



May 15, 2012
Work Session
Mayor and Council
Town of Ocean City

Council President Hall called this Work Session to order at 12:00 p.m. in the Council Chambers of City Hall, 301 N. Baltimore Avenue, Ocean City, Maryland 21842; then,

1. CLOSED SESSION – TUESDAY, MAY 15, 2012 – 12:00 P.M.- 1:00 P.M. – LEGAL AND REAL ESTATE MATTERS

Council Member Mary Knight moved to convene into closed session to: (1) consult with council to obtain legal advice; (2) to consider the acquisition of real property for a public purpose and matters directly related thereto; and, (3) discuss the appointment, employment, assignment, removal or resignation of appointees, employees or officials over whom it has jurisdiction, or, any other personnel matter that affects one or more specific individuals; seconded by Council Member Ashley. The vote was unanimous

2. REPORT ON CLOSED SESSION – TUESDAY, MAY 15, 2012 – 12:00 P.M. – LEGAL AND REAL ESTATE MATTERS

Council President Jim Hall reopened the meeting at 1:00 P.M. and reported that personnel matters were discussed in closed session. Persons present were Mayor/Interim City Manager Rick Meehan, Council President Jim Hall, Council Secretary Lloyd Martin, Council Members Margaret Pillas, Mary Knight, Doug Cymek, Brent Ashley and Joe Hall and City Solicitor Guy Ayres. He reported that **Council Member Joe Hall moved to appoint David Recor as City Manager; seconded by Council Member Ashley. The vote was 4-3 with Council Members Martin, Knight and Cymek opposed.**

Mayor Meehan asked for a unanimous commitment to support the new City Manager. **Council Member Mary Knight moved to support David Recor in his official role as City Manager; seconded by Council Member Pillas. The vote was unanimous.**

3. BID OPENING – LEASE FOR EAGLE'S LANDING GOLF CARTS (STAFF ESTIMATE: \$216,000)
 - (1) Golf Car Specialties \$303,970.40
 - (2) Horizon \$286,348.80
 - (3) Golf Car EZGo \$280,435.20

Council Member Mary Knight moved to acknowledge the apparent lowest bid from Golf Car EZGo with remand to staff for review; seconded by Council Member Pillas. The vote was unanimous.

Inserted Item:

Mayor/Interim City Manager Rick Meehan announced the appointment of Donna Abbott as Tourism Director.

4. INTRODUCTION OF CONVENTION CENTER DIRECTOR LARRY NOCCOLINO
5. DISCUSSION OF SURETY BONDS PRESENTED BY: RISK MANAGEMENT DIRECTOR ERIC LAGSTROM AND RCM&D (SEE ATTACHMENT A)
6. REQUEST TO WAIVE RENTAL LICENSE DOOR STICKER REQUIREMENT PRESENTED BY: TONY DE LUCA, TREASURER, THE GATEWAY GRAND

Council Secretary Martin moved to approve the Gateway Grand's request to place rental license door stickers in a book at the front desk; seconded by Council Member Knight. The vote was 6-1 with Council Member Joe Hall opposed.

Council Secretary Martin moved to amend Ordinance 2012-07 to allow placement of decals in a book stored at a 24-hour front desk, or, in an area accessible and/or visible to the Business License Inspector; seconded by Council Member Knight. The vote was 6-1 with Council Member Joe Hall opposed.

7. ORDINANCE REVISIONS FOR CRITICAL AREA ENFORCEMENT PRESENTED BY: GAIL BLAZER, ENVIRONMENTAL ENGINEER

Council Member Mary Knight moved to proceed with the first reading of an ordinance to amend Chapter 10 to include staff's recommendation to allow redevelopment projects to disturb less than 50% of the parcel to maintain existing encroachments into the critical areas setback, and, codify enforcement language required under Maryland State Law 2008 House Bill 1253 as incorporated into Natural Resources, Article 8; seconded by Council Member Ashley. The vote was unanimous.

8. FEE PROPOSAL FOR DISCLOSURE OF TELEPHONE AND RADIO RECORDS PRESENTED BY: JOSEPH THEOBALD, EMERGENCY SERVICES DIRECTOR

Council Member Doug Cymek moved to establish a \$40.00 charge for telephone and radio record requests as recommended; seconded by Council Member Ashley. The vote was unanimous.

9. OPTIONS FOR GORMAN TANK LOGO PRESENTED BY: HAL ADKINS, PUBLIC WORKS DIRECTOR (SEE ATTACHMENT B)

Council Member Mary Knight moved to approve the logo as presented; seconded by Council Member Ashley. The vote was unanimous.

10. RECOMMENDATION OF BID AWARD FOR ELECTRICITY SUPPLY STARTING JULY 2013. PRESENTED BY: CITY ENGINEER TERRY MCGEAN

Council Member Mary Knight moved to contract with Direct Energy for 36 months effective July 1, 2013 at 7.267 cents per kilowatt hour; seconded by Council Member Ashley. The vote was unanimous.

Council Secretary Martin moved to adjourn at 1:54 p.m.; seconded by Council Member Pillas. The vote was unanimous.

RCM&D | LOOKING FURTHER.
LOOKING DEEPER.

Surety 101
Education Series
Terry D Reynolds

May 15, 2012

RCM&D

What is a Surety Bond?

A surety bond is a written agreement where one party (the surety) obligates itself to a second party (the obligee) to answer for the default of a third party (the principal).

Who are the Three Parties that make up a Surety Agreement?

Principal	Surety	Obligee
the party that undertakes the obligation	guarantees the obligation will be performed	the party who receives the benefit of the bond

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Suretyship vs. Common Forms of Insurance

- In Suretyship, the risk remains with the principal. The protection of the bond is for the *obligee*.
- The premiums paid are "service fees" charged for the use of the surety company's financial backing and guarantee.
- Surety professionals view their underwriting as a form of credit so the emphasis is on the prequalification and selection.

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Surety vs. Insurance (It's not insurance)

How is Suretyship Different from More Common Forms of Insurance?

- In traditional insurance, the risk is transferred to the insurance company. In suretyship, the risk remains with the principal. The protection of the bond is for the obligee.
- In traditional insurance, the insurance company takes into consideration that a certain amount of the premium will be paid out in losses. In true suretyship, the premiums paid are "service fees" charged for the use of the surety company's financial backing and guarantee.
- In underwriting traditional insurance products, the goal is to "spread the risk." In suretyship, surety professionals view their underwriting as a form of credit so the emphasis is on the prequalification and selection

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Surety-Principal Defaults

Principal (Contractor) ~~X~~

Surety (Company) → Makes good → Obligor (Owner)

Insurance – Accident/Occurrence (Fire/Injury to Passerby)

Insured Party

Insurance Company → Pays to repair building → Insured Party

Insurance Company → Payment for injuries → Third Party Passerby

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Possible Recourse

Surety

Principal (Contractor)

Surety (Company) → Surety (Company) pursues recovery of payments made to Obligor (Owner) → Principal (Contractor)

Insurance

Insured Party ~~X~~

Insurance Company → Insurance company has no ability to recover from the Insured → Insured Party

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Two Types of Surety

Commercial
 Transactional, required by statute, all industries, government regulation, courts

- Healthcare
- Education
- Legal/Court

Contract
 Relationship driven, contractually required, Fed/State required

- Construction
- Technology
- Manufacturing/Supply

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Commercial Surety Bonds

The Commercial Surety Bond guarantees performance by the principal of the obligation or undertaking described in the bond.

Commercial surety bonds include:

- License and permit bonds are required by state law or local regulations in order to obtain a license or permit to engage in a particular business, (contractors, motor vehicle dealers, securities dealers, Blue Sky bonds, employment agencies, health spas, grain warehouses, liquor, and sales tax).
- Judicial and probate bonds, also referred to as fiduciary bonds, secure the performance on fiduciaries' duties and compliance with court orders, (administrators, executors, guardians, trustees of a will, liquidators, receivers, and masters. Judicial proceedings court bonds include injunction, appeal indemnity to sheriff, mechanic's lien, attachment, replevin, and admiralty).
- Federal (non-contract) bonds are those required by the federal government (e.g. customs, immigrants, excise, and alcoholic beverage)
- Miscellaneous bonds include lost securities, lease, guarantee payment of utility bills, guarantee employer contributions for Union fringe benefits, and workers compensation for self-insurers.

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Commercial Surety Bonds

- Public Official Bond guarantees the performance of public officials. Public Officials are responsible for a broad range of property including fees that they collect, money that they handle, and bank accounts that they oversee. They may also be held responsible for misdeeds that result in a loss of public funds by those they supervise. In some cases coverage is available for an entire group of employees under a public employees blanket bond. Public Official bonds are required by: court offices and federal government; sheriff departments; states, cities, towns, villages and municipalities; state colleges, universities and school districts. Public Officials that may require surety bonds are: judges and court clerks; postal units; sheriffs, deputies and constables; tax collectors; town supervisors; treasurers
- Public Employees Blanket Bond. This is a fidelity bond provided under a *blanket position bond* in which each position is covered on an individual basis or a *commercial blanket bond* in which a loss is covered on a blanket basis regardless of the number of employees causing the loss for employees of public institutions and agencies

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COMMERCIAL SURETY

Commercial Surety
 Five Classes of Bonds – Estimated Premium/Loss Ratios

	15 Yr Premium	15 Yr L/R
License and Permit	5.0 Billion	Under 15%
Miscellaneous Indemnity	4.5 Billion	Approx. 50%
Court – Judicial	1.7 Billion	Under 20%
Court – Fiduciary	1.3 Billion	Under 25%
Federal & Public Official	.9 Billion	Under 10%

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Types of Surety Bonds for Construction

- Bid
- Performance
- Payment



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The Bid Bond

- The bid bond assures that the bid is submitted in good faith and that the contractor will enter into the contract at the price bid and provide the required performance and payment bonds.



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The Performance Bond

- The performance bond protects the owner
- from financial loss should the contractor fail
- to perform the contract in accordance with its
- terms and conditions.



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The Payment Bond

- The payment bond assures that the contractor
- will pay specified subcontractors, laborers, and
- materials suppliers associated with the project.



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Questions?

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