

Real Estate/Construction

VOL. 113, NO. 131

THURSDAY, JULY 2, 1998

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Successful Bonding Is A Relationship

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San Diego Daily Transcript

Considering recent warnings from state regulators about phony bonders taking contractors for a ride, construction firms may find it helpful to make a checklist of what makes a good bonding agent.

Bottom line: if a deal is too good to be true, then it is.

"You have to be honest with people about whether or not they can be bonded, how much a bonding company will bond them for, and you have to make sure you tell them that they will have to give both personal and business guarantees," said Helen Maloney, who, along with her husband, John, heads up Maloney and Associates, an Escondido-based insurance company specializing in providing construction bonds.

"A good contractor should be able to 'talk straight' to his contractor client, just like a friend," John added. "The sycophantic, 'emperor's new clothes' syndrome is a short-lived and inappropriate sale pitch that adds no value to a contractor's business."

John added that a bonding agent needs to get into a contractor's "shorts" more so than any other professional a contractor will employ. Bonders have to look at a contractor's banking relationship, accounting relationship, bid activity, cost accounting, work in progress schedules, and business plan, as well as business and personal information.

"Sometimes contractors will need to change something to get a bond and we just have to tell the truth," Helen said. "In order to get bonded, they may have to put more money into the business or clean up some accounting."

"Sometimes we have to tell them to get another CPA," John added. "They may have a CPA who has excellent experience in the medical industry, but none in the construction industry, and so may not be good for them. The construction industry is so different and the company's accounting needs to be packaged in the way bonding companies want it."

A bonding agent also needs to be timely in getting bonds to clients.

"People tell us we're very quick," John said. "That's because of the infrastructure that Helen has put into place here in the office."

Both Helen and John have extensive experience on both sides of the bonding industry, which John said helps their credibility. The two met in the late 1970s at Fireman's Fund Insurance Co., Helen as a bond processor and John as an underwriter.

John then became a bond manager for the firm's Riverside office, commuting from San Diego for five years. In the 1980s, he was lured by Jim Sim to change hats as a bonding agent for Westland Insurance, and Helen joined soon after as a bond processor.

Then in 1990, the two forged their own path and opened Maloney and Associates in Escondido.

"We were the first surety division in San Diego to break out as a separate company," Helen said.

They started their company at the height of a recession, which John said actually helped them in the long run.

"It taught us to be street smart, to pay attention," he said.

In the beginning, there were just the Maloneys, selling and processing \$5,000 to \$7,000 in bonds during the first several years. Within four years, though, three additional people came on board, the company moved to large

er offices on Vineyard Avenue, and annual bond sales rose to more than \$2 million.

The company is currently providing bonds for such projects as the \$8 million construction of Woodrow Wilson High School in Corona, the Campus Service Complex at the University of California, San Diego, the \$19 million SR-52 expansion, and several large military housing projects.

Maloney and Associates' most unique bond was to J.C. Baldwin Co. for the risky job of stabilizing the bluffs above the Point Loma Wastewater Treatment Plant, John said. "But Baldwin said that it wasn't hard for him because that's all he does, and the job did go very well."

When things do go wrong on a construction project, though, bonding agents must feel comfortable with stepping in to help resolve the situation, the Maloneys said.

"A bonding agent should do everything in his power to be part of the solution," John said.

"We may need to communicate to contractors that their overhead may be too high, they need to bid with more proper margins, or that they have to make sure to collect their receiv-

ables," Helen added.

"We're interested in long-term relationships," John said. "That means more than just handing contractors a piece of paper — the bond. We should also know the contractor's precise goals to help them get to that next level."

"We also look at their financial and work in progress reports so that we can offer advice that could enhance their work program and minimize rates."

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