

SURETY SUPPORT PROGRAM

City of Dallas
Economic Development
and Housing Committee
September 20, 2005



Purpose

- Provide overview of Surety bonding requirements of the City of Dallas
- Give history of Surety Support Program
- Outline in-sourcing strategy for surety support program

Surety Bonding

- Surety bonding provide protection for City of Dallas by making a third party responsible for the completion of contract
- Bonding also ensures sub-contractors will receive payment for work completed under the contract
- State law requires payment and performance bonding on all public works project
- City sets requirements for bonding on all other contracts

Surety Bonding

- Surety companies have the option to complete the bonded contract or pay the City for difference between contracted amount and the amount spent to actually complete the contract
- Performance issues must be fully documented and claim must be filed
- Bonding companies have the right to dispute the claim

Surety Bonding

- Bonding does not:
 - Reimburse the City for any expenses paid for work completed
 - Pay the City for full amount of the bond unless City has actually expended the amount without work being completed

Surety Bonding

- Bonds are a form of insurance, and the surety company assumes risk when issuing bonds
- Companies often can not obtain bonding when companies have:
 - Poor credit scores
 - A short and/or poor performance history
 - Lack of adequate financial statements\ records
 - Lack of banking relationships

History

- Surety Support Program was created to aid companies in obtaining bonding
- This allows the City to often keep the low bidder from being unable to work for the City
- City has traditionally contracted for this service
- Funding for the program comes from capital funds

History

- Current contractor has had contract since 1996
- Current contract costs the City \$296,000 per year
- Current contract expires in October 2005
- City provides office space, phones, and furniture which adds to contract cost
- Two staff are dedicated full time in this space for the City of Dallas
- However, office not open all hours during week

New Program

- The Business Development and Procurement Services Department will provide an innovative program to enhance opportunities for Minority/Women Owned Businesses to compete for work in the City of Dallas
- Surety Support Services will be in-sourced, completed by City staff
- More direct contact with vendors and surety companies will allow for greater success in securing bonding for potential vendors

Goals

- The new program will:
 - Inform and educate potential City of Dallas vendors especially minority and woman-owned businesses of possible opportunities with the necessary steps required to obtain bonding
 - Provide technical support or referrals to minority and women owned businesses in the areas of estimating, accounting, business planning, project management and financing to improve the quality of bid packages and work performance
 - Provide technical assistance to companies in need of credit repair to enhance their ability to secure bonding and financing required to successfully compete for City of Dallas contracts
 - Provide assistance in obtaining required insurance coverage for projects.

Program Objectives

- Assess bonding needs of local minority and women owned businesses
 - Implement technical assistance workshops for vendors to address needs identified
- Develop a listing of local bonding companies to provide services to City of Dallas vendors prior to award
- Conduct one kick-off information forum and business mixer to market the service, educate inform and encourage prime and subcontracting relationships
- Work with chambers of commerce to leverage existing Community Outreach Liaison Program
- Work one-on-one with vendors to assist in obtaining bonding

Services Provided

- Bonding Application Assistance will include:
 - Income Statement development
 - Securing certificate of insurance
 - Personal financial statements
 - Contracts under construction
 - Assist “denied” bond applicants

STAFFING

Coordinator

City Hall

Qualifications to include financial experience in the following areas: develop and analysis financial statements, income statements, balance sheets, cash flow statements and budgeting. Assist with Business Plan Development. Provide technical assistance or referrals in need of credit enhancement.

Coordinator

Oak Cliff Municipal Center

Qualified to conduct an assessment of the bonding capacity on minority and women-owned businesses in Dallas County. Assessment to include detail and summary information on the number of firms included in the assessment, bonding capacities, ethnicity and gender. Develop marketing plan to incorporate ethnic chambers, contractor associations and appropriate industry trade organizations.

Coordinator

Oak Cliff Municipal Center

Develop a comprehensive listing of companies that provide surety support to small and emerging businesses, listing to include varied levels of bonding capacity. Coordinate quarterly meetings with participating bonding providers. Attend selected pre-construction/consulting meetings to assess bonding needs. Attend selected City of Dallas outreach events to market bonding services. Develop checklist to be used to pre-qualify vendors referred for bonding services.

Costs

- **The cost of Surety Support Services will be reduced by fifty percent**
 - Program will increase dedicated staff from 2 to 3
- **City staff will use current office space at OCMC and City Hall**
- **Only additional expense will be 2 new computers at OCMC, approximately \$900 per year**

Benefits

- **Increase in service to City of Dallas vendors**
- **Assistance in securing bonding assures that the lowest bidder receives the award thus providing the lowest price to the city**
- **Increased competition assures better prices for goods and services to the city**
- **The elimination of barriers aides in the growth and development of small and emerging minority and women owned businesses**

Next Steps

- **Approve City of Dallas proposed budget which includes cost saving for bringing Surety Support Program in-house**
- **Business Development and Procurement Services will add 3 employees within 30 days**