

**TOWN OF HILTON HEAD ISLAND
FINANCE AND ADMINISTRATIVE COMMITTEE MEETING**

Date: May 5, 2015 **Time:** 2:00 p.m.

Members Present: John McCann, *Chairman*; Tom Lennox and Bill Harkins, *Council Members*

Members Absent: None

Staff Present: Susan Simmons, *Director of Finance*; Tom Fultz, *Director of Administrative Services*; Brian Hulbert, *Staff Attorney*; Jill Foster, *Deputy Director of Community Development*; Julian Walls, *Facilities Manager*; Nancy Gasen, *Director of Human Resources*; Scott Liggett, *Director of Public Projects and Facilities/Chief Engineer*; Greg DeLoach, *Assistant Town Manager*, Heidi Boring, *Temporary Finance Clerk*

Others Present: Ray Deal, *Hilton Head Island-Bluffton Chamber of Commerce / VCB*; Eleanor O'Key, *Lowcountry Inside Track*; and Members of the public

Media: None

1. Call to Order:

The meeting was called to order at 2:01 p.m.

2. FOIA Compliance:

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Minutes:

- a. Mr. Lennox moved to approve the Minutes from the Finance and Administrative Committee Meeting of April 21, 2015 at 11:45am. Mr. Harkins seconded the motion, and the Committee voted unanimously in favor to approve the minutes.
- b. Mr. Harkins moved to approve the Minutes of the Finance and Administrative Committee Meeting of April 21, 2015 at 1:30pm and Mr. Lennox seconded. The motion passed with a vote of 3-0.
- c. Mr. Harkins moved to approve the Minutes of the Finance and Administrative Committee Meeting of April 22, 2015 at 3:15pm and Mr. Lennox seconded. The motion passed with a vote of 3-0.

4. Unfinished Business:

None

5. New Business:

- a. **Review of vendor contracts and discussion of contract approval/renewal process**

Tom Fultz, Director of Administrative Services did a quick review of the Non-Recurring demands, for anyone who was not present at the previous meeting. The Non-Recurring demands are once and done projects. These usually are something out of the CIP program, a major project, with a firm fixed price, and a defined start and end date. Samples of this would be Fire Stations, traffic circles, or vehicle purchases. These are large expenditures with a fixed price, Fire Station projects are done in a two-step process; a RFQ (Request for Qualifications) for design, and a RFP (Request for Proposal) for construction. The Committee questioned the items on the screen, asking if this was an example of what Mr. Fultz was referring to. Mr. Fultz and Ms. Simmons responded that they were some examples of construction projects.

Mr. Fultz moved to the Recurring demands, Services and Supplies. These are services that are repetitive in nature, done on a daily, weekly or monthly basis. There are a couple of different types of recurring services, some of which are outsourced, i.e. Janitorial, Landscaping, and Courier services. The cost to outsource is less expensive than hiring extra staff, or paying overtime. These services have a well-defined scope of work, schedule and price. The Committee asked how quality of work is monitored. Mr. Fultz explained that there is a contract administrator on staff as well as the technicians that monitor the quality of work, and adherence to schedules. Also, when the invoice comes in, the contract administrator reviews and verifies that the pricing adheres to the contract. The invoices are then sent to the Finance Director to verify pricing. Should an issue arise on either side, the parties work together to resolve.

The Committee asked how competition comes into play. Mr. Fultz explained that when a contract is up, the service need is advertised with an RFP or IFB (Invitation for Bid). Initial contracts are given to the lowest bidder, with a contract life of 1 year with an option for 4 annual renewals. At the end of the year, the contractor and services are evaluated. If the quality of work meets the needs, the licensure and insurance are up to date, and the renewal is feasible, a 1 to 4 year extension addendum is initiated. The maximum term for a contract is 5 years. The contracts are approved by the requestor, the Department Head, Mr. Fultz, the Finance Director, the Staff Attorney, and the Legal Department. Once these approvals are completed, the contract is signed by the Director of Public Projects and Facilities, the Assistant Town Manager, or the Town Manager, and then is approved and signed by the Contractor.

Another type of recurring demand is the Indefinite Services and Contracts. These are for daily operations services, such as office supplies. The bidding has no dollar amount attached to it. The bidding is based on the percentage discount off the catalog list price and the bid with the highest discount will be awarded the contract. These contractors are “on call”. Anyone delegated to order can do so at their computer. These are also done as an initial 1 year contract with four optional 1-year renewals. The maximum life of these contracts is also only 5 years. After five years they are put out to bid again to ensure competitive pricing.

Fire Gear is handled similarly to office supplies as it is an “on call” contract. The bidding is based on the supply amount anticipated, i.e. 30 sets of gear for 1 year, however the amount is not guaranteed. As new hires are brought in, or old gear is worn out, the contractor is contacted and gear is ordered.

The bidding process for a new contract begins 120 days prior to the end of the current contract to avoid a lapse in service.

The Committee asked if local contractors get preference over outside contractors. Mr. Fultz responded that local contractors get some leeway, as the local contractors bid can be over the lowest bidder by a certain amount, and the local contractor will get the contract. The bidding is geared towards small business owners, not the Wal-Marts of the world.

The Committee asked if quality was ever an issue. Mr. Fultz said that in 19 years, there may have been 1 or 2 instances, and those vendors were replaced.

The Committee asked if the Island Recreation Center falls under the Town for contracts. Mr. Fultz responded that they do not; they usually follow the same procurement process, but they are a separate entity.

The Committee asked who has contract signing authority for the Town, and Mr. Fultz explained contracts under \$750,000 are signed by Greg Deloach, Assistant Town Manager or Scott Liggett, Director of Public Projects and Facilities. Contracts over this threshold are signed by Steve Riley, the Town Manager.

The Committee asked if “special treatment” is ever given to a contractor, especially an existing vendor. Mr. Fultz responded that if a contractor has been used and is reputable, has provided good service, and adheres to the budget, they will likely be rated as the best relevant experience. Directly relevant experience is usually a factor in determining awards for contracts that are not automatically given to the lowest bidder.

The Committee Members thanked Mr. Fultz and Town Staff for the excellent presentation. The Members stated their appreciation of the clear explanations and believe the information provided will prove to be very beneficial.

Mr. Harkins moved to add an item to the Agenda for the discussion of the Committee’s meeting schedule for May through September and possible agenda topics. Mr. Lennox seconded the motion, and the motion passed with a vote of 3-0. The following list of meeting dates and agenda items was discussed.

May 12, 2015 - Budget Format for 2017/2018 and the Town Manager’s performance evaluation

May 19, 2015 - Economic Analysis Tools; Dr. Salazar to present

June 2, 2015 – Business Licensing Fees

June 9, 2015 – Bond expense in dollar amount as well as percent of budget; and Debt Cap Philosophy

June 16 & 23, 2015 – Review analysis of Financial Statements, including Balance Sheets

June 30, 2015 – Core Vendor Agreements

July 21, 2015 – Post Budget Analysis

August 4 & 18, 2015- Meetings Cancelled

September 15, 2015 – Maintenance Expense for Town and Affiliates in both dollar amount and percent of budget, excluding personnel expenses

Mr. McCann explained that the Committee put the calendar together to keep the Committee on track, as well as the attendees aware of planned topics. The Committee discussed the calendar dates with Greg Deloach to ensure the dates will not conflict with budget preparation and will minimize the extra efforts of staff helping with the meetings.

Mr. Harkins moved to amend the calendar dates as described. Mr. Lennox seconded the motion. The Committee voted unanimously in favor to amend the calendar.

6. Adjournment:

Mr. Harkins made a motion to adjourn and Mr. Lennox seconded. All members voted in favor and the meeting was adjourned at 2:35 p.m.

Approved: April 12, 2015

Respectfully submitted:

John McCann, Chairman

Heidi Boring, Secretary