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# PFA Eases Bond Requirement for Smaller Construction Projects

**New threshold aims to expand contractor pool and accelerate recovery efforts without compromising project integrity**

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In a special meeting on Monday, the board of the Public Finance Authority voted to raise the threshold for requiring bonds on construction projects, easing the burden on smaller contractors to meet the PFA's requirement for certain projects.

Previously, all projects above \$250,000 have required contractors to be bonded — a type of financial assurance that provides a guarantee to the project owner that the contractor will perform the work in accordance with the terms, conditions, and timelines of the contract.

However, according to staff counsel Lorelei Farrington, the PFA has moved from mostly procuring professional services to the addition of procurement construction projects, due to the addition of the Office of Disaster Recovery as a division of the PFA.

The changing nature of the PFA's work has necessitated the upward adjustment in the bond threshold. Using the example of the EnVIision Tomorrow program, where hurricane-damaged homes are reconstructed and rehabilitated, Ms. Farrington said that the small contractors attracted to projects such as these, which generally cost below \$350,000, often have difficulty securing bonding. Ms. Farrington explained that most bonding companies consider working capital above all else, and they "tend to believe that contractors, especially the smaller ones, have issues with cash and liquidity. Therefore, a small contractor with a negative working capital will have a very difficult time obtaining bonds from the performance bond companies."

To ensure that the business of the PFA is able to proceed in a "rapid but effective manner," according to Ms. Farrington, the recommendation is to amend the procurement procedure manual so that projects under \$350,000 will no longer require bonds.

In response to a question on how the PFA could reduce the risk of something going awry on a non-bonded project, Director of the Office of Disaster Recovery Adrienne Williams-Octalien said that the PFA would have enhanced oversight – increased site visits and reviews – as well as "ensuring that we have construction management heightened." She noted that the upward revision in the threshold would give the PFA more flexibility, "depending on the complexity of the project, to be able to increase our contractor pool in the Virgin Islands."

Ms. Williams-Octalien noted that there were a number of smaller operators capable of doing the work "but they do not have the financial backing, and the current climate requires us to get as many contractors involved as possible." Pointing out that construction costs have climbed significantly in past years, Ms. Williams-Octalien said that "we're raising the cap to in line with what we're looking at for construction costs here in the territory," while also "increasing mitigation measure through training and additional support to be able to ensure that these projects are completed."