



National Association of Surety Bond Producers

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BY ELECTRONIC TRANSMISSION (mjohnson@carlsbadusd.net)

May 6, 2015

Michelle Johnson, Director of Purchasing
Carlsbad Unified School District
6225 El Camino Real
Carlsbad, CA 92009

**Re: NASBP Comments on Carlsbad Unified School District Application for
2014/2015 Prequalification of General Contractors and Subcontractors**

Dear Ms. Johnson:

I am contacting you on behalf of the National Association of Surety Bond Producers (NASBP), a national trade association of companies employing licensed surety bond producers in all jurisdictions, including those licensed resident and non-resident bond producers in the State of California. NASBP recently became aware that the Carlsbad Unified School District (CUSD) has an Application for 2014-2015 Prequalification of General Contractors and Subcontractors (Application) that artificially precludes certain contractors from bidding on CUSD projects, with no concomitant benefit to the CUSD. This Application and its limiting effect on competition give NASBP significant cause for concern.

Specifically, the Application provides in Section 2—Threshold Questions that an applicant “will be immediately disqualified if the answer to any of the questions below is ‘Yes.’” A “No” to Question #4 regarding the firm’s completion of fewer than two school construction projects (with certain values) within the last five years should not be an automatic disqualifier of an otherwise qualified firm. Such a factor should only be a consideration factor, among many others.

NASBP agrees that it is reasonable for an owner to desire to find out the experience and level of experience of a contractor on such contracts, but to make an arbitrary decision on the ability of a contractor to bid on projects creates a highly subjective universe and it significantly reduces the bidding pool. Questions such as #4 discussed above should be factors in the process—but not single and arbitrary disqualifiers of a contractor who might very well be qualified to perform the work. As you know, limiting the number of contractors permitted to bid on a project almost certainly increases the cost of the project to the owner.

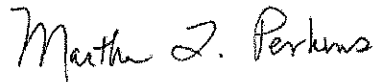
While NASBP understands the CUSD wants to ensure that a contractor that performs CUSD projects is qualified, remember that surety companies perform prequalification of a contractor prior to determining that they will back a contractor with surety credit. Surety companies only

issue bonds for those contractors whom they believe, after the prequalification process, will be capable of performing the contract in accordance with the contract documents. And, in the event the contractor does fail, the bonds are available to back the contractor's performance and payment obligations.

We respectfully request that the CUSD reconsider its arbitrary and competition-limiting prequalification approach so that the public bidding process has a robust and transparent competition for projects and so that CUSD doesn't achieve an arbitrary result. Indeed, the criteria should be just that—criteria, factors to be considered in the process, not single-question disqualifiers. The CUSD receives no benefit from such a practice; on the contrary, it precludes certain qualified firms from bidding on its projects. The effect is to limit competition and likely to increase the cost of contracts for CUSD projects.

Please feel free to contact me should you wish to discuss this matter further. We appreciate your prompt consideration of NASBP's concerns.

Yours sincerely,

A handwritten signature in cursive script that reads "Martha L. Perkins".

Martha L. Perkins
General Counsel

cc: Mark. H. McCallum, CEO