



City of San Antonio

Agenda Memorandum

File Number:
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Agenda Item Number: 4

Agenda Date: October 1, 2024

In Control: Economic and Workforce Development Committee Meeting

DEPARTMENT: Economic Development Department

DEPARTMENT HEAD: Brenda Hicks-Sorensen

COUNCIL DISTRICTS IMPACTED: Citywide

SUBJECT:

Briefing on the Capacity Building & Bonding Assistance Program.

SUMMARY:

Briefing on the Funding Agreement between the City of San Antonio (COSA) and San Antonio Economic Development Corporation (SAEDC) that established a Capacity Building & Bonding Assistance Program administered by Alamo Surety Bonds.

BACKGROUND INFORMATION:

Texas law mandates that construction-based public sector contracts require awarded vendors to obtain payment and performance bonds. These bonding requirements largely guarantee a vendor's bid price and capabilities to ensure they are successful in completing an awarded project. However, the costs to obtain these bonds require businesses to have available capital and a certain bonding capacity level, which serve as barriers for small, minority, and women-owned businesses to participate on public sector contracts.

To address these barriers, and as required in the Small Business Economic Development Advocacy (SBEDA) Ordinance, the City has offered a Bonding Assistance Program since 2011. In 2020, a workgroup consisting of internal and external small business stakeholders recommended the redesign of the program, which included the establishment of a revolving pool of funds to offset costs small, minority, and women-owned businesses incur when fulfilling COSA bonding requirements for small construction projects.

Under Texas statute, surety companies are exclusively granted the right to provide guarantees of a vendor's ability to bid and perform. The Texas Constitution prohibits a governmental entity from lending its credit to offset bonding requirements for a private company and further prohibits the Texas legislature from granting cities such a right. Therefore, on June 23, 2023, COSA entered into a two-year \$600,000 Funding Agreement with the SAEDC to administer the program. Of the total funds, \$500,000 has been set aside to establish a revolving pool of funds and \$100,000 for program administration services.

The SAEDC entered into a Professional Services Agreement with James Swindle dba Alamo Surety Bonds to manage the Capacity Building & Bonding Assistance Program for a term of one year, with one additional one-year option. The scope of work includes:

- Education – Identify curriculum and provide educational assessments;
- Guidance – Provide one-on-one tailored assistance, evaluate past bond applications, and provide referrals;
- Financial Assistance – Manage and disburse \$500,000 from a revolving pool of funds to small construction contractors to offset bonding needs, work with surety companies to develop underwriting criteria to project Program resources;
- Implementation, Budget, Metrics – Establish short-term and long-term Program goals, identify and measure metrics, develop forms, policies, and procedures;
- Program Review – Recommend program improvements based on metrics, submit monthly detailed reports, collaborate with COSA to modify bonding procedures; and
- Marketing – Develop and execute an annual marketing plan.

On September 9, 2024, the SAEDC ratified an amendment to the Professional Services Agreement with James Swindle dba Alamo Surety Bonds to extend the program for one additional year at an additional \$50,000 in program administration services. On September 13, 2024, the SBEDA Committee received a briefing on the program and amendment to the Professional Services Agreement.

ISSUE:

The Capacity Building & Bonding Assistance Program launched in October 2022 and currently has 22 participating businesses.

Upon entering the Program, each business receives an individualized assessment to develop their tailored action plan. This includes educational courses, referrals to other service providers, one-on-one consultation, and project bid assistance to meet bond requirements. To date, participants have completed 40 classes and received a collective 89 hours of individual consultation. This resulted in a collective increase in participant business bonding capacity from \$1.4 M to \$9.3 M,

representing a 561% increase. Participating businesses have submitted 25 bids for COSA and other public agency contracts, of which five bids resulted in awards for a combined \$3.2 M.

Next steps for the Program include helping participants submit two (2) bids monthly with San Antonio regional public agencies, with one (1) bid specifically with COSA, hosting quarterly workshops, in coordination with COSA, to share COSA small business resources and solicitation opportunities, and facilitating participate referrals to additional community-wide small business resources.

FISCAL IMPACT:

This item is for briefing purposes only.

ALTERNATIVES:

This item is for briefing purposes only.

RECOMMENDATION:

This item is for briefing purposes only.