

A black and white photograph of a person wearing a textured sweater, sitting at a desk and typing on a laptop. The person's hands are visible, and they are wearing a watch and several bracelets on their left wrist. The background is slightly blurred, focusing attention on the person and their work.

SECURING PAYMENT & PERFORMANCE SURETY BONDS

Presenter

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SECURING PAYMENT & PERFORMANCE SURETY BONDS

Agenda

- Speaker Bio
- Surety Bond Basics
- Applying For A Bond
- Bonding Tips
- Subcontractor Tips
- Bonding Resources

STEPS TO SECURE SURETY BONDS

Hopeton Hay Bio

- Served as HUB Coordinator on UT System managed major capital projects at various times at UT Austin, UT San Antonio, UT Health San Antonio, UT Health Houston, UT Medical Branch Galveston 2002 - 2012
- Worked in UT System Bonding & Technical Assistance 2001 – 2012
 - Assisted HUBs with obtaining surety bond lines of credit and working capital loans
 - Implemented Surety & Fidelity Association of American Model Contractor Development Program in 2008 for educating contractors on bonding and construction management
- Developed the UT System Construction Subcontractor Training Classes from the Model Contractor Development Program

STEPS TO SECURE SURETY BONDS

SURETY BOND BASICS

- Bid Bond
 - The bid bond assures that the bid is submitted in good faith and that the contractor will enter into the contract at the price bid and provide the required performance and payment bonds

STEPS TO SECURE SURETY BONDS

SURETY BOND BASICS

- Performance Bond
 - The performance bond assures the owner that, in the surety's opinion, the contractor is capable and qualified to perform the contract and protects the owner from financial loss should the contractor fail to meet the terms and conditions of the contract.

STEPS TO SECURE SURETY BONDS

SURETY BOND BASICS

- Payment Bond
 - The payment bond assures that the contractor will pay specified subcontractors, laborers, and materials suppliers associated with the project.

STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Find a good surety agent
 - Extensive experience working with small contractors
 - Understands the construction industry
 - Works with several surety companies
 - Can recommend CPAs to do your financial statements
 - Relationship, not transaction driven -provides feedback and advice on your application

STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Credit based application
 - Credit score and experience drive the decision process
- Full application
 - Financial statements
 - Company history
 - Status of Contracts

STEPS TO SECURE SURETY BONDS

APPLYING FOR A BOND

- Surety bond credit enhancement tools
 - SBA Surety Bond Guarantee Program
 - There are 42 surety agents licensed in Texas that offer SBA-guaranteed bonds
 - Collateral
 - Funds control

BONDING AND SUBCONTRACTOR TIPS

BONDING TIPS

- Apply for a surety bond line of credit before you need it
- Prepare your financial statements on an annual basis as soon as you close your books for the year, preferably by a CPA on a compiled basis
- Keep up to date information on job costs for each of your projects

BONDING AND SUBCONTRACTOR TIPS

BONDING TIPS

- Monitor your personal and business credit – obtain copy of credit reports before you apply – myfico.com and Dunn & Bradstreet

BONDING AND SUBCONTRACTOR TIPS

SUBCONTRACTOR TIPS

- Not all GCs are the same (in other words, read the fine print in the subcontract) so must understand contractual obligations and actions that the GC's have at their disposal to use (supplementation, offset, etc.).
- Banking relationship – is your bank a contractor friendly financial institution? Does the bank have other contractor clients and do you feel they truly understand your banking needs necessary to support your operation? Read the fine print of any loan/LOC documents. What rights does the bank have at their disposal? Are they able to sweep your operating account at their sole discretion?
- Territory – are you pursuing projects within your normal geographical area of operations and realm of experience?

BONDING AND SUBCONTRACTOR TIPS

SUBCONTRACTOR TIPS

- Due your due diligence by reaching out to other subcontractors you know when considering working for a new GC for the first time.
- Involve your surety agent early in the process of considering a bonded job
- Consider your bonding needs when making decisions about your company balance sheet (distributions, debt, etc). Ask your agent if the decision will have an effect on your bonding.
- Not all CPA's are the same – most are good at income tax prep. Make sure you engage a construction oriented CPA that can produce a financial product on your behalf that is suitable for bonding purposes.

STEPS TO SECURE SURETY BONDS

BONDING RESOURCES

- [Texas Department of Insurance](#)
- [Surety Information Office](#)
- [Surety & Fidelity Association of America Contractor Bonding Education and Mentoring Program](#)
- [SBA Bond Guarantee Program](#)