BONDING EDUCATION PROGRAM
Partnership between the Surety & Fidelity Association of America and
US Department of Transportation/Office of Small and Disadvantaged Business Utilization

Program Description

Program Overview

The Surety & Fidelity Association (SFAA) and United States Department of Transportation (DOT) Bonding Education Program (BEP) is composed of two interrelated components.

The Educational Workshops Component offers a set of up to ten workshops, including an introductory workshop on intake and logistics; eight comprehensive workshops, each of which is designed to provide information to the contractors related to improving their company's operations and thereby making it easier to be bonded or to increase their bonding capacity; and a closing workshop focused on networking and next steps. In some instances, the DOT Small Business Transportation Resource Centers (SBTRC) have chosen to combine certain workshops in order to shorten the overall time for implementation of this component. Following are brief descriptions of these ten workshops:

- **Kick-Off: Program Description and Initial Intake**
  This workshop includes an overview of the Bonding Education Program and its implementation; a presentation of current procurement opportunities; and the scheduling of an initial intake interview with a local surety professional.

- **Business Planning, Management and Marketing for Construction**
  This workshop focuses on such areas as assessing or reassessing the legal form of the company, developing a succession/business continuation plan, managing/controlling growth and assembling a business team. Areas covered include legal and corporate structures, certifications/licenses/permitting, establishing goals and objectives under a business plan, and issues related to company management, policies and procedures, and staffing. The marketing portion of this workshop focuses on such areas as identifying core company capabilities and determining company capacity, developing a marketing plan, identifying targets of opportunity, and making sales calls and visits. The team-building portion of the workshop describes the importance of choosing the right construction lawyer, accountant, banker, insurance agent and producer; how to identify them; why they are important; what role these individuals would play and how they interrelate, what they would expect from the contractor, and how their involvement contributes to overall business success.

- **Construction Accounting and Financial Management**
  This workshop focuses on basic construction accounting concepts and will provide an overview – from job costing to financial reporting – as well as construction-specific practices that introduce the contractors to construction accounting fundamentals. These fundamentals include: debits and credits and how they work, accounting for job cost, work-in-progress (WIP) schedules, percentage-of-completion revenue recognition, and developing financial statements.

- **Banking and Financing for Contractors**
  This workshop addresses the need for capital equipment financing, how to determine working capital requirements, the use of lines of credit and establishing a banking relationship.

- **Bonding and Insurance for New and Emerging Contractors**
  This workshop focuses on what surety bonds are and the various types of surety bonds, how to begin the process of obtaining a bond, the role of the agent/producer and underwriter, the prequalification process, the 3 "C's" – capital, capacity and character, the costs of bonding, and how to develop a surety bond relationship. On the insurance side, the workshop covers the various types of insurances required (commercial general liability, Workers Compensation, etc.) and what to look for in an insurance agent relationship. The workshop also covers such programs as the SBA Bond Guarantee and Loan Programs, relevant state bond guarantee and loan programs, and any local bonding or financial support programs that might be available for emerging contractors.

- **Estimating, and Bidding**
  This workshop covers methods of computing measurements, including off-the-shelf estimating software, metric conversions and essential mathematical formulas for estimating and planning construction projects, and preparation of bid documents.

- **Project Management and Field Operations**
  This workshop focuses on project-specific activities, including hands-on advice at the job site. The workshop covers such topics as plan reading, estimating and bidding, types of contracts (lump sum, cost plus fee, etc.), common contract forms, project planning methods, job costing and scheduling, management of subcontractors, the proper expedition of change orders, and measuring project performance. On the field operations side, the workshop covers setting up the job site and on-going job site operations.

- **Legal Issues, Claims and Dispute Resolution**
  This module focuses on such areas as construction contracts, mechanic's liens, the claims process under Miller Act payment bonds, the various mediation services and approaches available to a contractor in a dispute, the arbitration provision in

standard form construction contracts and what it means, and when and under what circumstances does one consider litigation.

- **Managing Growth - Why Some Contractors Succeed and Others Fail**
  This workshop identifies the most common reasons why contractors, especially small contractors, fail. The workshop also provides suggestions and approaches as to how to avoid these situations and the various management approaches and techniques that help to ensure contractor success. In conducting this workshop, the instructor will present "real world" examples of contractors who have succeeded, what pitfalls they were able to avoid and how.

- **Conclusion of Workshop Component and Opportunity Networking**
  This workshop represents the conclusion of the educational component of the program and focuses on solidifying the bondability of the contractor and exploiting contracting opportunities through contacts and networking.

The Bond Readiness Component consists of one-on-one interactions with surety bond producers, underwriters and other professionals who work with the contractors on a case-by-case basis in assembling the materials necessary for a complete bond application and in addressing any omissions and/or deficiencies that might deter the successful underwriting of a bond. In this component, SFAA joins with the SBTRC and uses the network of both the National Association of Surety Bond Producers (NASBP) and local surety associations (LSAs) to identify one or more surety professionals in the various local areas who volunteer to assist these companies in becoming bondable or increasing their bonding capacity. In addition, the SBTRC is encouraged to identify the resources to assign a full-time staff person with surety experience or contract with a surety consultant to coordinate the program at the local level.

Under this component, the local surety association member(s) work with the SBTRC and its staff/consultant to establish a bond readiness team ideally comprised of a surety bond producer, a representative of the jurisdiction/organization, and other professionals as needed such as an accountant, banker, attorney or technical assistance provider. The team would first develop procedures for review of bonding applications and establish protocols to ensure the confidentiality of the contractor information that they would be reviewing. Next, the team or an individual team member (usually a bond producer) would meet with each contractor on an individual basis to assemble a profile of the company, including financials and job performance history. Should this information be incomplete, the team or bond producer would assist the contractor in assembling a more thorough package for assessment. The team or bond producer would then review aspects of the contractor's financials and/or performance history that might lead to a bonding denial. After this step, the team or bond producer would identify those factors that would potentially make the contractor bondable and develop a strategy to address each of these factors, including referring the contractor to specialized project management, accounting or financing assistance, if needed. Lastly, the bond producer would help the contractor to identify and secure bonding for subsequent projects. A similar approach would be taken

for those contractors who need an increase in bonding capacity in order to bid as prime contractors or to take advantage of larger subcontracting opportunities.

WHAT DO PAST PARTICIPANTS HAVE TO SAY ABOUT THIS PROGRAM?

"I came to this class to find all the parts and pieces of bonding and banking. This class covered that in one place."

"Strategic plan, bonding, and financials- this class showed me how it all fits together."