

## OVERVIEW OF MAINTENANCE BONDS

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### TODAY'S AGENDA

- WHAT IS SURETY BOND?
- TYPES OF CONTRACT BONDS
- BOND REQUIREMENTS IN IOWA
- MAINTENANCE BONDS

### WHAT IS A SURETY BOND?

PREQUALIFICATION PROCESS TO ASSURE OWNERS THAT THE CONTRACTOR WILL PERFORM THE CONSTRUCTION CONTRACT ACCORDING TO ITS TERMS AND CONDITIONS AT THE CONTRACTED PRICE, DELIVER ON SCHEDULE, AND WILL PAY LABORERS, SUBCONTRACTORS, AND SUPPLIERS ASSOCIATED WITH THE PROJECT.

## TYPES OF CONTRACT BONDS

**BID BOND** – SUBMITTED WITH THE BID, USUALLY A PERCENTAGE OF THE BID AMOUNT OR STATED DOLLAR AMOUNT. ENSURES THE CONTRACTOR IS QUALIFIED AND THE BID IS SUBMITTED IN GOOD FAITH.

**PERFORMANCE BOND** – GUARANTEES SATISFACTORY COMPLETION OF THE CONTRACT (SAFEGUARD FOR TAXPAYERS)

**PAYMENT BOND** – GUARANTEES SUBS AND SUPPLIERS ARE PAID (MILLER ACT - CANNOT LIEN PUBLIC PROPERTY)

**MAINTENANCE BOND** – GUARANTEES COMPLETION OF DEFECTIVE WORK DUE TO FAULTY WORKMANSHIP AND/OR MATERIALS FOR A SPECIFIED PERIOD



## BOND REQUIREMENTS IN IOWA

- **CHAPTER 573 GOVERNS – PUBLIC IMPROVEMENTS**

- Bond required on projects greater than \$25,000
- Not to be confused with the requirement for competitive bidding. No bid bond but payment and performance bond still required.
- Out of state contractors must have \$25,000 bond on file in order to register with the state



## MAINTENANCE BONDS

**DURATION – VARIES BY OBLIGEE/CITY**

- Two years up to five years
- Certain cities match up the underground with the paving while others have differing maintenance periods depending on the type of work



## MAINTENACE BONDS

- **IOWA CODE – 573.6 REFERENCES “DEFECTS IN QUALITY OF WORK OR MATERIAL NOT DISCOVERED OR KNOWN TO THE OBLIGEE AT THE TIME SUCH WORK WAS ACCEPTED”**
- **SUDAS – 3.01(C) – “FOUND TO BE FAULTY BECAUSE OF MATERIALS OR WORKMANSHIP”**
- **MAINTENANCE BOND FORMS – “GUARANTEEING TO REMEDY ANY DEFECTS IN WORKMANSHIP OR MATERIALS”**



**QUESTIONS?**