

CBI Construction Bonding Program

APRIL 10, 2023 – CITY COUNCIL BUSINESS MEETING

What is a Surety Bond?

A surety bond offers assurances to the owner of a construction project that the contractor will perform the work specified in the contract and pay its subcontractors and suppliers.

Why is Bonding Such a Problem for Small Contractors?

- ▶ A wide body of evidence suggests that a Contractor's ability to grow is actually determined by a host of business factors, including their ability to obtain bonds, working capital or otherwise qualify to maximize their overall contracting capacity.
- ▶ This hurdle is especially prevalent amongst MWSBE and DBE contractors. Factors include: Profitability, Net Worth & Working Capital, Cash Flow, Work In Process Calculations, Over-billings & Under-billings and Accounting for Change Orders and Claims

Bonding Pre-Qualifications / Underwriting

- Capacity to perform
- Financial strength
- Track record and history of company
- Organizational structure
- Business continuation plans
- Trade references
- Analysis of all projects in progress
- Credit history
- Good character
- Working capital

Other Hurdles

- Quality Broker representation
- Quality CPA prepared financial statements and general accounting practices

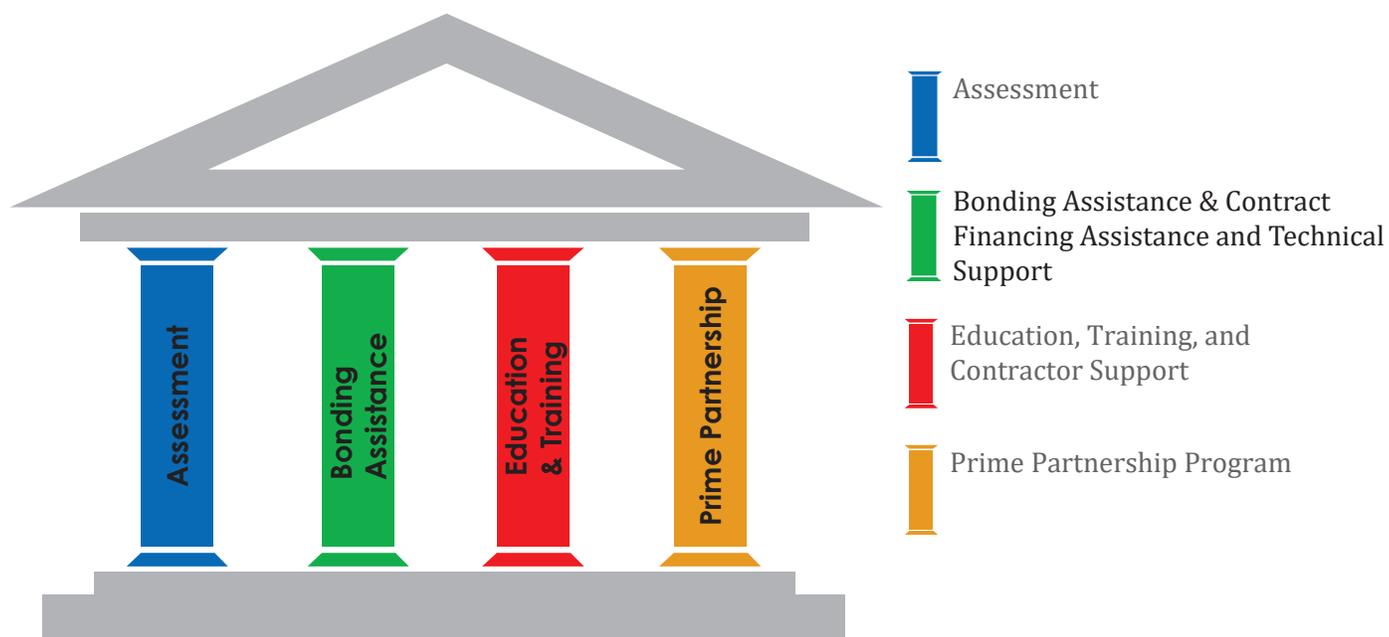
Merriwether & Williams Insurance Services

- ▶ Selected as our Program Administrator
- ▶ Over 25 years experience with supporting 100s of diverse businesses with obtaining & increasing bonding
- ▶ Develop a contractor supportive services program providing City certified MWSBEs & DBEs with a range of technical assistance and financial resources (bonding & capital) to help position them to compete and successfully complete City construction projects and build contractor capacity
- ▶ Subcontracting with certified MBE, the Wonder Group to support community outreach & Prime Contractor engagement

Intent of CBI Construction Bonding Program

1. Provide a full circle of services, tools and technical support to firms competing on City projects
2. Provide a support mechanism for CBI certified MWSBE and DBE firms with securing bonding and working capital to participate on city projects, including ones at the airport
3. Merriwether will leverage relationships and risk mitigation tools with Sureties to support MWSBEs with obtaining bonding
4. Provide a pathway for MWSBEs to grow from Subcontractors to Primes

Four Pillars of Contractor Development



Program Development Schedule

Project Plan	Timeline
Meet with CBI to Discuss Program Development	Within 5 Days of Contract Award
Create Program Development Task Assignment Tracker	1 week following Program Development Meeting
Set Frequency and Calendar Weekly Progress Meetings	1 week following Program Development Meeting
Meet with Prospective CDFI Partners	2 weeks following Program Development Meeting
Discern, Discuss and Plan Program Services (Surety Bond Collateral / Contract Financing)	Within 30 days of Program Development and CDFI (or alternative partner) Meeting
Finalize Program Design, Contractor Services, Eligibility, Program Branding and Communications Plan	Within 75 days of Program Development Meeting
Conduct Internal City Staff Orientations	Within 90 days of Program Development Meeting
Official Program Launch Event Begin Contractor Assessment, Enrollment, Services	Within 120 days of Program Development Meeting
***The above are contemplated tasks and estimated timelines. Program development and contractor services detail will significantly influence tasks and timelines.	

KPI's / Reporting

01
Number of Applicants by category

02
Number of Firms Participating in the 1st cohort

03
Number of classes offered

04
Participating firms MWSDBEs by category

05
Number of firms that have established or increased their bonding

Next Steps

- ▶ Goes before City Council on April 24, 2023
- ▶ Contract signatures from all parties
- ▶ Meet with Merriwether and The Wonder Group to discuss the program development & outreach and marketing of the program
- ▶ Start of the program in FY24

Questions