

Gull Lake Sewer & Water Authority

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March 11, 2008

Memorandum

Attn: Jeff Sorensen

Re: Performance Bond

Dear Jeff;

Over the last several years, the Authority, on behalf of Cooper Township, has enforced the "bond requirement" for contractors doing individual homeowner sewer connections in Cooper Township (specifically the 20th street sewer project area). The bond, in the amount of \$2000, costs the contractor approximately \$200 dollars +/- and is good for one year.

The primary purpose of the bond is to have a source of funds (although minimal) should the contractor damage the public sewer while excavating to make the connection. It is possible we could access the bond funds if private property damage occurred, however, the primary purpose is for public sewer - if damaged.

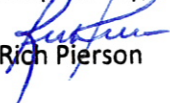
A secondary purpose is that, for the most part, insurance companies issuing the bond require financial statements and licensing before issuance of the \$2000 bond, providing some protection against unqualified or inexperienced contractors doing the work. However, we do permit anyone who appears able to do the work to post a \$2000 cash bond which we hold for 30-90 days after the connection is completed - against the potential damage to the public sewer. So, the result is we are unable to fully protect ourselves from unqualified contractors or homeowners doing the work.

Also, we recently discovered that a one-year bond purchased by a contractor for sewer installation does not cover ALL of his work for the one-year period, rather, the bond covers the work for the SPECIFIC connection for a one-year period. Therefore, to continue to require "purchasing" a bond for each and every sewer installation will cost an additional \$200 per job, which will be passed on to each homeowner. We believe that an additional \$200 dollars per connection is to be avoided.

Therefore, the Authority is recommending future sewer connection permits be allowed without bond provisions; provided however, the applicant provides commercial liability insurance for excavating work. The Authority will verify the insurance certificate in these cases. For homeowners applying for sewer installation, or for contractors without insurance, we will continue to require the \$2000 cash bond insurance coverage for the contractors as we currently do.

If there are questions in this regard, please do not hesitate to phone.

Respectfully,


Rich Pierson