



# City of San Antonio

## Agenda Memorandum

**File Number:**  
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**Agenda Item Number:** 2

**Agenda Date:** May 23, 2023

**In Control:** Economic and Workforce Development Committee Meeting

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Brenda Hicks-Sorensen

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Capacity Building & Bonding Assistance Program Update

**SUMMARY:**

Briefing on the Funding Agreement with the San Antonio Economic Development Corporation (SAEDC) that established a Capacity Building & Bonding Assistance Program administered by James Swindle dba 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 will result in successful project completion. 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 woman-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 Economic Development Department (EDD) 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 woman-owned businesses incur when fulfilling City bonding requirements for small construction businesses.

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, 2022, the City 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.

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 services includes:

- Education – Identify curriculum and provide educational assessments;
- Guidance – Provide one-on-one tailored assistance, evaluate past bond applications, 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 the City to modify bonding procedures; and
- Marketing – Develop and execute an annual marketing plan.

## **ISSUE:**

The Capacity Building & Bonding Assistance Program launched in October 2022 and currently has ten 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 twenty-one (21) classes and received a collective forty-six (46) hours of individual consultation. This resulted in a collective increase in participant business bonding capacity of \$1.7 million. Although not yet selected for contract award, participating businesses submitted six bids for City and other public agency contracts.

Next steps for the Program include the SAEDC exercising a one (1) year agreement extension option with Alamo Surety Bonds in June 2023, conducting enhanced outreach to prime contractors

who attended pre-submittal conferences and currently bid on City contracts for Program enrollment, and implementing the fundraising plan to build the \$500,000 pool of funds.

**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.