



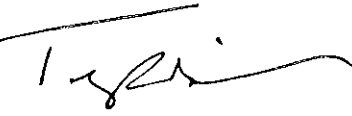
STATE OF NORTH CAROLINA
DEPARTMENT OF TRANSPORTATION

BEVERLY EAVES PERDUE
GOVERNOR

EUGENE A. CONTI, JR.
SECRETARY

October 18, 2012

MEMORANDUM TO: Division Engineers

FROM: Terry R. Gibson, PE
Chief Engineer 

SUBJECT: Bonding Requirements for Division Let Projects

Current legislation allows the Department to waive payment and performance bonding requirements for any project that has a bid value of \$500,000 or less. Previously, the bid value for this waiver was set at \$500,000 for SBE contracts and \$300,000 for all other types of projects.

Although the Department is given the authority to waive bonding requirements, caution should be exercised on certain higher risk projects in which it would be difficult for the Department to self perform the work in the event of a default or for projects that involve multiple material suppliers or subcontractors who may be reluctant to provide services to an unbonded project. The attached document provides specific guidance to follow in determining when to waive payment and performance bonding requirements for Division let projects. This information is intended to serve as a supplement to the procedures currently shown in the purchase order contract manual until that manual is updated.

Please share this information with your Division Project Managers and other staff responsible for assembling contracts and begin to follow this guidance with all project advertisements immediately.

Attachment

Cc: R. E. Greene, Jr., PE
R. A. Hancock, PE
R. A. Garris, PE
J. P. Brandenburg, PE

Payment and Performance Bonds – Division Let Projects

Current laws regarding bonding requirements for NCDOT projects

GS 136-28.10

Allows NCDOT to waive bonding requirements for SBE contracts up to \$500,000.

GS 44A-26

Requires all construction contracts over \$500,000 to have payment and performance bonds. Allows State Agencies to waive bonding requirements for projects up to \$500,000, at the discretion of the contracting body.

Guidelines for Division let projects regarding GS 44A-26

- Use \$300,000 as the limit for waiving bonds for all bridge replacement and major bridge rehabilitation projects (such as latex overlays).
- Use \$500,000 as the limit for other projects unless there are specific issues where the Division feels it is appropriate to use \$300,000.

Reasons for stricter bonding requirements for bridge projects:

- Typically these projects have more suppliers and subcontractors. The material cost represents a large portion of the project and the payment bond will provide an avenue for suppliers and subcontractors to request payment if the prime contractor is not responsive.
- These projects often require off site detours that can be inconvenient and costly to the traveling public. Having a 3rd party partner to help complete the project if needed is appropriate in this case.
- The Department does not have the ability to easily take over and complete these projects. In addition, requiring a bond provides screening to help ensure use of financially capable contractors on these more complex type projects.
- Due to the current economic climate, we have been experiencing more prompt pay issues and defaults.