MODEL CONTRACTOR DEVELOPMENT PROGRAM ACTIVITIES

Description and Current Status

Program Overview

The Surety & Fidelity Association (SFAA) Model Contractor Development Program (MCDP) is composed of two interrelated components.

The Educational Workshops Component offers a set of 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. These workshops include the following:

- **Business Planning and Management for Construction**
  This module focuses on areas such 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 team-building portion of the module 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 module 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 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 module 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 module 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 module covers the various types of insurances required (commercial general liability, Workers Compensation, etc.) and what to look for in an insurance agent relationship. The module 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.

• **Marketing, Estimating and Bidding**
  The marketing portion of this module focuses on areas such as identifying core company capabilities and determining company capacity, developing a marketing plan, identifying targets of opportunity and making sales calls and visits. For estimating and bidding, the module 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 module focuses on project-specific activities, including hands-on advice at the job site. The module 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 module covers setting up the job site and on-going job site operations.

• **Claims and Dispute Resolution**
  This module focuses on areas such as 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.

• **“Success Stories: - Why Some Contractors Succeed and Others Fail**
  This module identifies the most common reasons why contractors, especially small contractors, fail. The module 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 module, the instructor will present “real world” examples of contractors who have succeeded, what pitfalls they were able to avoid and how.
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 use the network of 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.