

Fiscally Steady:

Financial Stability with Construction Contractors



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Objectives

- Review a model to evaluate financial capacity.
- Learn how to use the model.
- Understand the importance of evaluating the financial capacity prior to awarding contract.



Why a Financial Policy

- Background
- Objective of the Policy
 - Consistency .
 - No staff increase.
 - Increase pool of contractors.
 - Assess risk prior to award.



Contractor Profile



- Experience
- Equipment
- Financial Information

Financial Rating Considerations



- Working Capital
- Net Worth
- Financial Rating
- Risk Consideration

Factors in the Financial Capacity Evaluation

- Financial Rating
- Uncompleted Work
- Subcontracted Work
- Contract Amount



Exercise – Financial Rating Calculation



- Working Capital Calculation
- Net Worth Calculation
- Financial Rating
 - Working Capital turn assumptions
 - Small Companies
 - Mid-Size Companies
 - Large Companies
 - Net Worth consideration

Possible Results Discussion



- Capacity Rating
- Negative Rating
- Unlimited Rating

Uncompleted Work



- Prime Work
- Subcontracted Work

Final Capacity Calculation



- Financial Rating
- Uncompleted Work
- Subcontracted Work
- Capacity Before Bid
- Capacity After Bid

Questions



Thank you

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