

Ordinance No. 110382

AN ORDINANCE relating to the License Code; amending Section 6.52.020 of the Seattle Municipal Code (Section 207 of Ordinance 48022 as amended) to increase the amount of indemnity bond required in connection with side sewer contractor's licenses.

COMPTROLLER
FILE NUMBER _____

Council Bill No. 103108

INTRODUCED: JUN 14 1982	BY: EXECUTIVE REQUEST
REFERRED: JUN 14 1982	TO: Finance
REFERRED:	
REFERRED:	
REPORTED: JAN 24 1983	SECOND READING: JAN 24 1983
THIRD READING: JAN 24 1983	SIGNED: JAN 24 1983
PRESENTED TO MAYOR: JAN 25 1983	APPROVED: FEB 1 1983
RETD. TO CITY CLERK: FEB 1 1983	PUBLISHED:
VETOED BY MAYOR:	VETO PUBLISHED:
PASSED OVER VETO:	VETO SUSTAINED:

REC'D OMB JAN 25 1983

OK

The City of Seattle--Legislative Department

MR. PRESIDENT:

Your Committee on

Finance

Date Reported

and Adopted

JAN 24 1983

to which was referred

C.B. ~~1022008~~

103108

Relating to the License Code; amending Section 6.52.020 of the Seattle Municipal Code (Section 207 of Ordinance 48022 as amended) to increase the amount of indemnity bond required in connection with side sewer contractor's licenses.

Chairman

[Signature]
8-12-82: HOLD

Chairman

8-19-82: HOLD

1-20-83 Pass as Amended

Committee

Committee

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ORDINANCE 110982

AN ORDINANCE relating to the License Code; amending Section 6.52.020 of the Seattle Municipal Code (Section 207 of Ordinance 48022 as amended) to increase the amount of indemnity bond required in connection with side sewer contractor's licenses.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 6.52.020 of the Seattle Municipal Code (Section 207 of Ordinance 48022 as last amended by Ordinance 107157) is further amended as follows:

Section 6.52.020. LICENSE APPLICATION--BOND

A. Any person desiring a side sewer contractor's license shall make application therefor in writing to the Director upon a blank form to be furnished for that purpose. The application shall be referred to the ((City Engineer)) Director of Engineering for his/her approval or disapproval. The applicant shall be required to present satisfactory evidence to the ((City Engineer)) Director of Engineering that he/she is a reliable person and skilled in the laying and construction of side sewers, and that he/she has sufficient knowledge and experience to carry on the business of side sewer contractor. If the ((City Engineer)) Director of Engineering approves the application and other requirements of this subtitle relating to side sewer contractors have been complied with, the Director shall issue the license. In the event that the application is not approved by the ((City Engineer)) Director of Engineering, the license shall be denied.

B. Every applicant for a side sewer contractor's license must file with the City Comptroller a bond in the sum of ((Five Thousand Dollars)) ((+\$5,000)) ^{Fifteen} ~~Twenty-Five~~ Thousand Dollars ¹⁵ ~~(\$25,000)~~ conditioned that the applicant and licensee

1 will indemnify and save harmless the City from all claims,
2 actions, or damages of every kind and description which may
3 accrue to or be suffered by any person by reason of any opening
4 in any street, alley, avenue or other public place made by
5 him/her or those in his/her employ, in making any connection
6 with any public or private sewer, or for any other purpose or
7 object whatever, and that he/she will also replace and restore
8 such street, alley, avenue or other public place to as good
9 a state and condition as at the time of commencement of said
10 work, and maintain the same in good order, and that he/she will
11 comply with all of the provisions of this subtitle and any other
12 ordinance of the City, relating to the business of side sewer
13 contractor. The provisions of this section shall not apply to
14 applicants for a side sewer contractor's license who have on
15 file with the City Comptroller a bond filed in conformance with
16 Section 11 of Ordinance 90047, in an amount of ((Five Thousand
17 Dollars)) (((\$5,000)) ^{Fifteen} ~~Twenty-Five~~ ¹⁵ Thousand Dollars (\$25,000) *WBR*
18 or more.
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(To be used for all Ordinances except Emergency.)

Section...2.. This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 24th day of January, 1983,
and signed by me in open session in authentication of its passage this 24th day of
January, 1983.

James H. Williams
President of the City Council.

Approved by me this 1st day of February, 1983.

Charles Royer
Mayor.

Filed by me this 1st day of February, 1983.

Gina Hill
Attest: City Comptroller and City Clerk.

(SEAL)

Published.....

By *Theresa J. Danbar*
Deputy Clerk.

City of Seattle

#4071



Executive Department-Office of Management and Budget

John D. Saven, Director
Charles Royer, Mayor
June 3, 1982

COPY OF WITHIN RECEIVED

JUN 4 1982

OK
SAS

The Honorable Douglas Jewett
City Attorney
City of Seattle

Campton

Douglas N. Jewett
CITY ATTORNEY

Arney

Dear Mr. Jewett:

The Mayor is proposing to the City Council that the enclosed legislation be adopted.

REQUESTING
DEPARTMENT: Engineering

SUBJECT: Relating to the License Code; amending Section 6.52.020 of the Seattle Municipal Code (Section 207 of Ordinance 48022 as amended) to increase the amount of indemnity bond required in connection with side sewer contractor's licenses.

Pursuant to the City Council's S.O.P. 100-014, the Executive Department is forwarding this request for legislation directly to your office for review and drafting.

After reviewing this request and drafting appropriate legislation:

- (X) File the legislation with the City Clerk for formal introduction to the City Council as an Executive Request.
- () Do not file with City Council but return the proposed legislation to OMB for our review. Return to _____.

Sincerely,

Charles Royer
Mayor

By

John Saven
John Saven
Budget Director

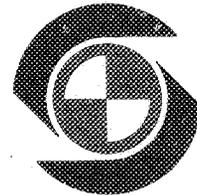
JS/kc/la

Enclosure

cc: Eugene Avery, Director, SED

REC'D OMB JUN 02 1982

821142



Seattle
Engineering Department

Eugene V. Avery, Director of Engineering
Charles Royer, Mayor

May 24, 1982

Mayor Charles Royer
The City of Seattle
Seattle, Washington

Attention John Saven, Director
Office of Management and Budget

Re: Amendment of
Ordinance 48022
License Code--License Application--Bond

Dear Sir:

We request adoption by the City Council of the attached legislation which amends Section 6.52.020 of the Seattle Municipal Code. This amendment provides for an increase in the amount of indemnity bond required in connection with side sewer contractor's licenses.

Section 6.52.020 of the Seattle Municipal Code--License Application--Bond presently requires that a \$5,000 bond be filed with the City Comptroller when securing a side sewer contractor's license. The last revision in bond amount was made in 1962, as authorized by Ordinance 91281.

At present, we have many side sewer contractors with street repair liabilities ranging above \$10,000, which makes the current \$5,000 limit far too low to cover these liabilities. All of the roadways excavated for side sewer installations are restored by the City at the contractor's expense, in accordance with City policies and ordinances. When the bond requirements are too low, the City is placed in the position of being liable for the contractor's bills.

Our request for an increase in bond indemnity to \$25,000 brings the bond amount more in line with actual costs.

Sincerely,

EUGENE V. AVERY
Director of Engineering

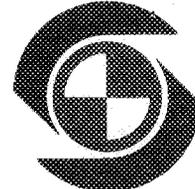
By *Maryann S. Huhs*
MARYANN S. HUHS
Assistant Director of Engineering
Management Support Division

EVA/BL:mf

Att.

cc: M. S. Huhs, SED
K. T. Jones, SED
J. J. Coover, SED

9/7/82



Seattle Engineering Department

Eugene V. Avery, Director of Engineering
Charles Royer, Mayor

September 2, 1982

Councilmember Norman B. Rice
Seattle City Council
Seattle, Washington

Re: C.B. 103108 Relating to the License Code; amending
Section 6.52.020 of the Seattle Municipal
Code (Section 207 of Ordinance 40822 as
amended) to increase the amount of indem-
nity bond required in connection with side
sewer contractor's licenses.

Dear Councilmember Rice:

This letter is in response to your August 23 request for infor-
mation regarding C.B. 103108. The original August 30 deadline
was extended with your permission to September 3, to allow
four or five work days needed to coordinate complete answers
to questions.

- (1) What has been the Department's experience, over the past
five years, on delinquencies and losses from side sewer
connection work?

10% of side sewer contractor bills are over 60 days delin-
quent. The Engineering Department has been unable to
collect on approximately \$3,000 over the past five years.

- (2) What is the average and the range of side sewer obliga-
tions over the past two years?

The average side sewer related bill (per project) is
approximately \$1,250. Side sewer related bills (per proj-
ect) range from a low of \$125 to a high of \$4,300.

- (3) What is the rationale for a \$25,000 indemnity bond recom-
mendation? Please list alternative recommendations if
there are alternatives.

The primary reason for raising the present \$5,000 bond
amount established in 1962, to \$25,000 in 1982 is inflation.
The "Engineering News-Record" shows that the Construction
Cost Index has increased 4.32 times since 1962, putting
the 1962 \$5,000 surety bond limit at \$21,600 today. The
City's billable cost to the contractor for backfill and
repair of side sewer trenches has increased approximately

five times in the past 20 years. The following are examples of increases in labor, material, and equipment costs:

- o The billable rate for a cement finisher has gone up from \$3.73/hour in 1962 to \$23.10 in 1982, or 6.19 times.
- o The cost of asphalt paving mix has increased from the \$4.00/ton range in 1962 to a range of \$22.00/ton today.
- o The cost to use a dump truck was billed at \$1.25/hour in 1962 and is currently billed at \$9.90/hour.

The Department's request for an increase in the surety bond to \$25,000 brings the bond limit in line with 1982 costs.

In response to your request for an alternative to increasing the indemnity bond limit to \$25,000, we feel that the limit could be raised to a lower amount, say \$20,000 for 1983, with the understanding that we would take a closer look at this limit in 1984. We agree that a lower bond rate would be reasonable, given the facts that there have been no major defaults in the past 20 years, and that the high cost for a single side sewer project is \$4,300 (keeping in mind that a contractor can accumulate many projects in a short period of time). However, it should be noted that at the time we submitted our request for an increase in the side sewer bond limit in April this year, five side sewer contractor accounts were at or exceeded the current \$5,000 limit. One of these approached \$20,000.

We have also found that current accounts have increased substantially since our request last spring. We will establish a debt ceiling on the total amount a side sewer contractor can owe the City, independent of setting the new bond limit. There is concern that in today's high interest market, that contractors are tending to use City monies to finance their businesses. We still think the \$20,000 figure is reasonable, particularly if we limit the total indebtedness for each contractor.

- (4) Please describe the Department's process for reviewing and updating recommendations in the future.

The Engineering Department will review on an annual basis the following cost factors as each relates to the bond limit: the rate of inflation, side sewer construction activity, and billing records for each side sewer contractor. Billing records will be kept to monitor the financial

condition of each side sewer contractor in relation to the surety bond limit. This accounting will include information on the number of jobs a contractor has assumed, if he is slow in paying, if he has defaulted or might default. This record-keeping and annual review process will be a cooperative effort between Financial Management and Street Use staff within the Engineering Department.

- (5) What is the impact on insurance premiums which would result from the increased indemnity bond amount?

Bond rates furnished by the City's Insurance Broker state that the annual fee for the \$5,000 bond secured by this type of contractor is \$60. This fee is figured at the base rate of \$12 per \$1,000 bond per year. The fee for higher risk contractors is figured at a higher base rate. Calculated at the base rate, a \$25,000 bond will cost \$300 for one year, or \$240 more than a \$5,000 bond.

- (6) Please give reasons for billing delays. Why are bills so tardy? Why can they not be issued within ninety days? Can unit costs be used to bill on an estimated basis?

We have checked ten bills at random and found the average response time was 32.5 days, from the date a work authorization was issued to the date of invoice. The high was 63 days and the low was 7 days.

Next we looked at six recent bills to William Pederson, the side sewer contractor who voiced concern about billing delays at the Finance Committee meeting August 19. Here the average was 39 days, the high 82 days, and the low 16 days. The 82 days resulted from scheduling permanent asphalt surface restoration after backfilling was completed (scheduling around weather, workloads, manpower, etc.). We do not regard these as inordinate delays, and favor leaving the system as it is.

- (7) Please give an opinion of the feasibility of surety bonds or performance bonds versus deposits.

The surety bond is a guarantee that \$25,000 is available in case of default on accounts receivable to the City.

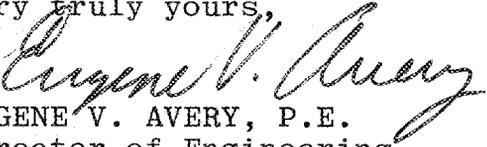
It would be difficult to accurately estimate the amount of a cash deposit to cover a side sewer project before construction begins, because of all of the variables in this type of project. In addition to backfill and street repair bills, there can be City bills for repairs to watermains, sewer mains, and street drains damaged during side sewer construction activity.

Councilmember Norman B. Rice
September 2, 1982
Page Four

Contractors generally do not want to pay a cash deposit. Several projects by the same contractor, or one large project could involve a large amount of cash. Interest lost on the cash deposited would be more costly than the bond fee.

I hope this information will assist you with this issue. Please contact Bill Smith in the Engineering Department at extension 2316 for any further information or clarification regarding this matter.

Very truly yours,


EUGENE V. AVERY, P.E.
Director of Engineering

EVA/JGR/WAS:jal

Affidavit of Publication

**STATE OF WASHINGTON
KING COUNTY—SS.**

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

Ordinance No. 110982

was published on February 4, 1983

B. Blair
Subscribed and sworn to before me on
February 4, 1983

[Signature]
Notary Public for the State of Washington,
residing in Seattle.

ORDINANCE 111.

AN ORDINANCE relating to the License Code, amending Section 6.52.020 of the Seattle Municipal Code (Section 487 of Ordinance 48022 as amended) to increase the amount of indemnity bond required in connection with side sewer contractor's licenses.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:

Section 1. Section 6.52.020 of the Seattle Municipal Code (Section 207 of Ordinance 48022 as last amended by Ordinance 107157) is further amended as follows:

Section 6.52.020. LICENSE APPLICATION--BOND

A. Any person desiring a side sewer contractor's license shall make application therefor in writing to the Director upon a blank form to be furnished for that purpose. The application shall be referred to the ((City Engineer)) Director of Engineering for his/her approval or disapproval. The applicant shall be required to present satisfactory evidence to the ((City Engineer)) Director of Engineering that he/she is a reliable person and skilled in the laying and construction of side sewers, and that he/she has sufficient knowledge and experience to carry on the business of side sewer contractor. If the ((City Engineer)) Director of Engineering approves the application and other requirements of this subtitle relating to side sewer contractors have been complied with, the Director shall issue the license. In the event that the application is not approved by the ((City Engineer)) Director of Engineering, the license shall be denied.

B. Every applicant for a side sewer contractor's license must file with the City Comptroller a bond in the sum of ((Five Thousand Dollars)) ((45,000)) ^{F.C.C.} ~~Twenty-Five Thousand~~ ¹⁵ ~~Dollars~~ ^{25,000} ~~conditioned that the applicant and licensee will indemnify and save harmless the City from all claims, actions, or damages of every kind and description which may accrue to or be suffered by any person by reason of any opening in any street, alley, avenue or other public place made by him/her or those in his/her employ, in making any connection with any public or private sewer, or for any other purpose or object whatever, and that he/she will also replace and restore such street, alley, avenue or other public place to as good a state and condition as at the time of commencement of said work, and maintain the same in good order, and that he/she will comply with all of the provisions of this subtitle and any other ordinance of the City, relating to the business of side sewer contractor. The provisions of this section shall not apply to applicants for a side sewer contractor's license who have on file with the City Comptroller a bond filed in conformance with Section 11 of Ordinance 90047, in an amount of ((Five Thousand Dollars)) ((45,000)) ^{F.C.C.} ~~Twenty-Five Thousand~~ ¹⁵ ~~Dollars~~ ^{25,000} or more.~~

Section 2. This ordinance shall take effect and be in force thirty days from and after its passage and approval, if approved by the Mayor; otherwise it shall take effect at the time it shall become a law under the provisions of the city charter.

Passed by the City Council the 24th day of January, 1953

and signed by me in open session in authentication of its passage this 24th day of

January, 1953

President of the City Council

Approved by me this 25th day of

February, 1953

Filed by me this 15th day of

February, 1953

Attest: Jim Hill, City Comptroller and City Clerk.

(SEAL)

By Theresa Danbar, Deputy Clerk.