

SMALL CONTRACTORS INITIATIVE

ASSESSMENT TOOL USER'S GUIDE



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OVERVIEW OF THE INITIATIVE

Federally funded construction projects represent substantial business for small construction contractors. In particular, the variety of project sizes funded in a community by the U.S. Department of Housing and Urban Development (HUD) can constitute a ladder of opportunities to grow construction businesses. These opportunities are made available locally by developers, property owners, public housing authorities, city agencies and others working with HUD funds. They range in scale from rehabilitation of single-family homes, to neighborhood infrastructure projects, to smaller-scale residential or commercial buildings, to large commercial and mixed-use facilities and residential projects involving hundreds of units. Contractors who become qualified are also able to participate in transportation, infrastructure and other federally funded construction projects. Working with other agencies and outside groups, HUD and the U.S. Small Business Administration (SBA) are partnering to help small and emerging contractors develop the capacities that they need to step onto this ladder of opportunity. Prime contractors and some subcontractors interested in federally funded work must obtain surety bonds, for which they must have both management capacity and sufficient working capital to meet corporate obligations and reach project milestones before receiving progress payments. SBA offers guarantees for surety bonds, with underwriting criteria that are more accessible than the general marketplace. However contractors often need to address financial and management considerations before they are able to obtain a SBA-guaranteed bond.

The Small Contractor Initiative (SCI) aims to prepare contractors to obtain surety bonds in order to enable them to compete for a broad array of federally funded work. To prepare these contractors, a curriculum has been developed that will address minimum threshold requirements for bondability. Contractors will learn where they need improvement in their financial, accounting, and business capacity to obtain a bond and use the bondable status to pursue a more diverse set of HUD-funded and assisted contracts.

The services to contractors under SCI include hands-on training, workshops, one-on-one business mentoring, and making connections among the participating contractors and bonding agencies and the SBA. These services will be organized and delivered by local small business development organizations, working closely with the SBA and representatives from the construction and bonding business communities.

USER'S ROAD MAP FOR THE SCI

The SCI will be implemented by business support organizations working at the local level. Before committing to delivering the courses and trainings that are required under SCI, small business development organizations need to be fully aware of the process and capacity required to take on the endeavor. For organizations

providing trainings and support under SCI, the following are steps for carrying out the Initiative from start to finish:

1. Determine if you want to implement the SCI in your area.
2. Review the curriculum provided and make adjustments to fit your expected participants.
3. Meet with local SBA and bonding agency people to gauge their interest and commitment.
4. Arrange for appropriate experts to provide the trainings and mentoring.
5. Set a timeframe for delivering the SCI courses and determine the number of contractors you can accommodate.
6. Conduct outreach to potential participants.
7. Screen interested contractors using the Assessment Tool.
8. Review the surveys and conditionally approve contractors for participation. This should be 1.5 to 2 times the number you want to ultimately commit to participating.
9. Send applications to conditionally approved contractors asking for more details which will allow you to complete the screening process and determine which should be included in your cohort. The completed applications will also serve as their commitments to participate for the entire process.
10. Begin trainings and support using the curriculum.
11. Track how many participants reach the point where they can qualify for a bond, and in the case of those with active contracts pending, track how many actually obtain bonding for their contracts.

TARGET AUDIENCE

There are many characteristics that can define “small contractor”. The target audience of this Initiative is contractors that can quickly show improvement in their company operations to the point where they can meet the rigors of achieving bondable status in a relatively short period of time. These are companies that are serious about growth and dedicated to putting in the time to fix accounting, business planning, and financial shortcomings in order to pass muster with bonding agents and put themselves in a position to compete for bigger, HUD-funded or assisted contracts.

For the purposes of this Initiative, the target group of contractors is defined as follows:

- Their business capacity should show the following characteristics:
 - Meet the definition of “small business” for their respective trade, as defined by the maximum gross sales limits provided by the SBA.
 - Annual gross sales and profits are stable, and show potential for improvement;
 - Have a clear plan for growth that could be boosted by achieving bondable status;
 - Have been in business at least 5 years, with a track record of good performance on construction contracts
 - Have experienced senior management but need guidance on how to go to the next level.
- Their financial documentation is in order, but may need updating and improvement, and they may need instruction on the different accounting methods.
- They demonstrate administrative capacity and an office with staff that handles progress billing, regular financial reports, Davis Bacon wage calculations, IRS and benefit deductions, etc.
- Their financial strength is adequate for their current level of sales, but could show improvement.

THE ASSESSMENT TOOL

The Assessment Tool that this User's Guide accompanies is a survey to screen for contractors that meet the characteristics of the target audience. Recognizing that there is a broad range of companies that attend trainings and symposia for contractors, this assessment tool will assist the organizations hosting these events to identify those contractors in their audience that are interested in and meet the criteria for participating in this Initiative.

GUIDANCE TO ORGANIZATIONS ADMINISTERING THIS ASSESSMENT TOOL

This Guide is intended for use by staff leading the workshop/symposium for contractors as they administer the Assessment Tool. The Assessment Tool (aka survey) itself is intended to be self-explanatory, so contractors should be able to fill it out at their seat after a brief introduction and overview from the presenter.

The most effective way to introduce this tool to the contractors is to give an overview of the Initiative, the agencies involved, the purpose of the curriculum, and if necessary based on the audience, an overview of the importance of bondability in winning federal contracts. Bondability may already be covered earlier in the workshop/symposium, or it might be determined that the audience is well aware of bonding. If so, the presenter could skip it during the overview. However, the presenter should plan on hitting the important points related to bonding at some point during the day, so as not to turn off potential participants in the SCI who are unfamiliar or wary of getting bonding. At a minimum, it should be stated that this Initiative covers *Performance and Payment Bonds* only, and not other sorts of bonds they may have or are seeking.

There will be two documents passed out to participants along with the assessment tool. The first is a Question-By-Question Clarifications document that introduces contractors to the program and assessment tool and defines how each question of the tool should be answered. The other is a FAQ document that anticipates the most commonly asked questions and provides the answers. Contractors taking the survey can use both documents as reference. Both of these resources are included at the end of this document.

HOW TO ORGANIZE AND WHAT TO INCLUDE IN THE INTRODUCTORY PRESENTATION

The order of introducing SCI and the assessment tool to contractors is at the discretion of the presenter, and the process of collecting the completed survey is also at the discretion of the organization preparing to offer the curriculum. Some organizations may choose to require the return of completed surveys the same day, while others may set up a process to receive responses by mail or email at a later date.

Presenters should ensure that the items in the outline below are included in the presentation they give to contractors preparing to take the survey.

- I. Presenters should plan on giving an overview of SCI prior to administering the survey. Components of the introduction are as follows:
 - A. Key agencies involved:

1. HUD OED
 2. SBA
- B. The Small Contractor Initiative (SCI):
1. Is an effort to help small contractors get bonding in order to increase their government contracting
 2. Will provide practical, hands-on support, with the goal of each participating contractor producing a viable application for a bond.
 3. Contractors who are not able to achieve that goal will be advised on steps they need to take, and how to get assistance.
- C. Organizations offering the curriculum to small contractors include but are not limited to:
1. Small Business Development Centers
 2. Women Business Development Centers
 3. Other organizations providing business development training
- D. Performance and payment bonds (if this explanation be necessary given the audience)
1. Bonds are required on almost all prime contracts for construction work funded by government agencies. Subcontractors on those same jobs may also be asked to provide a bond. Performance and Payment Bonds provide the funding agency and project owners with a guarantee that the work on a contract will be completed, on time and within budget, and that all bills on the contract will be paid.
 2. In order to qualify for a bond, a contractor must demonstrate that they are experienced, creditworthy, have sufficient management capacity and finances, and have no history of defaults.
 3. Prime Contractors must provide bonds, and often subcontractors are required to provide them as well.
 4. Many small contractors find their access to larger jobs limited if they do not have bonding.
- E. Participating contractors:
1. Will have access to training, direct business counseling, and meetings with bonding agents.
 2. Will qualify for this Initiative because they:
 - Operate as a general or subcontractor;
 - Want to expand their government contracting;
 - Have the financial and management capacity to do more contracting, and to qualify for a bond, but do not currently have bonding;
 - Are willing to commit the time it will take to participate fully in the Initiative.
- * It is anticipated that participating contractors will spend about 16 days in trainings and meetings, in addition to time at their office preparing materials. Each round of this Initiative is expected to be completed in 6 months from the time administering organizations accept applicants to the successful completion of a viable bonding application. This timeline is a recommended timeline and is at the discretion of the group administering the program. *
- F. The purpose of this Assessment Tool is to:
1. Get a sense of interest in this Initiative;

2. Screen for potential eligible participants; and
 3. Give the SCI and small business development organizations feedback on the needs of small contractors who are interested in expanding their government contracting.
- II. Before contractors begin taking the survey, presenters should make the following points clear to participants:
- A. This is not like a formal bid process. There is discretion on the part of the host organization to make decisions about those contractors best suited to participate in the Initiative.
 - B. All answers should be as accurate and complete as possible.
 - C. All answers must be honest.
 - D. This survey is not looking for details at this point, which is why it includes items such as ranges of dollar amounts for gross sales, and “Yes/No” options for questions on business insurance. At this point, no policy numbers or expiration dates will be required – that will come later.
 - E. Depending on the administering organization:
 1. This form should be completed in 30 minutes or less. Please turn it in at the end of the day.
 2. **OR** Please return completed forms today, or if by email or mail no later than one week from today, on _____.
 3. **OR** If a check on key information is needed, or if someone else at the company is the right person to fill it out, it can be taken and submit it by _____.
 - F. The person that will answer questions and/or receive completed surveys is _____.

COLLECTION OF COMPLETED FORMS AND TRACKING INFORMATION

The completed surveys will be collected in preparation for screening contractors for eligibility for the Initiative. The administering organization will be responsible for gathering all the completed surveys and sorting through the responses to screen for threshold requirements. There will need to be clarity within the organization as to who is responsible for these tasks, and for making the ultimate decision on participation.

Depending on the demand for participation, it may be necessary for the administering organization to further refine the screening. The next section of this document will address the specifics of the screening and weighting process.

It is highly recommended that the data be transferred from the paper version to an electronic version. The excel file of the survey has been provided for this purpose, along with other curriculum materials. Tracking information from the beginning of the process will be critical to determining outcomes when evaluating the impact of this Initiative on the small contractor population.

The administering organization should be prepared to do the following:

- Review all responses and determine which contractors are most likely to benefit from this Initiative.
- Track information provided in an electronic format.
- Contact the eligible contractors, and inform them that they have been conditionally approved.
- Provide details about the Initiative including where trainings will be held and the time commitment each participant must make.

- Inform selected participants that they will have to provide additional, more detailed information on their business for the screening process. They may also decline to participate.
- Sponsoring organizations will collect applications from the conditionally approved participants, in which contractors provide details on job history, project and credit references, etc. and make a commitment to participating for the duration of the Initiative.

SCREENING AND WEIGHTING RESPONSES

The intent of the screening process is to enable the small business development organizations to select a group of participants for its training cohort who meet the criteria for the Initiative. The small business development organizations should be looking for track record; construction, project, administrative, and financial capacity; an interest in expanding their contracting on HUD funded jobs; and the potential for being “bond ready” by the end of the training period. The Assessment Tool has been designed with this intent in mind. However, each local small business development organization will need to take a closer look at applications it conditionally accepts to confirm the information on the Assessment Tool and determine if the applicant is a reputable business.

The SCI has identified which items on the Assessment Tool should be considered “threshold” requirements. In other words, if the contractor *does not* satisfy all of these items, they should *not* be considered for participating at this time. These items are marked on the User’s Guide version of the Assessment Tool in the *Thresholds and Weights* worksheet.

Other questions in the assessment tool are included to provide more information about the applicant’s business, so that a determination can be made of which of the applicants is **relatively** better positioned to benefit from the Initiative and reach bondable status with assistance. These questions have been assigned a numeric weight for each response. The values are also noted on the User’s Guide version of the Assessment Tool. The sum total for these weighted responses should be considered when comparing contractors who have been determined to meet the threshold requirements. However, local sponsors may want to assign different values to the items at their discretion and based on desired target audience. Several questions are included for informational purposes only. The contractor’s response will not impact their participation in any way.

SCREENING AND WEIGHTING EXAMPLE: GROSS PROFIT AND FINANCIAL STATEMENTS

There may be excellent applicants with very limited profit margins on recent jobs, and businesses which are very profitable but which do not seem to be appropriate for some other reason. However, if either of those applicants cannot provide recent financial statements to enable review of their financial history and capacity, they should not be considered for this Initiative. In this example a response of “*Less than 5%*” to the question on gross profits would not rule out a contractor, but would be assigned fewer points than one in the “*over 15%*” range. A “*No*” response to the question of whether or not they have recent financial statements would, on the other hand, rule out their participation.

QUESTION-BY-QUESTION CLARIFICATIONS

Welcome contractors! HUD's Office of Economic Development is partnering with local governments and the SBA on the *Small Contractor Initiative (SCI)*. Through this effort, SCI will be providing assistance to small contractors seeking to increase their sales to government agencies. Specifically, we are offering an opportunity to contractors who want to grow, but have been frustrated in their attempts to get surety bonds. SCI will be offering training and direct technical assistance opportunities, introductions to SBA and surety company personnel, and ongoing support.

If you are interested in learning more about SCI, and possibly participating in a hands-on program to help you obtain bonding for future contracts, please fill out the questionnaire. This information will be used to identify which companies may benefit most from the Initiative. This is not an application for a bond. All answers must be truthful; however dollar amounts and dates may be approximate.

The information we are requesting will be used to give us an idea of your company's potential for obtaining bonding for government contracts. Please do not be concerned about items you check "No", as deficiencies in one area made be offset by the overall strength of your company.

The questionnaire should take less than 30 minutes to complete. **You may turn it in today, or take it back to your office and then mail the completed form to: _____.**

Thank you for your interest, and we will contact you soon regarding your eligibility for assistance through SCI. Contractors who do not qualify for participation at this time will be informed as to the reasons they do not qualify, and may be considered for future participation and referred to other opportunities for business development assistance.

Please use the following chart as a reference should you need clarification on how to respond to the questions:

Part 1 Contractor Information	
<i>Business</i>	
1	This section refers to the company, not personal information.
2	Identification number the company operates under.
3	Company address.
4	Company phone number.
5	Company website.
6	Number of years since incorporation documents filed.
7	What is the most frequent position company pursues work under. Select your company's most common type of contracting.
8	Construction trades, i.e. carpentry, electrical, plumbing, masonry, etc.
9	Software refers to the computer program company uses to facilitate its business.
10	Who are the clients the company has served in the last three calendar years? More than one response is acceptable.
11	Check if the company carries insurance policies from a recognized company or broker.

- 12 A business plan is a document that describes your company and how it is operated and how you plan to increase your sales over the next 3-5 years.
- 13 Check if the company has office space where management/administrative staff run the business.
- 14 Include all employees of the company - both full time and part-time
- 15 Davis Bacon prevailing wage requirements are mandatory for federally-funded or supported projects in excess of \$2,000. Local prevailing wages are per the Department of Labor determinations.
- 16 There are special designations assigned to companies that meet threshold criteria for ownership, i.e. MBE, WBE, 8 (a), etc. The company must have certification through a government agency.

Owners

- 17 Name(s) of the individuals who are listed as owners on the company's incorporation documents.
- 18 Owner(s) phone number(s).
- 19 Owner(s) email address(es).
- 20 Number of years that the individual owner or owners has been involved in construction contracting.
- 21 Do the owner(s) spend the majority of their working hours in this business.
- 22 Any type of bankruptcy filing whether it was Chapter 7 or Chapter 11/13 (even Chapter 12 if previous business was farm-related).
- 22a What was the outcome of the bankruptcy.
- 22b What was the outcome of the bankruptcy.

Part 2 Job History

- 23 Insert the range in which the majority of the contracts that the company has received in the last three years falls.
- 24 Describe the three largest contracts the company has won in the last 5 years. General description is sufficient.
- 25 Include all jobs underway now and those executed contracts where work will begin within one month.
- 26 Approximate dollar values of contracts included in #25.

Part 3 Financial Information

- 27 Annual gross sales is the total of all company billings before any deductions. Gross profit is what that company has left after all direct job costs are paid, i.e. gross sales minus direct job costs. For gross profit do not deduct overhead and administrative expenses.
- 28 A financial statement is a record of all the financial activities of the company. It shows credits and debits and includes a balance sheet and income statement.
- 29 If asked tomorrow, could the company produce a financial activities record that includes activities within this quarter of the year.
- 30 A cash flow statement shows in-flow and out-flow of money from the company. Is there a system in place at the company that shows this movement of money.
- 31

- 32 Is this done by you, the owner(s) or someone else that is an employee of the company? Or is an external Certified Public Accountant hired?
- 33 This software refers to the programs used on company computers to track financial statements and accounts.
- 34 Net worth is also sometimes referred to as net assets and is total assets minus total liabilities.
- 35 Cash on hand is the amount of funds in the form of cash immediately available to the company.

**Part 4
Bonding and
Gov't
Contracting**

- 36 This is in reference to this company and any other contracting company that have had the same owners as this one.
- 37 This is in reference to this company and any other contracting company that have had the same owners as this one.
- 38 This refers to a situation where the company has filed all applicable paperwork to obtain a bond but was not granted one.
- 39 This is in reference to this company and any other contracting company that have had the same owners as this one.
- 40 Any courses or technical assistance programs attended in the last 5 years should be included here.
- 40a List courses taken.
- 41 Please tell us the reasoning for wanting to participate in the initiative. Multiple answers are acceptable.

**Part 5
Certification**

- 42 Acknowledges that all answers in this questionnaire are accurate.
- 43 Explicitly states what not to expect from this initiative.
- 44 This is a threshold requirement. Any applicant found to have been disbarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from transactions from any Federal department or agency IS NOT ELIGIBLE for this initiative.
- 45 Acknowledges that if selected for the Initiative, will commit the company to participate fully.
- 46 Signature of the representative of the company that has filled this form out.

FAQS

1. *If I answer wrong, will I be excluded?*
 - There are no “wrong” answers, as long as you are truthful. We will look at your entire form to determine if you qualify for participation.
2. *If I can't remember one of the numbers you ask for, what do I do?*
 - You can make a reasonable estimate, or take the form with you and then send it to us once it's complete.
3. *Will my company and personal information be made public?*
 - No. The initiative will use your information to determine if you are eligible. We will also look at aggregate data – with no personal identifications – to give us a better idea of the needs of small contractors in this area.
4. *If I don't fill out the form, or if I do it but later I decline to participate, can I still try again next round?*
 - Sure. If you indicated on your registration today that you would like to continue to receive information from us, then you will automatically be included in notices of future opportunities of this sort.
5. *Must I be certified as a small or disadvantaged business to participate?*
 - No, but if you qualify under one of those categories we will urge you to pursue certification.
6. *Do I have to have a contract in place that requires a bond?*
 - No. You can participate in this initiative in order to prepare your company for getting a bond on the next contract you secure.
7. *I'm thinking of adding a partner, or setting up a joint venture with another contractor – do I include their information too?*
 - You can, if you have that information available. If you are committed to that approach, then consider those future partners “owners” for purposes of this form.
8. *I'm leery of trying to get a bond, but I'd like to get help increasing the capacity of my business. Should I still submit the form?*
 - You can, to see where you stand and get our initial feedback. You might be closer than you think to qualifying for a bond. Or you can decline to submit one, and instead contact your local SBDC and ask for a meeting to discuss your needs and how you might be able to get assistance.
9. *I've tight on time, do I have to fill out this form now?*
 - We're hoping you can complete this form in 30 minutes or less, and turn it in to us at the end of the day.
 - If you feel you really need to check on key information, or if someone else at your company is the right person to fill it out, you can take it with you and submit it by .
 - If you have any questions feel free to ask me or any of our staff here today, or you can call .
 - Please return completed forms today, or if by email or mail **no later than one week from today, on** .