



LAC LA BICHE COUNTY POLICY

TITLE: BOND POLICY	POLICY NO: PI-31-002
RESOLUTION: 18.1109	EFFECTIVE DATE: OCTOBER 2, 2018
LEAD ROLE: MANAGER, ENGINEERING SERVICES	NEXT REVIEW DATE: OCTOBER 1, 2019
SPECIAL NOTES/CROSS REFERENCE: BOND PROCEDURE PI-31-002	AMENDMENT DATE:

POLICY STATEMENT:

To ensure a consistent method of surety bond is in place for all Lac La Biche County construction contracts where necessary.

DEFINITIONS:

Surety Bond: Security given by a third party to indemnify the contracting authority, within specified financial limits, against a contractor's failure to carry out the terms of the contract. Surety bonds can be in the form of a Bid bond, a Payment bond (Labour and Material) or a Performance bond.

Contract: An agreement between a contracting authority and the County to provide a good performance or service, construct a work, or to lease real property for appropriate consideration.

Contractor: Service Provider, Contracted Authority.

Contract Management: Managing the lifecycle of a contract.

ROLES & RESPONSIBILITIES:

Administration will evaluate each project on a project by project basis to determine if Surety is necessary.

"Original Signed"
Chief Administrative Officer

October 12, 2018
Date

"Original Signed"

Mayor

October 15, 2018

Date



LAC LA BICHE COUNTY PROCEDURE

TITLE: BOND PROCEDURE

PROCEDURE NO: PI-31-002

SPECIAL NOTES/CROSS REFERENCE:
BOND POLICY PI-31-002

AMENDMENT DATE:

1. GENERAL GUIDELINES:

As part of any Contract entered into with Lac La Biche County and to protect the interests of all parties, where determined necessary, the Contractor shall provide an acceptable form of security that shall guarantee the Contractor's faithful performance of the Contract, and in failure to carry out the terms of the contract thereof, shall protect the County against any losses or damage arising by reason of failure of the Contractor to perform the Contract or pay subcontractors.

2. DEFINITIONS:

Surety: Acceptable forms of surety include a Certificate of Insurance, Performance Bond, Labour and Material Bond, Letter of Credit/Guarantee, Certified Cheque, Bank Draft and Holdback as various forms of financial security to ensure that the contractor's obligations under the contract are carried out, to protect the interests of contractors, sub-subcontractors and suppliers. The principal techniques are holdbacks, security deposits and surety bonds.

Bid Deposit: Each tender must be accompanied by a Bid Bond, Certified Cheque, Money Order or a Bank Draft equal to 10 percent of the tender amount.

Bid Bond: A guarantee the bidder will enter a formal contract and provide the required contract surety after award for ten percent of contract price however five percent is acceptable for larger proposals with an expiry 60 days after issuance, and to protect the County against loss should a low bidder fail to enter into a contract.

Letter of Credit/Guarantee, Certified Cheque; or Bank Draft:

Irrevocable alternate methods of security may be used in lieu of a Labour and Material Payment Bond. Its release is 120 days after the date of Construction Completion providing there are no outstanding claims filed with the Department against the Contractor.

Holdback: A form of security in which ten (10) percent of each invoice or progress payment is held back by the Owner and returned within 45 days after substantial completion is accepted by the Owner for that project or service completion.

- Labour and Material Payment Bond:** A guarantee the bonded contractor will pay all claimants for goods and/or services supplied for the bonded project. The payment bond is a companion document to the performance bond and the two should be executed together. They are 50 percent of the contract amount and can also go up to 100 percent based on previous work performance with the County.
- Performance Bond:** A guarantee that the bonded contractor will perform its obligations under the contract in accordance with the contract's terms and conditions. They are typically 50 percent of the contract amount but can go up to 100 percent based on previous work performance with the County.

3. PROCEDURE:

- 3.1. Contract management shall be the sole responsibility of the Department Manager.
- 3.2. Consultant managed projects will incorporate County terms and conditions in all contracts.
- 3.3. Internal managed projects will follow Procurement Policy CS-10-004 and Schedule of Fees and Charges Policy CS-10-012.
- 3.4. Administration reserves the right to determine surety requirements on a project by project basis, by considering the financial and project costs involved. Lower limits may be permitted when we are dealing with small contractors or artisans, and we are only using them for small jobs. Some very small vendors or artisans that wish to provide a service to the County may not be able to afford the cost of obtaining standard limits. If consideration is being given to lower the limits, administration should always evaluate the potential of loss, potential benefit to the organization for the service provided and finally, the vendor's financial capacity to purchase coverage at reasonable rates. The dollar amount of an agreement should never be the sole determining factor on the insurance, however. Even in a small dollar Contract, determine if it involves any exposures that could result in significant loss. Calculate how much damage the contractor could cause if it completely mismanaged its work causing bodily injury and property damage to others. (for example: conditions such as children, large crowds, high voltage, water, heights, ladders, scaffolding, pyrotechnics, flammable products, alcohol, etc. involved in the work) Include in your estimate, lost time, wages, extra expense incurred for repairing or replacing the work, and any future impacts. If this amount is more than the suggested amounts use the greater amount.

Any decision to lower limits for surety must be presented to Senior Management for decision and receive CAO approval prior to implementation.

 "Original Signed"
 Chief Administrative Officer

 October 12, 2018
 Date