

Title:		Contents:	P-4000
SURETY BONDS		Submitted By:	Purchasing Division
		Approved By:	Purchasing Agent
Effective Date: 9-7-16	Supersedes No.: 12-10-01	Page No.	1 of 2

Policy

Surety Bonds in the form of a Bid Bond, Performance Bond and Payment Bond may be required unless required by law, or where circumstances dictate a special need to protect the County's interest. If required, the Surety Bonds must be provided to and received by the County before the contractor/vendor is issued a contract or purchase order. The Surety Bond obligee shall be "The County of Los Angeles."

Surety

Surety is requested from the vendor(s) to guarantee faithful performance on a contract.

Surety can be provided in the following forms:

- Annual or Continuous Bid And Performance Bond
- Bank Passbook Account Assigned To County
- Cash
- Certified or Cashier's Check
- Irrevocable Letter of Credit
- Performance Bond
- Personal or Company Check
- Saving & Loan Certificates

SURETY BOND DEFINITIONS:

Bid Bonds

A Bid Bond of amount not above 10% of the contract order total amount is deposited when a contractor/vendor or the "supplier" is bidding on a tendered contract. The Bid Bond prequalifies the bidder and provides the necessary security to the County, or "obligee", guaranteeing that the bidder will enter into the contract, if it is awarded. A Bid Bond guarantees that the "obligee" will be paid the difference between the bidder's tender price and the next closest tender price. This action is only triggered should the bidder be awarded the contract but fails to enter into the contract, as agreed, with the County or "obligee."

Performance Bond

A Performance Bond ensures payment of a sum (not exceeding a stated maximum) of money in the event the contractor/vendor fails in the full performance of the contract. Performance Bonds usually cover 100% of the contract price and replace the Bid Bonds (if required) on award.

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Payment Bond

A Payment Bond is provided by a contractor/vendor to guarantee that his subcontractors and material suppliers on the project will be paid. Payment Bonds must be 100% of the contract value. Payment Bonds are often required in conjunction with Performance Bonds.

Bonds - \$50,000 and Higher

When a bond is \$50,000 or more, the attorney-in-fact must be registered with the County Clerk of Los Angeles County. This registration is the responsibility of the contractor/vendor including payment of all required fees.