

COR/2011/09713

CIRCULAR

To: All Municipalities, Local Service Districts & Engineering/Architectural Consultants

Re: Submission of Project Status Reports and Contractors' Claims for Reimbursement of Provincial/Federal Share of Capital Projects

Date: January 19, 2012

I write to express concern over the length of time it takes a contractor to get paid for work completed under the various Federal/Provincial/Municipal Infrastructure Programs offered through the Department of Municipal Affairs.

The Heavy Civil Association of Newfoundland and Labrador has brought this matter to the Department's attention on a number of occasions over the past two years. Municipalities and consultants are reminded that contractors can charge interest on overdue claims after 90 days, as outlined in the General Conditions of the contract. Under no circumstances will the Department of Municipal Affairs contribute in any way to the payment of interest charges.

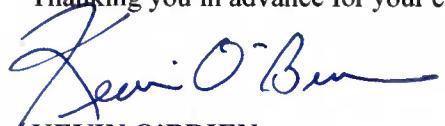
The processing of late contract payments is causing contractors to inflate their bids to cover the carrying charges and this is having a direct impact on the cost of municipal infrastructure.

Municipalities and consultants are encouraged to review their internal claims process with the view of streamlining them as much as possible; to ensure the timely submission of project status reports and payment of claims. Given signed contracts are in place, the Department does not require municipalities to pass a motion of council to submit project status reports to the Department or to make payment to contractors. The contractual obligation has already been established.

My Department is suggesting that effective immediately the following schedule for the submission and payment of project status reports: the cut off date for payment of work will be the end of the month, with the consultant submitting all supporting documentation to the Department of Municipal Affairs (appropriate regional office) by the 10th of the following month. Municipal Affairs will process project claims within 10 days of receiving them and forward them on to the Department of Finance, for the issuance of a cheque to the municipality. Upon receipt of payment from the Department of Finance, the municipality/LSD shall issue payment to the contractor within 5 days.

Municipalities and consultants are reminded of the requirement to have all invoices in to the Department by April 6, 2012 for work completed up to March 31, 2012, in order to adequately manage cash flows. Receipt of late invoices will impact the Department's ability to fund new projects in the subsequent fiscal year.

Thanking you in advance for your co-operation.



KEVIN O'BRIEN

Minister

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cc: Mr. C. Mercer, P. Eng., ADM
cc: Mr. R. Dillon, P. Eng.
cc: Regional Directors
cc: Regional Managers
cc: Regional Engineers