

Balancing Construction Projects With Sound, Financial Decision-making and Proven Risk Management

In today's market the job of a contractor is growing increasingly complex. Balancing the operational requirements of your project with sound, financial decision-making and proven risk management can present challenges. These challenges may require looking for a trusted, experienced resource to advise and assist you.

Your bond producer brings a wealth of knowledge to the table in the areas of financial, operational and professional guidance.

Financial Expertise

Many contractors realize that they can't be great at everything. The reality is their strength may not be the financial piece of the business. Frequently, larger contractors rely on a strong chief financial officer (CFO) to overcome this weak spot and handle the financial aspect of their business. But, hiring a CFO is not a viable option for all contractors.

That's where an **experienced bond producer can step in to provide trusted, financial advice for contractors.** The bond producer is an especially important resource for lower revenue volume contractors, but their knowledge is useful for contractors of all sizes.

Bond producers have expertise in the areas of:

- Balance sheet structures
- Work on hand analysis
- Overhead analysis
- Long-term asset returns

While a bond producer cannot take the place of a construction-oriented certified public accountant (CPA), the combination of expertise and hands-on knowledge of the contracting industry means your bond producer is an undeniably strong resource on your side.

Subcontractor Risk Management

A professional bond producer understands the intricacies of working with subcontractors and has first-hand knowledge of what works and what fails. A pivotal step for a contractor is learning about its subcontractor prior to beginning a project. By doing so, the better the outcome will be. **Let your bond producer act as your resource when securing a subcontractor for your project.**

Bond producers have expertise in the areas of:

- Pre-qualification statements
- Subcontract bond requests
- Mitigating risk through purchasing materials

One of the best ways to learn about your subcontractors is to ask for a yearly prequalification statement. The prequalification statement should include a letter from the subcontractor's bond producer. Most subcontractors submit these statements to large, regional general contractors. Work with your bond producer to research your subcontractors and access this information.

Minimizing your risk on the construction project should be priority one. After accepting the scope and accessing the prequalification, **consult with your bond producer on determining which trade is your critical path.** Your critical path drives the timeline of the project, such as an HVAC and electrical contractor for a renovation project or a directional boring/tunneling contractor for a highway project.

The largest exposure for a contractor can be the materials a subcontractor uses. It's important to realize that lien waivers are non-binding when the money has disappeared. Often, buying the materials directly significantly mitigates your risk. **Often, working with your bond producer to determine if a direct purchase of materials is the most secure option for your project.**

Relationship Building

Your bond producer has his or her finger on the pulse of your industry. He or she can serve as a great resource to find other key partners to your business. Many bond producers rub elbows with construction attorneys, partners at CPA firms and bank presidents. **Utilize your bond producer's network to tap into these types of relationships.**

As a contractor, your bond producer is your most valuable resource. Work closely with them to further your success.



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