

SECTION 9
AGREEMENT - BONDING REQUIREMENTS

9.0 BONDING REQUIREMENTS

The Engineer's Estimate, listed in the SBMWD Cost Letter, is a cost valuation for bonding purposes. The Engineer's Estimate is a total dollar figure including material, labor, equipment, subcontracting, and overhead amounts. It is calculated from submitted Water Improvement Plans. If the Water Improvement Plans should significantly change during the life of the project, it may become necessary to recalculate and re-quote the Engineer's Estimate. The bonding amounts may change based on a significant change of the Engineer's Estimate. Typically, an Excel spreadsheet (either Main Estimate Master or Service Estimate Master) is used to calculate the Engineer's Estimate.

The Developer does guarantee faithful performance of the Agreement and all of its terms and conditions by providing the following:

- Irrevocable Letter of Credit from a recognized financial institution acceptable to the Department or Performance Bond from a surety institution licensed by the State of California and authorized to do business in said state. (100 percent of Engineer's Estimate).
- Irrevocable Letter of Credit or Warranty Bond (25 percent of Engineer's Estimate).

Once the bonds listed above are found to be acceptable to the Department, a Notice to Proceed to Construct letter is issued. The Performance Bond is in place during the life of the contract until the Developer-Installed Main Extension is accepted and conveyed by the SBMWD. After acceptance, the Performance Bond is converted to a Warranty Bond for a period of one year from the date of conveyance.

Actual examples of performance and warranty bonds, as well as a specimen letter of credit, can be found within the Developer-Installed Agreement(see Appendix C).

Particular attention should be paid to the following details that are related to bonding requirements:

- Verify and track during the life of the project that none of the following exist with respect to the Developer-Installed Main Extension:
 - Liens or encumbrances on the water facilities and appurtenances.
 - Defects in materials or in the construction of the water facilities and appurtenances.
 - Cancellation or change of bond coverage.

For more details or clarifications regarding bonding, refer to Section 10 of the Agreement for the project.