, as provided for in Section 20-9-213, MCA. MCEP tribal government grantees must maintain all receipts and expenditures of MCEP grant funds in accordance with the requirements provided for in OMB Circular A-133.

Records Creation and Retention

The grantee must create and maintain all records of project activities funded with MCEP grant funds, including but not limited to financial records, supporting documents, and such other records as are required by law or other authority, for five years after either the completion of the project or the conclusion of any claim, litigation, or exception relating to the project taken by the State of Montana or any third party, whichever is later. The grantee must provide Commerce, the legislative auditor, or their agents access to all project records upon request.

Ethics and Code of Conduct

Sections 2-2-12, 2-2-201, 7-3-4256, 7-3-4367, 7-5-2106, and 7-5-4109, MCA, govern the code of conduct and conflicts of interest by all local governmental entities and public

employees, including elected officials, district board members, and district employees. These laws must always be followed by MCEP grant recipients, regardless of their participation in the MCEP grant program.

Procurement Procedures

Title 7, Chapter 5, Parts 23 and 43, MCA govern the procurement of construction and purchasing contracts by MCEP local government and district grantees. Tribal governments are subject to their own tribal procurement laws. These laws must always be followed by these entities, regardless of their participation in the MCEP grant program.

MCEP grantees should be prepared to provide information to Commerce about how they intend to procure or have procured grant administration, professional services and construction services in accordance with the procurement laws applicable to them, including but not limited to the list of vendors to be or that were solicited, a copy of any advertisements, a copy of the request for proposals, or the information detailing the scope of work if price is the only consideration.

All executed contracts or agreements for grant services to be paid for in whole or in part by MCEP funds must be submitted to Commerce. Additional guidance on procurement procedures can be found on the MCEP website.

Public Notice and Participation

Sections 8 and 9 of Article II of the Montana Constitution, and Sections 2-3-101, 2-3-201, and Title 7, MCA, require MCEP local governments and district grantees to hold regular and special public meetings, provide public notice of those meetings, and allow the public the opportunity to participate in the grantee's decision-making process. These laws must always be followed by MCEP local governments and district grantees, regardless of their participation in the MCEP grant program. Grantees should be

prepared to provide information to Commerce about the public process for its MCEP project, including but not limited to a copy of public meeting agendas and any comments submitted by the public and responses provided during administration of the project.

All press releases related to the MCEP project must be submitted to Commerce for review and approval prior to release.

Non-Discrimination Laws

MCEP grantees must fully comply with all applicable federal, state, or local non-discrimination laws, rules and regulations, including the Montana Human Rights Act, the Civil Rights Act of 1964, the Age Discrimination Act of 1975, the Americans with Disabilities Act of 1990, and Section 504 of the Rehabilitation Act of 1973, in performing any project or portion thereof using MCEP funds. All subcontractors performing work on the project are subject to the same provision. The hiring of all persons to perform work on the project must be made on the basis of merit and qualifications, and the district shall not discriminate based upon the race, color, religion, creed, political ideas, sex, age, marital status, physical or mental disability, or national origin of the persons performing the project.

Prevailing Wage Requirements

Montana's Prevailing Wage Act (Section 18-2-401, et seq., MCA) applies to all public works contracts let by MCEP local government and district grantees for all construction contracts and non-construction contracts in excess of \$25,000. These laws must always be followed by MCEP local government and district grantees, regardless of their participation in the MCEP grant program. Grantees should be prepared to document the payment of prevailing wages in all applicable contracts related to the MCEP project.

Project Monitoring

Recipients of MCEP funding are responsible for administering their MCEP projects in accordance with all applicable local, state and federal laws. Commerce has the responsibility to assist and support grantees in successfully implementing their project activities from start-up through completion of the project in compliance with these requirements.

To accomplish these goals, in addition to reviewing information submitted with progress reports and requests for reimbursement of MCEP funds, Commerce will schedule a monitoring visit with each MCEP grantee. A monitoring visit usually involves a visit to the grantee's offices to review records, inspect project activities, and meet with the local officials. Infrastructure project specialists will contact the grantee and grant administrator concerning the timing and scope of the monitoring visit. After a monitoring visit, the project specialist will provide written monitoring comments to the grantee. Commerce will advise the grantee of any specific areas of concern and if necessary, provide the grantee opportunity to take corrective actions to address Commerce's concerns.

Project Completion

Project completion is the process by which Commerce determines that the MCEP project has been completed in accordance with the terms and conditions of the MCEP contract.

Within 90 days of the date the certificate of substantial completion is issued by the project engineer, the grantee must submit a final project completion report for approval by Commerce, usually with the final request for reimbursement. The project completion report is available on the [MCEP website under the "Toolkit" tab](#). The report provides Commerce with information on the total costs incurred for the project, the final completion date, and any significant problems encountered in carrying out the project. If submission of completion report documents is delayed for any reason, a request with

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justification for extending the 90 days will be required. Please work closely with the project specialist if delays occur. Within 30 days of approving the project completion report, Commerce will issue the notice of project completion. Once the notice of project completion is issued, the MCEP grant project is considered complete and the file is closed. No more requests for reimbursement will be accepted on the project after the project is closed. The completion of the project may be included in reports to the Legislature, Governor or their representatives.