

# **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

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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

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## Gather qualitative data from surety companies

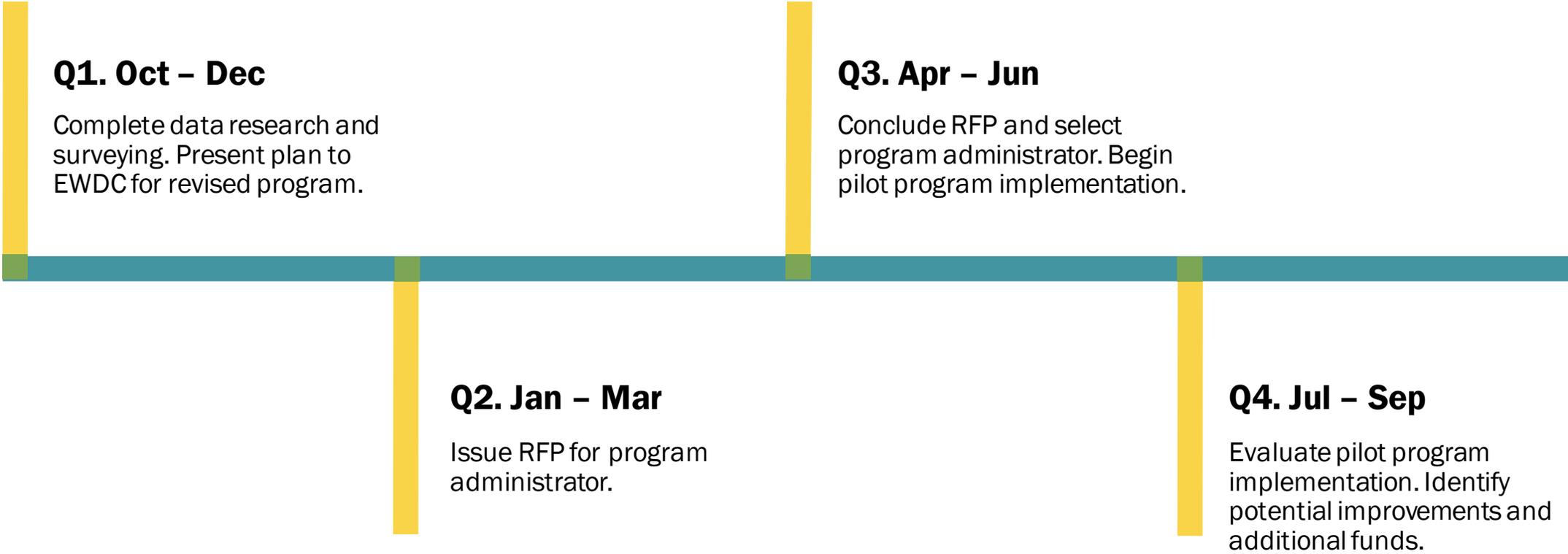
- Identify list of qualified surety companies
- 1:1 discussion on bonding related barriers

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## 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

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## Task Order Contracts

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

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## Solicitation Language

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

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## Invoicing

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

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## Coordination

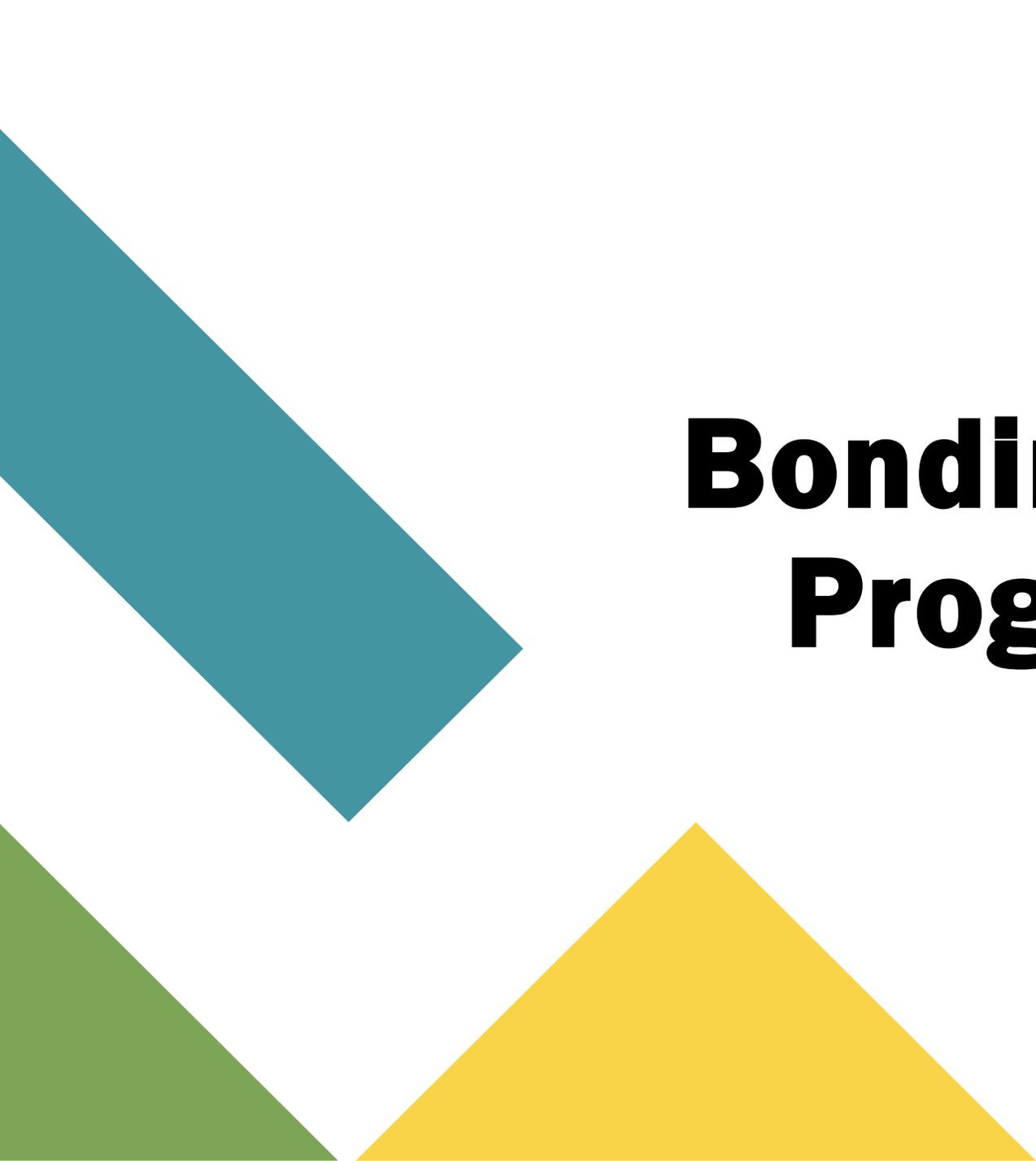
Closer coordination between City Procurement Staff and Project Managers to minimize time between receipt of bonds and issuance of task orders.

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## 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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