



**ENGINEERING SERVICES
POLICY STATEMENT**

For

**Bonding
Public and Private Improvements**

Date: January, 2009

**Edward N. Domingue
Director of Engineering Services**

Bonding Requirement:

Bonding is required for all private and public improvement projects to secure construction of project related improvements. Bond amounts are based on the City adopted cost estimate schedule. Bonds amounts (with exception of cash bond) for public improvements shall equate to 160% of the project related improvements (100% faithful performance, 50% labor and material, 10% guarantee & warrantee). Grading and private improvements bond amount for a subdivision shall equate to 100% of the work associated with grading, erosion control and private site improvement cost for subdivisions. Bonding requirement for private site improvements for a non-subdivision development is 10% of the total work associated with grading, erosion control, landscaping and private site improvement cost.

The followings are the forms of bonds accepted by the City:

I. FAITHFUL PERFORMANCE BONDS

Faithful performance bond or improvement security as used herein shall be one or more of the following:

1. A bond or bonds by one or more duly authorized corporate sureties.
2. An instrument or instruments of credit from one or more financial institutions subject to regulation by the State of Federal government pledging that the funds necessary to meet the performance are on deposit and guaranteed for payment and agreeing that the funds designated by instrument shall become trust funds for the purposes set forth in the instrument. See Business and Professions Code, and Municipal Code.

An instrument of credit may be defined as a cash deposit, certified check, escrow account, or as approved by the Director of Engineering Services, and City Attorney as a legal instrument of credit.

All bonds and/or sureties that are non-negotiable shall be filed with the City Clerk. All cash deposits shall be deposited with the Director of Engineering Services, who will deposit said negotiable bonds and/or sureties in a trust fund.

Faithful performance bond will be released upon acceptance of project improvements by the City Engineer or City Council.

II. LABOR AND MATERIALS BOND

Labor and materials bond or improvement security shall be the same format as described under I. Labor and materials are an improvement security

securing the payment to the contractor, his sub-contractor and to persons renting equipment or furnishing labor or materials.

According to the Business and Professions Code and the Municipal Code, the amount of Labor and Materials Bond shall not be less than 50% of the total estimated price.

Labor and material bond will be released 65 days after City Council approval of the notice of completion or 95 days after acceptance improvements by the City Engineer, if Council action is not required.

III. GUARANTEE AND WARRANTY

Guarantee and Warrantee is an improvement security in the amount of 10 % of the faithful performance bond. The bond is placed to secure payment for repair of any items of work subject to construction defect within one year after acceptance of work by the City.

Guarantee and warrantee bond will be released one year after acceptance of project improvements by the city.

IV. GRADING SECURITY

The grading bond is placed to secure payment for grading, erosion control and landscaping cost of project improvements.

- a. Grading security for subdivisions (tracts and parcel maps) is at 100% of the total cost of related improvements. 10% of the subdivision's grading security shall be in a form of cash security (\$5,000 Min., \$50,000 max.). The remainder of the subdivision's grading security shall be in a form of grading bond or cash security.
- b. Grading bond for non-subdivision projects is at 10% (\$5,000 min., \$50,000 max.) of the total cost of related site improvements.

V. CASH SECURITY OR CERTIFICATE OF DEPOSIT:

Cash bond is a cash deposit made with the City or cash deposit made with a local bank in the name of the City of Escondido to cover the cost of improvements related to the project. The amount of cash deposit should equate to 100% of the amount of public improvement work required for the project.

Cash deposit refund will be based on the following:

- 40% released upon acceptance of improvements by the City
- 50% released three months after acceptance of improvements by the City.
- 10 % released one year after acceptance of improvements by the City