



THE CITY OF **MADRAS**

2/15/19

ATTN: Chair Barker and Members of the House of Business and Labor Committee

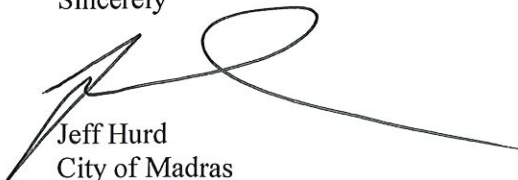
RE: HB 2415 Concerns

I am writing this letter to voice concern with House Bill 2415. After reading through the proposed changes, the biggest concern I have is requiring contracting agencies to deposit retainage amounts into an interest bearing account for a contractor with a contract of \$250,000 or more. Being a Public Works Director who manages multiple projects a year, I can tell you from experience that a \$250,000 project typically only lasts 2-3 months. Most contracting agencies only hold 5% retainage so for a 2-3 month job you're asking a contracting agency to place \$12,500 in an interest bearing escrow account - which if I'm not mistaken is a fancy way of saying a "savings account".

In this scenario, if you had a \$250,000 contract for a 3-month job, a contracting agency would only hold retainage on the first two pay requests, as they typically release retainage with the last pay request. This would mean the contracting agency would hold \$8,333 in a savings account. In addition, that retainage is not accruing interest over 3 months, it is really only accruing interest on \$4,166 the first month and \$8,333 the second month. I checked with our bank to determine current yield, and if I use simple interest compounded monthly of 0.57% (which I know my numbers may be off as banks compound daily and have different interest rates) that's really only \$71 generated in interest for the contractor while the contracting agency would have to track that separately. I'm sure, at a minimum, this would easily create \$71 worth of staff time for the municipality.

Thank you for hearing my concerns.

Sincerely



Jeff Hurd
City of Madras
Public Works Director