

TO: ALL COUNTY PERSONNEL

**FROM: VERDENIA C. BAKER
COUNTY ADMINISTRATOR**

PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT & BUDGET (OFMB)

**SUBJECT: PROCEDURE AND POLICY REGARDING ACCEPTANCE OF
PERFORMANCE BONDS AND PAYMENT BONDS**

PPM# CW-F-056

ISSUE DATE
April 26, 2021

EFFECTIVE DATE
April 26, 2021

PURPOSE:

To establish specific criteria and pre-requisites for accepting performance bonds and payment bonds by the County in conjunction with contracts and contractual obligations.

UPDATES:

Future updates to this PPM will be the responsibility of the Director of OFMB.

AUTHORITY:

- Palm Beach County Administrative Code, Section 307.00, as may be amended.
- Florida Statute 255.05, as may be amended.

POLICY:

In conjunction with contracts and other contractual obligations entered into by the County, when bonding requirements are contained in such instruments the County will require that minimum requirements be adhered to in relation to bonds.

PROCEDURES:

1. Performance bonds, payment bonds, and public construction bonds shall be in formats similar to Attachments A, B, and C respectively.
2. Contractors shall furnish a performance bond and a payment bond or a public construction bond (construction only), as applicable, each in an amount at least equal to the contract price as security for the faithful performance and payment of all contractors obligations under the contract documents (**except as defined in 3 below**). Any increase in the total contract amount as authorized by the County shall accordingly increase the surety's obligation by the same dollar amount of said increase. These bonds shall remain in effect at least until two years after the date when final payment becomes due, except as otherwise

provided by law or regulation or by the contract documents. The contractor shall also furnish such other bonds as are required by the contract. All bonds shall be in the forms prescribed by the contract documents. All bonds must be included in the contract documents prior to submitting to the Board of County Commissioners' Mayor or authorized official for execution. Public construction bonds (construction only) may be accepted as an alternative to separate performance and payment bonds. In no event shall the County make payment directly to subcontractors when an acceptable payment bond has been received unless the County actually receives funds from the surety to complete a project.

3. Construction bonds for annual construction contracts shall be based on task authorizations (work orders) outstanding at any one time. Any proposed work order which will cause an annual construction contract to exceed \$200,000 cumulative in open work orders, or an individual work order exceeding \$200,000, shall include a bond with the work order. The Department responsible for generating the annual construction contract will establish the required bond amounts.
4. A standard letter of bond verification (Attachment D) may be sent to the bonding company by the Contract Development and Control Division of OFMB (CDC) to verify authenticity of the bond.
5. The following requirements shall be met by all surety companies furnishing bid, performance, payment, or other type of bonds:
 - A. At the time of submittal, and prior to acceptance of any bond by the County, the surety company must be listed on the U.S. Department of Treasury, Bureau of Fiscal Service, entitled Department of the Treasury's Listing of Certified Companies (Attachment E). Any department requiring this listing shall contact CDC or go to <http://www.fiscal.treasury.gov/surety-bonds/list-certified-companies.html>.
 - B. The bonding limit of the surety company (i.e., the amount of bonds acceptable on any one project) shall not exceed the limits indicated in the U.S. Treasury listing unless the surety company submits a reinsurance agreement form (Attachment F) indicating the amount above the bonding limit is insured by another surety company also on the U.S. Treasury listing.
 - C. All surety companies are subject to approval and may be rejected in accordance with the policies set forth herein.
 - D. The surety company must certify that it is authorized to do business in the State of Florida. Such proof must be submitted to the County staff upon request or with the performance/payment bond.

- E. The insurance agent must be authorized to do business in the State of Florida and must submit proof of same to the County staff upon request.
6. If the surety company on any bond furnished to the County is declared, upon notification by the insurance agent, as bankrupt or becomes insolvent or its right to do business is terminated in the State of Florida, or it ceases to meet the requirements of Section 4, the contractor shall, within ten (10) business days after notification by the County, substitute another bond and surety company at no cost to the County, both of which must be acceptable to the County. In the alternative, the contractor may substitute a letter of credit for the remainder. Should a specific project be more than 90% completed at the time of the surety's bankruptcy or insolvency, the contractor shall, at the County's option, obtain a maintenance bond (Attachment G) in the total amount or partial amount of the project cost, for the two-year warranty period after project completion.

Failure by the contractor to substitute a satisfactory bond under this section may result in any or all of the following actions by the County:

- A. Withholding of all invoice payments until a satisfactory bond is received and accepted; and/or
- B. Default in the contract and cancellation as provided for in the contract's default clause; and/or
- C. Suspension of the contractor's name from the County's bid list for a period of three (3) years; and/or
- D. Stop work order and suspension of the right to pull building permits and schedule inspections.
7. A standard close-out checklist (Attachment H) shall be completed by the initiating department at the end of the project. This checklist shall be included with all department requests for final acceptance and final payment.
8. A computerized listing of all surety companies holding bonds for land development agreements shall be maintained in the Land Development Division. A computerized listing of all surety companies holding bonds for other contracts shall be maintained in the Contract Development and Control Division.
9. Contracts shall not be awarded to contractors who are in arrears in County taxes or to contractors who do not have a Business Tax Receipt.


VERDENIA C. BAKER
COUNTY ADMINISTRATOR

Supersession History:

PPM #CW-F-056, effective 1/1/95
PPM #CW-F-056, effective 5/11/10
PPM #CW-F-056, effective 5/20/15

CONTRACT PERFORMANCE BOND

BY THIS BOND, WE, _____ as Principal and _____
_____ a Corporation, as Surety, whose address is
_____, are bound to the Palm Beach County Board of
County Commissioners, hereinafter called COUNTY, in the sum of \$ _____,
for payment of which we bind ourselves, our heirs, personal representatives, successors, and
assigns jointly and severally.

THE CONDITION OF THIS BOND is that if Principal:

1. Performs the Contract dated _____, 20__ between Principal and COUNTY
_____, Contract No. _____, the Contract
being made a part of this bond by reference, in the time and in the manner prescribed
in the Contract and;
2. Pays COUNTY all loss, damages, expenses, costs, and attorney's fees, including appellate
proceedings, the COUNTY sustains because of a default by Principal under the Contract
and ;
3. Performs the guarantee of all work and materials furnished under the Contract for the
time specified in the Contract;

then this bond is void; otherwise it remains in full force. Whenever Principal shall be, and
declared by the COUNTY to be in default under the Contract, the COUNTY having performed
COUNTY'S obligations thereunder, the Surety may promptly remedy the default or shall
promptly:

1. Complete the Contract in accordance with its terms and conditions; or
2. Obtain a bid or bids for completing the Contract in accordance with its terms and
conditions, and upon determination by Surety of the lowest responsible bidder, or if
the COUNTY elects, upon determination by the COUNTY and the Surety jointly of
the lowest responsible bidder, arrange for a contract between such bidder and
COUNTY and make available as the work progresses (even though there should be a
default or a succession of defaults under the Contract or Contracts of completion
arranged under this paragraph) sufficient funds to pay the costs of completion, less
the balance of the Contract price; but not exceeding, including other costs and
damages for which the Surety may be liable hereunder, the amount set forth in the
first paragraph hereof. The term "balance of the Contract price" as used in this
paragraph, shall mean the total amount payable by COUNTY to Principal under the
Contract and any amendments thereto, less the amount properly paid by COUNTY to
Principal.

Any changes in or under the Contract Documents and compliance or noncompliance
with any formalities connected with the Contract or the changes does not affect
Surety's obligation under this bond. Any increase in the total contract amount as
authorized by the COUNTY shall accordingly increase the Surety's obligation by the

same dollar amount of said increase. The Principal shall be responsible for notification to Surety of all such changes.
Surety expressly acknowledges its obligations and liabilities for liquidated damages suffered by COUNTY under the provisions of the Contract Documents.
See subsection (2) of Section 255.05, Florida Statutes as amended for the notice and time limitations for claimants.

Dated on _____, 20____

Principal:
By: _____
Signature

Attest as to the signature of Principal

Title

(SEAL)

Address: _____

SURETY:
By: _____
Signature

Attest to the signature of the Surety

Title

(SEAL)

Address: _____

NOTE: Date of Bond must not be prior to date of Contract. If Contractor is a Partnership, all partners must execute bond.

IMPORTANT: Surety companies executing bonds must appear and remain on the U.S. Treasury Department's most current list (Federal Register) during construction, guarantee and warranty periods, and be authorized to transact business in the State of Florida.

PERFORMANCE BOND

KNOW ALL MEN BY THESE PRESENTS:

That we, _____, hereinafter called Principal, and _____, a surety company authorized to do business in the State of Florida, hereinafter referred to as Surety, are held and firmly bound unto PALM BEACH COUNTY, a political subdivision of the State of Florida, in the full and just sum of _____ Dollars (\$ _____) lawful money of the United States of America, to be paid to the Board of County Commissioners of Palm Beach County, to which payment will and truly to be made we bind ourselves, our heirs, executors, administrators, successors and assigns, jointly and severally, firmly by these presents:

WHEREAS, THE ABOVE BOUNDED Principal, as a condition precedent to the approval by Palm Beach County of a plat of a certain subdivision known as _____, has entered into Contract Number _____ with Palm Beach County to construct Required Improvements prescribed by the Contract and the Subdivision and Platting Regulations of Palm Beach County, Florida, pertaining to said subdivision, a copy of which Contract is attached hereto and by reference made a part hereof, and

WHEREAS, it was one of the conditions of said contract that this bond be executed:

NOW, THEREFORE, the conditions of this obligation are such that if the above bounded Principal shall in all respects comply with the terms and conditions of said Contract, within the time therein specified, and shall in every respect fulfill (its) (their) obligations thereunder and under the plans therein referred to and made a part thereof, and shall indemnify and save harmless Palm Beach County against or from all claims, costs, expenses, damages, injury or loss, including engineering, legal and contingent costs to carry out and execute all the provisions of said agreement, within the time therein specified, then this obligation to be void; otherwise to be and remain in full force and virtue.

THE SURETY UNCONDITIONALLY CONVENANTS AND AGREES that if the Principal fails to perform all or any part of the construction work required by said Contract, within the time specified, the Surety, upon thirty (30) days written notice from Palm Beach County, or its authorized agent or officer, of the default, will forthwith perform and complete the aforesaid construction work and pay the cost thereof, including, but not limited to, engineering, legal and contingent costs. Should the Surety fail or refuse to perform and complete the said improvements, Palm Beach County, in view of the public interest, health, safety and welfare factors involved and the inducement in approving and filing the said plat, shall have the right to resort to any and all legal remedies against the Principal and Surety, or either, both at law and

in equity including specifically specific performance, to which the Principal and Surety unconditionally agree.

THE PRINCIPAL AND SURETY FURTHER JOINTLY AND SEVERALLY AGREE that Palm Beach County, at its option, shall have the right to construct or pursuant to public advertisement and receipt of bids, cause to be constructed the aforesaid improvements in case the Principal should fail or refuse to do so in accordance with the terms of said contract and in the event Palm Beach County should exercise and give effect to such right, the Principal and Surety shall be jointly and severally liable hereunder to reimburse Palm Beach County the total cost thereof, including, but not limited to, engineering, legal and contingent costs, together with any damages, either direct or consequential, which may be sustained on account of the failure of the Principal to carry out and execute all provisions of said Contract.

IN WITNESS WHEREOF, the Principal and Surety have executed these presents this _____ day of _____, 20_____.

(CORPORATE SIGNATURE BLOCK)

_____, a

Corporation of the State of _____

ATTEST:

PRINCIPAL

By: (Signature of other corporate officer)

By: (Signature of president or vice president)

ADDRESS: _____

(Impressionable corporate seal)

(INDIVIDUAL SIGNATURE BLOCK)

WITNESSES:

ADDRESS _____

(SURETY SIGNATURE BLOCK)

ADDRESS: _____

_____, SURETY

By; _____

(typed name) its attorney-in-fact,

(power of attorney must be attached)

ATTEST: _____

CONTRACT PAYMENT BOND

BY THIS BOND, WE, _____, as Principal and _____
_____, a Corporation, as Surety, whose address is
_____, are bound to the Palm Beach County
Commissioners, hereinafter called COUNTY, in the sum of \$ _____, for
payment of which we bind ourselves, our heirs, personal representatives, successors, and
assigns, jointly and severally.

THE CONDITION OF THIS BOND is that if Principal:

1. Promptly makes payment to all claimants and lienors supplying Principal with labor, materials and suppliers, used directly or indirectly by Principal in the prosecution of the work provided for in the Contract dated _____. 20 ____ between Principal and COUNTY for construction of _____, Contract No. _____, the Contract being made a part of this bond by reference, in the time and in the manner prescribed in the Contract, and;
2. Pays COUNTY all losses, damages, expenses, costs, and attorney's fees, including appellate proceeding, the COUNTY sustains because of default by Principal under the Contract.

Then this bond is void; otherwise it remains in full force.

Any changes in or under the Contract Documents and compliance or noncompliance with any formalities connected with the Contract or the changes does not affect Surety's obligation under this bond. Any increase in the total contract amount as authorized by the COUNTY shall accordingly increase the Surety's obligation by the same dollar amount of said increase. The Principal shall be responsible for notification to Surety of all such changes.

See Section 713.23, Florida Statutes as amended for the notice and time limitations for claimants.

Dated on _____, 20_____

PRINCIPAL:

By: _____
Signature (SEAL)

Attest as to the signature of Principal

Title
Address: _____

SURETY:

By: _____
Signature (SEAL)

Attest as to the signature of Surety

Title
Address: _____

NOTE: Date of Bond must not be prior to date of Contract. If Contractor is a Partnership, all partners must execute bond.

IMPORTANT: Surety companies executing bonds must appear and remain on the U.S. Treasury Department's most current list (Federal Register) during construction, guarantee and warranty periods, and be authorized to transact business in the State of Florida.

PUBLIC CONSTRUCTION BOND

BY THIS BOND, WE, _____, as Principal and _____ a Corporation, as Surety, whose address is _____, are bound to the Palm Beach County Board of County Commissioners, hereinafter called County, in the sum of \$ _____, for payment of which we bind ourselves, our heirs, personal representatives, successors, and assigns, jointly and severally.

THE CONDITION OF THIS BOND is that if Principal:

1. Performs the Contract dated _____ . 20_____ between Principal and County for construction of _____ Contract No. _____, the Contract being made a part of this bond by reference, in the time and in the manner prescribed in the Contract and;
2. Promptly makes payment to all claimants, as defined in Section 255.05 (1), Florida Statutes, supplying Principal with labor, materials and supplies used directly or indirectly by Principal in the prosecution of the work provided for in the Contract and;
3. Pays County all loss, damages, expenses, costs, and attorney's fees, including appellate proceedings, that County sustains because of a default by Principal under the Contract and;
4. Performs the guarantee of all work and materials furnished under the Contract for the time specified in the Contract;

Then this bond is void; otherwise it remains in full force.

Any changes in or under the Contract Documents and compliance or noncompliance with any formalities connected with the Contract or the changes does not affect Surety's obligation under this bond. Any increase in the total contract amount as authorized by the COUNTY shall accordingly increase the Surety's obligation by the same dollar amount of said increase. Contractor shall be responsible for notification to Surety of all such changes.

Surety expressly acknowledges its obligations and liabilities for liquidated damages suffered by COUNTY under the provisions of the Contract Documents.

See subsection (2) of Section 255.05, Florida Statutes as amended for the notice and time limitations for claimants.

Dated on _____, 20_____

PRINCIPAL:

By: _____
Signature
(SEAL)

Attest as to the signature of Principal

Title
Address: _____

SURETY:

By: _____
Signature
(SEAL)

Attest as to the signature of Surety

Title
Address: _____

NOTE: Date of Bond must not be prior to date of Contract. If Contractor is a Partnership, all partners must execute bond.

IMPORTANT: Surety companies executing bonds must appear and remain on the U.S. Treasury Department's most current list (Federal Register) during construction, guarantee and warranty periods, and be authorized to transact business in the State of Florida.

DATE:

TO:

ATTN:

REF: Bond No.
 Performance Bond and Payment Bond
 Contract No.
 Project Name

Dear Mr.

Attached hereto is a copy of Performance Bond No. _____, and Payment Bond No. _____ issued by your company to _____ Co., Inc. Please certify in writing, at your earliest convenience, as to the authenticity of said bond(s).

Your prompt response would be greatly appreciated, and should you require further information and/or clarification, please do not hesitate to contact the undersigned.

Thank you in advance for your cooperation.

Yours truly,

Irwin L. Jacobowitz, Director
Contract Development & Control

IL/ds

Enclosure

Cc: Contract File
 Initiating Department

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List of Certified Companies

Download the complete listing of [Certified Companies PDF](#), or browse the list below.

Also, see [Supplemental Changes to Circular 570](#)

Last updated July 1, 2019

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A

Updated July 1, 2019

ACCREDITED SURETY AND CASUALTY COMPANY, INC.

(NAIC #26379)

BUSINESS ADDRESS: PO Box 140855, Orlando, FL 32814.

PHONE: (407) 629-2131.

UNDERWRITING LIMITATION b/: \$6,684,000.

SURETY LICENSES c/f/: AL, AK, AZ, AR, CA, CO, CT, DE, DC, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI, WY.

INCORPORATED IN: Florida.

ACE American Insurance Company

(NAIC #22667)

CERTIFICATE OF BOND REINSURANCE NO.
Attached to and made part of
REINSURANCE AGREEMENT NO. _____

Between

(Hereinafter referred to as the COMPANY)

and

(Hereinafter referred to as the REINSURER)

Relating to Bond No. _____ of the COMPANY.

Principal's name and mailing address:

Description of the Bond:

Contract No.:

Contract Date:

Name and mailing address of obligee:

Date of Bond:

Penal Sum of Bond:

The term of this Certificate shall be for the substantial completion time plus twelve (12) months immediately following the above noted Contract Date.

In accordance with the terms and conditions of Reinsurance Agreement NO. _____, the REINSURER shall indemnify the COMPANY against losses or damages the COMPANY is legally obligated to pay under the above described Bond for up to 100% of the loss in excess of \$ _____ but not exceeding \$ _____.

INSURANCE COMPANY

REINSURANCE COMPANY

Authorized Signature

Authorized Signature

MAINTENANCE BOND

BOND NO. _____

BY THIS BOND, WE, _____, as Principal and _____

a Corporation organized under the laws of the State of _____ and authorized to do a surety business in the State of Florida, as Surety, are held and firmly bound unto the Board of County Commissioners of Palm Beach County, hereinafter called Owner, in the sum of \$ _____, lawful money of the United States of America, for payment of which we bind ourselves, our heirs, personal representatives, successors, and assigns, jointly and severally.

WHEREAS, on the _____ day of _____, 20 _____, the said _____ as Contractor, entered into a contract for _____ Contract No. _____ for the sum of \$ _____; and

WHEREAS, under the terms of the specifications for said work, the said _____ is required to give a bond for _____ (\$ _____), to protect the Owner against the result of faulty materials or workmanship for a period of two (2) years from and after the date of final completion and acceptance of same by said Owner, to replace any and all defects arising in said work whether resulting from defective materials or defective workmanship, then the above obligation to be void; otherwise it is to remain in full force and effect.

Principal

(Seal)

By: _____

Surety

By: _____

Attorney-in-fact

(Seal)

Surety Company executing this bond must appear and remain on the Treasury Department's most current list (Circular 570 as amended) during entire guarantee and warranty period, and be authorized to transact business in the State of Florida.

CLOSE-OUT CHECKLIST

- ___ 1. Final Payment Request Received
- ___ 2. Certificate of Substantial Completion Date _____/_____/20____
- ___ 3. Date of Final Inspection with Owner, Contractor and Engineer present
____/____/20____ (All punch-list items completed)
- ___ 4. Certificate of Final Completion by Engineer of Record
- ___ 5. Affidavit of Completion from Contractor
- ___ 6. Certificate of Occupancy
- ___ 7. Notification to Surety of Completion of Construction
- ___ 8. Consent of Surety Received
- ___ 9. Date Warranty Begins and Terminates under Bond Begins: ____/____/20____
Ends: ____/____/20____
- ___ 10. List of Firms/Persons submitting "Notice to Owner"
- ___ 11. Release and/or Waiver of Lien from all firms/Persons listed in Item 10
- ___ 12. Final Release of Lien by GC
- ___ 13. Warranty of Title by GC
- ___ 14. Copy of executed Final Change Order
- ___ 15. Provide as-builts and return all sets of drawings to Owner
- ___ 16. Final progress photographs
- ___ 17. Final Clean-up
- ___ 18. Copy of Certification of Completion to FDEP, when required
- ___ 19. Copy of FDEP Approval, when required
- ___ 20. Final Payment approved by the Office of Equal Business Opportunity
- ___ 21. Other _____

This checklist must accompany final invoices for all contracts where a performance/payment (Public Construction) bond is required.

INSTRUCTIONS: Place a check mark next to each item upon completion. If an item is not applicable to the specific contract, place "N/A" next to the item.