



Bonding Assistance Program Update

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SBEDA Committee

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What is a Surety Bond

A three-party agreement in which the surety company assures the obligee (project owner) that the principal (contractor) is financially capable and will perform a construction contract.

Why are they required

Federal, state, and local laws were adopted to ensure a contractor is qualified to perform a government related project. In addition, they protect projects from contractor default and protect subcontractors from nonpayment by contractors.

Factors to Obtain a Bond

Financial
Strength

Bank
Relationship

Established Line
of Credit

History of Paying
Subs on time

Necessary
Equipment

Experience
Matching Project
Requirements

Good Character

Submission of
Various
Documents

Current Program

- Established in 2011 alongside the Mentor Protégé Program
- Alamo Colleges serves as the Program Administrator
- Mission is to increase pool of vendors responding to City solicitations
- Eligibility criteria mirrors the SBEDA Program

Small Business Bootcamp – 8 Classes & 3 Hours of Counseling

Business Plan	Business Plan Financials	Credit Repair
Bonding/Risk Management	QuickBooks I, II, III	
Access to Capital	Sustainable Business Practices	Human Resources
Getting Started in Government Contracting	Safety	Legal
Project Management	Are You Ready to be a Prime	Construction Cost Estimating/Proposal
Technical Proposal Writing		

Need for Program Refresh

1. Establish a collateral pool to offset S/M/WBE bonding assistance needs when bidding on City contracts.
2. Reevaluate S/M/WBE educational component and wrap around services.
3. Issue RFP for program administration to evaluate innovative solutions.

FY 22 Budget Enhancement

City Council approved \$550k

- \$50k for first-year program administration
- \$500k to establish a collateral pool

Bonding Assistance Research

Bonding requirements are the primary reason S/M/WBEs do not bid on City projects

- Review contractor bid data for construction projects between FY 17 – FY 21
- Review and cross reference certified construction contractors
- Survey certified non-bidders

Number/Percentage of S/M/WBE bids decrease as project values increase

- Review contractor bid data for construction projects between FY 17 – FY 21
- Review and cross reference certified construction contractors at various project value intervals (i.e. \$0 - \$500k; +\$500k - \$1m; etc.)

Bonding requirements are the primary reason the number/percentage of S/M/WBEs decrease as project values increase

- Survey certified bidders who respond to low value projects but not higher value projects

Bonding Assistance Research

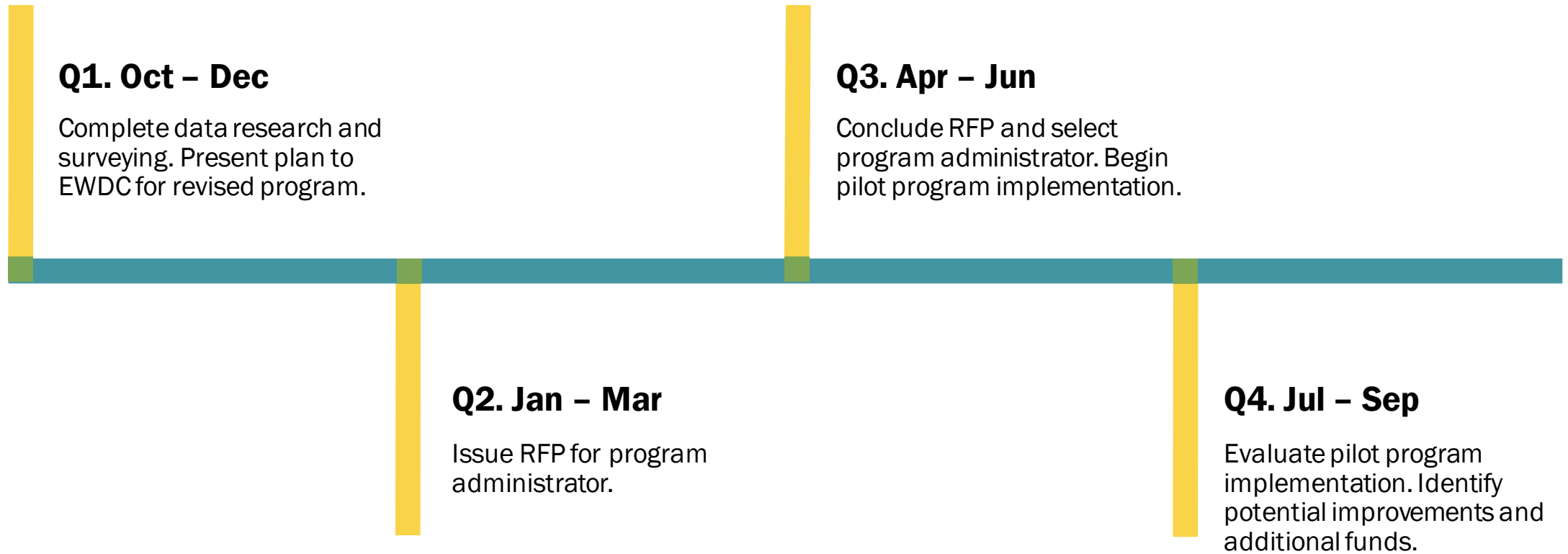
Gather qualitative data from surety companies

- Identify list of qualified surety companies
- 1:1 discussion on bonding related barriers

Research best practices from other municipalities

- Identify list of municipalities
- 1:1 discussion on bonding assistance provided, if any

Projected Timeline



Workgroup / Finance Department Solutions

Task Order Contracts

Creating task order contracts with multiple terms, where feasible, which effectively reduces required bonding capacity.

Solicitation Language

Creating consistent solicitation language to specifically address bonding requirements for task order contracts.

Invoicing

Allowing Contractors to invoice for cost of payment and performance bonds upon contract award.

Coordination

Closer coordination between City Procurement Staff and Project Managers to minimize time between receipt of bonds and issuance of task orders.

Pursue Legislative Changes

Pursue legislative changes to Chapter 2253 of the Government Code that governs Public Work Payment and Performance Bonds to allow bonding on a per project basis for task order contracts involving horizontal work.





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