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 contractor has had contract since 1996
Annual cost to the City - $296,000
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 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