

Capital Improvement Plan Bid Reserve Policy

Recent escalation of construction material cost as well as the unwillingness of contractors to bid on smaller projects has resulted in bids being submitted that are substantially higher than our engineering estimates. This condition has prevented the awarding of contracts without asking Council to cancel or defer approved projects to free up funding that could be transferred to the higher priority capital project. On November 1, 2004, the City Council held a special meeting to address this problem. One outcome of that meeting was the establishment of a Capital Improvement Project (CIP) Bid Reserve Fund to cover bid overages in a timely and efficient manner. The following constitutes the CIP Bid Reserve policy.

1) Bid Overage Definition

- a) Bid overages are defined as the difference between
 - i) The lowest, responsive, responsible construction bid, and
 - ii) The available funding based on the engineering estimate.
- b) Bid overages do not include additions to or changes in project scope, but are confined to the higher than anticipated bid price for the scope defined in the bid request.

2) Project Eligibility

- a) The use of the Bid Reserve Fund shall be limited to construction bids on capital projects funded with general fund monies. The Bid Reserve Funds will not be used to subsidize projects funded through Interlocal contracts (e.g., RTC and CCRFCD) or outside grants (e.g., CDBG).

3) Establishment of the Bid Reserve funding level

- a) At least annually during the Budget Hearing, the Council shall establish a reserve to cover potential bid overages.
 - i) Staff shall recommend, and Council shall approve the bid reserve based on a combination of actual historical experience and projected market conditions for the upcoming fiscal year.
- b) Council may take action any other time that it deems appropriate under the circumstances

4) Allocation of Bid Reserve Funds

- a) Under \$25,000 – Requires the approval of the City Manager
- b) \$25,000 and over – Requires the approval of City Council

5) Unused Bid Reserve Funds

- a) Any unused portion of the CIP Bid Reserve Fund shall be considered in the Council determination of the next year's funding level as described in Section 3.

6) Reporting

- a) Finance and Business Services shall prepare a report for distribution to management and City Council that each time that funds are allocated from the Bid Reserve (Section 4). Such a report shall reflect the current allocation as well as year-to-date allocations.