

Council Finance Committee Meeting

July 16, 2015 10:00 AM Town Hall Conference Room

Council Committee Members Attending: Councilman Holland.

Council Committee Members Absent: Mayor Bennett absent due to a Dr.'s appointment

Town Staff Present: Finance Officer, Town Manager, Public Works Director

No members of the public attended

Councilman Holland called the meeting to order.

Two agenda items were noted for the meeting: (1) Review of Unaudited End-of-Year Financial Reports for FY 14-15; and (2) Review of Construction Contract Bidding Procedures

1. Finance Officer Bonnie Swain reviewed the end-of-year unaudited expenses and revenues as compared to the Town budget for FY 2014-2015. She reminded that these numbers are unaudited and that due to outstanding invoices and outstanding tax receivables, these numbers will increase or decrease when the audit review is performed. This includes the figure for unassigned fund balance, which will only be established as of June 30 of this year by the Auditor during audit preparation. Bonnie noted some of the outstanding invoices include the final Dare County bill for sanitation services and the landfill tipping fees, and for engineering services performed during last fiscal year for some of the upcoming projects. Councilman Holland noted that revenues from building permits had increased during the year. He also confirmed the Town expense for the purchase of the house and lot contiguous to the Town Hall, and that the final annual reimbursement payment to the Southern Shores Volunteer Fire Department for its purchase of had been made. Councilman Holland examined the budgeted equipment purchases made by the Public Works Department during the year. He also noted the budgeted expense and revenue for the Town's Bike and Pedestrian Plan presented to Council during the year – which was partially paid for (80%) with a NCDOT grant. The Town Manager, serving as Budget Officer, commented that the end-of-year budget performances indicate compliance with Council budgeted amounts for the Departments, and that this would be reviewed by the Town Auditor.
2. The Town Manager reviewed the state statutes and the Town's current bidding policy for construction project bidding. He reviewed for both formal and informal bidding, noting that, consistent with both the state statutes and the Town policy, informal bids may be sought for projects estimated between \$30,000 and \$500,000. Although the state statutes and the Town's policy require staff to seek multiple bids when using the informal bidding procedure, receipt of only one bid is actually required to award a contract. The bidder must still be qualified and responsible. The Town Manager noted the attempts he and the Public Works Director have made in the last several years to attract other qualified construction contractors to bid. The Town Manager also noted that although formal bidding requires bids to be opened in a public setting, informal bidding requires the bids not be disclosed to the public until the Council makes a contract award. This insures that competitors and outside parties do not interfere in the ongoing contract negotiation process allowed by informal bidding.

The Town Manager and the Public Works Director then commented on the current form of the Town construction contract which allows a contractor to bill the Town monthly for work performed under the contract. The Town Manager observed that this system seems to allow a prudent contractor, with a substantial profit margin built in to his bid, to get financially ahead of the Town after several months of performance – thereby allowing for a slowdown of remaining work. Also the current contract allows for retainage to be withheld after a "substantial

completion” date is declared, allowing for uncompleted punch list items to seemingly linger at the disadvantage of the Town. The Town Manager and Public Works Director recommended an absolute completion date for all work to be performed before any last payment is made. Also discussed was a “tightening-up” of the contract schedule for increment payments and the final payment. The Town Manager also recommended an increase in the daily liquidated damages amount cited in the contract of up to \$500 per day following the absolute completion date. Without any objection from the Council Committee Members, or from the Council as a whole, the Town Manager will direct implementation of revised protocols into the Town’s contract for major construction projects regarding payment and completion.

Councilman Holland will make report of this Committee meeting at the upcoming August 4th meeting of the Town Council. There being no further business, Councilman Holland adjourned the meeting.