



THE UNIVERSITY of TEXAS SYSTEM

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Office of HUB Development and Federal Small Business Programs

HUB Technical Assistance Program

Building Bonding Capacity To Win Construction Contracts

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HUB Technical Assistance Program

UT System HUB Technical Assistance Program

- Mission, and goals
- State of Surety Industry
- Applying for Surety Bonds
- Increasing Bonding Capacity



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Construction Mission

The mission of The University of Texas System HUB Technical Assistance Program is to increase HUB participation in UT construction projects through the coordination and delivery of technical assistance (TA), training, and information that enhances the business capacity of HUB firms pursuing UT System and institutional construction projects



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Program Goals

1. Provide technical assistance and training tools that address major barriers to HUB contractors including financing, bonding, insurance, safety, estimating and take-offs, and proposal response.
2. Provide information on resources available that can assist HUBs in the construction industry.
3. Stay abreast of issues that may impact small and emerging contractors in the surety, banking, insurance, and construction industries .



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The Surety in the 2000s

- Sagging economy
- Increased loss ratios
- Significant commercial losses
 - \$3.8 Billion underwriting losses between 2000 - 2004
- Reinsurers exit surety market

2000s



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Industry Response

- Tighter underwriting
- Judicious use of capacity
- Consolidations, mergers and acquisitions
- Focus on risk/return relationship
- More critical review of forms and contracts
- Heightened importance of prequalification



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Role of Surety Agent & Surety Company

- **Surety Agent**
 - Provides initial evaluation bonding needs and capacity
 - Submits your application to surety companies that provides the best fit
- **Surety Company**
 - Evaluates application, checks references and credit
 - Provides financial guaranty that project will be completed and bills paid



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Applying for a Surety Bond

- Surety documents to complete
 - Contractor questionnaire
 - Provides background information on company and owners
 - Status of contracts
 - Amount of work and profitability
 - Bond request form
 - Job cost breakdown
 - Look at profitability of job
 - Personal financial statement



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Applying for a Surety Bond

- Internal documents provided by contractor
 - Last two years of business tax returns
 - Last two years of personal tax returns of owners
 - Income statement and balance sheet – last three full years and current (no more than 60 days old)
 - Prefer financial statements prepared by CPA on percentage of completion basis
 - Reviewed financial statements if contract is \$500,000 or more
 - Aging of accounts receivable and accounts payable



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Applying for a Surety Bond

- Internal documents provided by contractor
 - Certificate of insurance
 - Verify you have necessary insurance coverages
 - Copy of contract
 - Checking to see if too stringent
 - Copy of bond requirements from invitation to bid
 - Make sure right surety company provides bond
 - Resume of owner and key personnel
 - Evaluates experience of staff for job



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Increasing Bond Capacity

- Develop strong back office operation
 - Increase administrative and accounting capacity
- Increase strength of balance sheet
 - Focus on profitable jobs and retain profits
- Demonstrate adequate capital to finance growth
 - Cash flow projection
 - Bank line of credit
- Plan for growth but don't grow too fast
 - Grow through low risk jobs
 - Have adequate number of experienced personnel



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UT System HUB TA Program Team

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