How to Build a “Bond” With Public Entities
How to Build a “Bond” With Public Entities

Presented by:
Helen Lally, Great America Insurance Company
Steve Swartz, South Coast Surety
Corban Enns, Surety Solutions, LLC

Moderated by:
Kathleen Mitchell, Wells Fargo Insurance Services USA, Inc.
Current Opportunities

• What’s available at the federal level
• What’s trickled down to the state level
  – IT contracts
  – Public Works Contracts
  – School Bus; Waste Haulers
• What’s available at the Private Sector
• Contracts being awarded for New WTC
Service Contract

Janitorial Services
• OFFICE OF MANAGEMENT AND BUDGET
• Performance of Commercial Activities
• OMB Circular No. A-76
• To improve program performance to citizens and lower costs for taxpayers, OMB is making significant revisions to the processes and practices for determining whether a commercial activity will be performed by a public or private source.
• Increased visibility into gov’t management
• Ensured effective agency planning for public-private competitions
• Promoted better service to our citizens
• Closed loopholes that diminished the return on taxpayer investments
• Ensured commercial activities were performed by the best source at the lowest possible cost
• Iraq security forces provided by private companies
• Air Force Tanker project had competitive bids from Boeing and Airbus
Federal health-care reform require state administrators to finally integrate health and human services programs

Integrated systems can realize efficiencies for States and better customer service for families. At the same time, States have a short timeframe to accomplish the eligibility system changes needed to implement Affordable Care Act health insurance changes that take effect in 2014. We encourage States to consider the benefits of interoperable systems, and how system development might be staged to ensure that the Affordable Care Act timeframes are met.

A new Renewable Electricity Standard (RES) bill, sponsored by Sen. Tom Udall (D., New Mexico), would require utilities to generate 6% of energy from renewables by 2012, rising to 25% by 2025. Thirty states have renewable energy portfolio standards (three of which are voluntary). Oregon, Minnesota, and Illinois set the same 2025 target as the President’s agenda and Sen. Udall’s bill. Other states have more aggressive targets: California has a 20% target in effect now, rising to 33% by 2020; New Mexico targets 20% for 2020.
Supply & Install

Solar Energy
Supply & Install

Computer Software
Service Contract

Equipment Maintenance
In South Carolina, the General Assembly introduced bill number H.4610 called the South Carolina School Bus Privatization Act of 2012. The bill will require local school districts to own and operate their own school buses or to contract with third-party transportation providers beginning with the 2013 school year. Florida is also seeing some of these changes. The state legislature is currently considering the Cost Comparison Bill. The bill would require Florida’s 65 school districts who own and operate their own fleets to put school transportation contracts out for RFP every three years.
MAMARONECK — School officials have decided not to shift private-school students onto public transportation next year, but they are moving ahead with plans to fully outsource the district’s own bus routes.

The district has been studying transportation as a way to trim costs, and expects privatization to save more than $800,000 next year. School board members opted not to have some private-school students take public buses and trains after parents blasted the plan over logistics and safety concerns.

April 1, 2012 – Lower Hudson Valley News (lohud.com)
• NYC DOT had RFEI on parking technology vendors finds open parking spots
• VDOT is turning to the private sector to modernize and integrate their transportation operations centers
## City of Quincy, MA 2011 Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration &amp; Finance</td>
<td>8%</td>
</tr>
<tr>
<td>Infrastructure Management</td>
<td>3%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>5%</td>
</tr>
<tr>
<td>Public Safety</td>
<td>17%</td>
</tr>
<tr>
<td>Human Services</td>
<td>1%</td>
</tr>
<tr>
<td>Pensions</td>
<td>9%</td>
</tr>
<tr>
<td>Education</td>
<td>37%</td>
</tr>
<tr>
<td>Culture &amp; Recreation</td>
<td>1%</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>19%</td>
</tr>
<tr>
<td>Category</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Public Safety</td>
<td>$20,777,711</td>
</tr>
<tr>
<td>Public Schools</td>
<td>$82,263,995</td>
</tr>
<tr>
<td>Public Buildings</td>
<td>$2,711,004</td>
</tr>
<tr>
<td>Engineering</td>
<td>$606,690</td>
</tr>
<tr>
<td>Public Works</td>
<td>$2,708,004</td>
</tr>
<tr>
<td>Street Lighting</td>
<td>$1,305,770</td>
</tr>
<tr>
<td>Collection &amp; Disposal</td>
<td>$6,441,622</td>
</tr>
<tr>
<td>Parks</td>
<td>$1,422,447</td>
</tr>
</tbody>
</table>
Administration & Finance

Administration & Finance INFORMATION TECHNOLOGY

Overview:
The Department of Information Technology is comprised of fifteen technology professionals. The Department's purpose is to provide the full array of both data-communications and telecommunications services for all City departments.

The Department:

• Manages the city and school department's wide-area and local-area networks
• Purchases and maintains all hardware in the city, including: mainframe computers, switches, PC's, printers, and other equipment
• Develops and Supports applications throughout the city
• Provides Help Desk Support for the City's 2000 employees
• Manages, develops and troubleshoots the City-wide MUNIS Software systems for Payroll, Collections and disbursements
• Manages the City's Website
• Manages the city-wide phone service, both landline and wireless; coordinates departmental billing of all phone service, including schools
## Budget Details

**Administration & Finance**

### Department Summary

<table>
<thead>
<tr>
<th></th>
<th>FY09 Actual</th>
<th>FY10 Budgeted</th>
<th>FY11 Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditures</td>
<td>$2,256,521</td>
<td>$2,005,638</td>
<td>$1,853,238</td>
</tr>
</tbody>
</table>

### Additional Information:
- **Department Head:** Chuck Phelan
- **Funding:** General Fund, 100%
- **Budget Détails:** Section III - Page 11
Supply & Install

Boiler installation
Service Contract

Water Treatment Service
### Municipal Outsourcing Stats

<table>
<thead>
<tr>
<th>Service</th>
<th>Currently Contract</th>
<th>Will continue to contract</th>
<th>Will begin</th>
<th>Will Not</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building maintenance</td>
<td>26.3</td>
<td>18.1</td>
<td>3.5</td>
<td>68</td>
</tr>
<tr>
<td>Fleet management</td>
<td>14.5</td>
<td>7.9</td>
<td>2.5</td>
<td>81.7</td>
</tr>
<tr>
<td>GIS Services</td>
<td>19.9</td>
<td>13.9</td>
<td>4.4</td>
<td>70.8</td>
</tr>
<tr>
<td>Grounds maintenance services</td>
<td>28.6</td>
<td>19.1</td>
<td>3.9</td>
<td>63.8</td>
</tr>
<tr>
<td>IT/computer services</td>
<td>33.9</td>
<td>20.7</td>
<td>2.7</td>
<td>57.4</td>
</tr>
<tr>
<td>Payroll services</td>
<td>12</td>
<td>6.5</td>
<td>1.8</td>
<td>84.1</td>
</tr>
<tr>
<td>Pension fund services</td>
<td>44.2</td>
<td>28.8</td>
<td>0.8</td>
<td>45.5</td>
</tr>
<tr>
<td>Road/bridge construction services</td>
<td>47.9</td>
<td>35</td>
<td>1.1</td>
<td>36.9</td>
</tr>
<tr>
<td>Solid waste collection/disposal</td>
<td>49.6</td>
<td>33.2</td>
<td>1.8</td>
<td>38.2</td>
</tr>
<tr>
<td>Street cleaning and maintenance</td>
<td>14.8</td>
<td>8.5</td>
<td>1.9</td>
<td>81.1</td>
</tr>
<tr>
<td>Traffic engineering</td>
<td>34.7</td>
<td>22.6</td>
<td>1.7</td>
<td>55.4</td>
</tr>
<tr>
<td>Wastewater/sludge treatment</td>
<td>23</td>
<td>13.6</td>
<td>1.7</td>
<td>70.7</td>
</tr>
<tr>
<td>Water/Wastewater/Operations/Maintenance</td>
<td>15.6</td>
<td>7.3</td>
<td>2</td>
<td>80.2</td>
</tr>
<tr>
<td>Other</td>
<td>49.5</td>
<td>30.8</td>
<td>4.4</td>
<td>40.7</td>
</tr>
</tbody>
</table>

May 2012 - Orlando, Florida
Why don’t you contract services?

- Service quality will not improve 66.2%
- Operations will not improve 63.5%
- Too expensive 57.7%
- Displaces government employees 30.9%
- Inefficient 23.9%
- Union reaction 11.8%
- Public opposition 9.7%
- Sets a bad precedent 6.3%
Three most important reasons that you have or will contract services

<table>
<thead>
<tr>
<th>Reason</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saves money</td>
<td>65.20%</td>
</tr>
<tr>
<td>Provides professional expertise</td>
<td>58.90%</td>
</tr>
<tr>
<td>Saves management time</td>
<td>33.10%</td>
</tr>
<tr>
<td>Improves operations</td>
<td>31.60%</td>
</tr>
<tr>
<td>Improves service quality</td>
<td>22.50%</td>
</tr>
<tr>
<td>More accountable</td>
<td>14.50%</td>
</tr>
<tr>
<td>Provides better equipment</td>
<td>12.60%</td>
</tr>
<tr>
<td>Improves infrastructure</td>
<td>11.40%</td>
</tr>
<tr>
<td>Public approval</td>
<td>9.70%</td>
</tr>
<tr>
<td>Improves labor relations</td>
<td>3.10%</td>
</tr>
</tbody>
</table>

May 2012 - Orlando, Florida
Satisfaction Rates

• Very satisfied 18.6%
• Satisfied 72.1%
• Dissatisfied 7.9%
• Very dissatisfied 1.4%
How can contractors win your business?

- Guaranteed performance 63.4%
- Performance standards/metrics 52.9%
- Revenue or cost sharing 24.6%
- Guaranteed employment of staff 13.4%
- Signing bonus 2.5%
- Construct new community bldgs 2.2%
Let’s do the math here....

- 90.7% of those surveyed are satisfied with their decision
- 63.4% want a guarantee on the performance
- A surety bond can satisfy these concerns....
Action Steps

✔ Identify Target Market(s)
✔ Visualize the End Goal
✔ Compile Your Resources
✔ Build Your Team
✔ Create the Ideal Bond
✔ Target your Relationships
✔ Begin your Campaign
Identify the Target Market(s)

NARROW
- Focused
- Repeatable
- Expertise

BROAD
- Diversity of Businesses
- Greater Chance of Capture
- Expansive Exposure

or

May 2012 - Orlando, Florida
Where Are the Contracts?

- Steve’s Examples
- Local Underwriters & Markets
- Government Outsourcing
  - City, State, County
  - Buildings, Public Services, Job Types
- Like Minded Industries
Start with the End

What would the finished “product” look like?

– What would be considered a success?
– What is my resource allocation for this objective?
– What is my time-frame?

Define the Objective
Resource Assessment

What do I need to succeed?

What resources do I have?

What resources can I recruit?

What case studies can I draw from?
Recruitment

Based on the defined objective:

– Who has experience or success?
– What resources do they have available?
– Who was involved?
– What will it take for them to partner with the cause?
Creating the Bond

1. Reviewing the obligation from all sides
2. Understanding the contract
3. Identifying a favorable obligation for all parties
4. Creating a draft obligation
Who is the Decision Maker?

- Identify the Relationships Required
- Identify the Channels of Communication
- Identify Advocates
- Identify Threats
Create an Action Plan for your Bond

- Time Frame
- Resource Allocation
- Role Assignment
- Objective Based Goals

Just Do It.
Supply & Install

Fire Control Systems
Supply & Install

Low Voltage / Fiber Optics Installs
Service Contract

Health and Wellness Services
A Toolkit to Promote the Benefits of Bonding to Public Officials

How to Build a “Bond” With Public Entities
FLYER

SURETY SAFEGUARDS
3rd Party Vendor Contracts

SURETY BONDS PROTECT TAX PAYER DOLLARS

WHAT
- The Surety Safeguard
- History of Bonding
  Corporate Surety has been protecting the interests of others since 1845 with countless situations of restoration and completion due to those agreements.
- Contractor Failure
  Today, surety bonds protect almost every public construction project across the country. In 2010, nearly $30 billion in public works projects were under construction throughout the United States with surety bonds providing valuable protection against contractor failure.

WHY
- Surety Bonds protect Public Funds
  No public contract owner can gamble on an unreliable vendor who could go bankrupt halfway through a contract. This essential assurance to the public is provided by bond, performance, and payment bonds.

HOW
- Protection Through Pre-Qualification
  The surety bond company is committing its assets to guarantee a vendor’s performance and that the vendor company performs and completes the contract. They must be fully satisfied that the vendor company runs a well-managed profitable enterprise, keeps promises, deals fairly with others, and performs obligations in a timely manner.
- By Working Together
  Surety Bond Professionals guide their customers and help them develop a business relationship with the surety company while working with the Owner to ensure a successful project.
The Surety Safeguard for Third Party Vendor Contracts
How Surety Bonds Protect Taxpayer Dollars

- A Brochure -
Protection for Third Party Vendor Contracts

Surety Bonds
For Public Entities

- A PowerPoint Presentation -
PERFORMANCE BOND
(ANNUALY/RENEWABLE PERFORMANCE BOND)

- SAMPLE PERFORMANCE BOND -
Suggested Contract Provision to Require Bond

Performance Bond:
“...A Performance Bond, in an amount of no less than XXXXXX to ensure completion of this Contract, including performance in accordance with Schedule XXXX/Statement of Work of said contract. The guarantee shall be in the form cash, Letter of Credit issued by a US bank or a Performance Bond from a certified surety company listed on the US Department of Treasury, Dept. Circular 570. Such guarantee will remain in full force and effect during the initial term of this agreement. (or, Such guarantee will be remain in full force and effect and can be provided on an annual renewable basis with a Continuation Certificate provided by the surety. Failure for the surety to provide such Continuation Certificate shall not constitute a claim on said bond).”

Suggested Regulation/Code for Inclusion of Surety Bonds

Code/Section No.____- Service Contract Bond Requirement

The “name of public entity” council may let contracts or enter into agreements with any person, firm or corporation for “description of service”. Such contract or agreement so entered into may be revoked at any time by the “name of public entity” council for noncompliance with the terms of this chapter. Each such contractor shall provide a bond payable to the “name of public entity”, in an amount deemed adequate by the “name of public entity” council for and conditioned for the faithful performance of the duties imposed by this chapter and the terms of the contract entered into with the “name of public entity” per code/section no.____.

- Performance Guarantee Language for Service Contracts -
A White Paper