

Performance Bond Requirements

City of Toledo bond to secure performance of contract may not be less than the bid price. The contractor may provide the City with one of the following forms of securities from a solvent bank: Surety Bond; Certified check; Cashier's check; or Irrevocable letter of credit.

A performance bond is a written guaranty from a third party guarantor (usually a bank or an insurance company) submitted to a principal (client or customer) by a contractor on winning the bid. A performance bond ensures payment of a sum (not exceeding a stated maximum) of money in case the contractor fails in the full performance of the contract.

Performance bonds usually cover 100 percent of the contract price and replace the bid bonds on award of the contract. Unlike a fidelity bond, a performance bond is not an insurance policy and (if cashed by the principal) the payment amount is recovered by the guarantor from the contractor.