

# **Surety Support Program**

City of Dallas  
Economic Development  
and Housing Committee  
January 17, 2006

# Purpose

- Provide an overview of Surety bonding requirements of the City of Dallas
- City's Surety Support Program
- Third party selection of Surety Support Program consultant

# Surety Bonding

- Surety bonds guarantee that the contractor or subcontractor will perform the contract according to the contract terms and conditions and transfers the risk of contractor default to the surety company.
- Bonds are a form of insurance, and the surety company assumes risk when issuing bonds

# Surety Bonding (Cont'd)

- Bonding also ensures sub-contractors receive payment for work completed under the contract
- Payment and performance bonding is required by State law on all public works projects
- City sets requirements for bonding on all other contracts

# Surety Bonding Concerns

- Companies often cannot obtain bonding when they have:
  - Poor credit scores
  - Short and/or poor performance history
  - Lack of adequate financial statements/records
  - Lack of banking relationships

# Current Surety Support Program

- City of Dallas created the Surety Support Program in an effort to:
  - Facilitate bidding on City projects and encourage competition
  - Aid companies in obtaining bonding through:
    - Training
    - Providing assistance with securing bonding
- Funding for program comes from capital funds
- City has traditionally contracted for this service

# Current Surety Support Program (Cont'd)

- Current scope of services included
  - Assistance with preparation of bond package applications, loans and/or lines of credit and financial statements
  - Outreach efforts to increase the number of businesses familiar with the services provided through the program by attending:
    - Pre bid conferences
    - Seminars/workshops hosted by City
    - Quarterly construction roundtables
  - Required full-time contractor staff member to reside on-site in City facility (City provided location, phone, furniture, etc)

## Current Surety Support Program (Cont'd)

- Current contractor has had contract since 1996
- Annual cost to the City - \$296,000
- Contract expired October 2005 and extended through January 2006.



# FY05-06 Budget Deliberations

- Recommendation was made to reduce level of funding due to the elimination of redundant / unproductive activities the contractor was required to do
- City Council adopted FY 2005-2006 with new funding level of \$150,000

# Proposed Contract Services

- All of the outreach efforts required in old contract, were also performed by City of Dallas, and are not required under new contract
  - The Community Outreach Liaison Program (COLP), the City of Dallas focuses its outreach efforts on education, awareness, and dissemination of information to the vending community by attending:
    - Monthly meetings with the Chambers of Commerce membership
    - Expos, networking events, roundtables, brown bag luncheons
    - City conducted over 100 events last year

# Proposed Contract Services (Cont'd)

- Additionally, the City's ResourceLink TEAM (RLT) strengthens participation on procurements by:
  - Attending construction pre bid meetings
  - Conducting monthly workshops on doing business with the City
  - Conducting Quarterly Construction and Architecture and Engineering Roundtables

# Revised Contract Scope

- The new scope of contract for surety support services eliminates the duplication of outreach efforts and shifts focus for contractor to securing bonding for the vending community
- Enhanced bonding application assistance includes:
  - Income Statement development
  - Securing certificate of insurance
  - Personal financial statements
  - Assist “denied” bond applicants

## Revised Contract Scope (Cont'd)

- All outreach and business development activities to assist the vending community will continue to be made by RLT
- No changes to the benefits provided to the vending community are being made

# RFP Process

- The Department of Business Development and Procurement Services advertised a Request for Proposal (RFP) – responses due August 19, 2005
- Selection committee was formed and comprised of
  - Manager, Dallas Water Utilities
  - Program Manager, Department of Park and Recreation
  - Risk Management Manager, Department of Human Resources
  - Manager, Office of Financial Services
  - Manager, Business Development and Procurement Services
  - City Auditor's Office (non-voting member)

## RFP Process (Cont'd)

- Five consultants responded to the RFP and each interviewed on October 20, 2005
- Presentations and second interviews of two leading contractors, SSP Consulting and National Insurance Consultants Incorporated (NICI), on November 10, 2005
- Based on their experience, program approach and methodology, NICI was unanimously recommended by the committee

# National Insurance Consultants Inc.

- National Insurance Consultants Incorporated (NICI) of Texas National Insurance Consultants is a growing and diversified insurance and financial services firm focused on providing full integrated distribution of general and specialty insurance
- NICI has over eleven years experience providing bond, insurance placements and consulting
- Current public agency contracts include the, Las Vegas Bus System and Denver Rapid Transit.
- Partnered with NICI is K Strategies Group, lead by Katrina Keyes, an accomplished leader in creating and developing comprehensive M/WBE programs
- K Strategies is directing the M/WBE program for the new Dallas Cowboys Stadium



# Proposed Contract

- New contract will have a Performance based payment schedule
  - Based on securing bonding and insurance
    - Fee set for vendors securing bonding
    - Fee set for vendors denied bonding
    - Hourly rate for vendors requiring technical assistance
- Contract term three years, not to exceed \$450,000 (\$150,000 annually)

# Next Steps

- Award Surety Support contract to NICI on the February 8, 2006 City Council agenda
- Execute contract
- Program implementation