



SECTION 7

CONSTRUCTION SECURITY

7.1 PURPOSE

The purpose of Construction Security is to provide the Board with a financial and/or administrative mechanism that can be used to require a contractor to comply with the Board's specification.

7.2 APPLICABILITY

All projects that include water distribution or sanitary sewer collection system components to be turned over to the Board for operation and maintenance (mains, appurtenances, etc.) shall require Construction Security.

7.3 TYPES OF SECURITY

Types of security that are acceptable to the Board include; cashiers check, dual obligee rider, performance bond, letter of credit, and property plat (residential subdivision only).

7.3.1 FINANCIAL SECURITY

A cashier's check, performance bond, surety bond, dual obligee rider, or letter of credit, are all financial forms of Construction Security. For these types of security, an indemnification agreement must be executed prior to the commencement of work. The indemnification agreement, prepared by the Board's attorney, gives the Board the legal authority to "cash in" the security in order to address deficiencies in the work.

7.3.2 ADMINISTRATIVE SECURITY

The property plat is an administrative means of providing construction security for subdivision projects only. The primary purpose of platting is to prevent the inappropriate division of land for development. If during the course of construction, the property is required to be platted (subdivided into individual lots), the Board may use the plat to ensure compliance with the Board's specifications. By refusing to sign the circulated property plat, the Board can effectively prevent the property from being subdivided into individual lots. The refusal to sign the plat will prevent the sale of individual lots until all utility construction meets the Board's specifications.

The property plat is often the easiest form of construction security to provide to the Board. However, should approval of a plat be requested prior to completion of a project or receipt of sewer as-built drawings, the owner shall execute an indemnification agreement in which the owner guarantees that all newly constructed mains and appurtenances will be installed in

accordance with the Board’s specifications. In addition, the owner shall provide sufficient financial security to ensure performance of the terms contained in the indemnity agreement.

7.4 OWNER INFORMATION

For every project, regardless of the type of security provided, the engineer shall complete an Owner Information Sheet (see Appendices “FORMS”). During his initial review of the project, the developer must determine if the property will be platted and clearly state his intent on the Owner Information Sheet. In the case of subdivision projects that are identified as requiring platting, the Board will assume that the plat will serve as an administrative form of construction security. If the developer indicates that he will not plat the property, the Board will require that financial security along with an indemnification agreement be executed for the project.

7.5 SECURITY VALUE DETERMINATION

In addition to the Owner Information Sheet, the engineer shall be required to provide a construction cost estimate for the water and sewer utilities to be operated and maintained by the Board upon completion of the project. This estimate must be reviewed and approved by the Board’s engineer prior to construction. The approved estimate will serve as the basis for establishing the monetary value of security required for a project.

7.5.1 ADMINISTRATIVE SECURITY

Subdivision projects that intend to use the platting process as security are not required to post any monetary value for security. Should the developer decide to plat the property prior to completion (Field Final) and submission of record drawings, a financial form of construction security must be in place prior to the Board’s approval of the plat. The amount of construction security required shall be based on the status of the project as outlined in this section.

7.5.2 FINANCIAL SECURITY

The amount of financial security required for a project prior to construction is equal to the total amount of the estimate referenced above. Once construction has started and the developer wishes to convert from an administrative form of construction security (plat) to a financial form (cashier’s check, performance bond, surety bond, dual obligee riders, or a letter of credit), the monetary value of security shall be based on the amount of work completed. The Board’s engineer shall be the sole judge on the percentage of work completed and will use the following table as a guide for calculating the required security.

STATUS OF PROJECT	FINANCIAL SECURITY REQUIRED (PERCENTAGE OF ESTIMATED COST)
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Platting process will serve as construction security (subdivision projects only)	0%
Prior to Construction (no utilities installed)	100%
Water/Sewer Utilities Installed (but not tested)	25%
Water/Sewer Utilities Installed (tested but not field finalized)	10%
Water/Sewer Utilities Installed (tested and field finalized)	Must Receive Sewer As-Builts Prior to signing Plat or returning construction security
Water/Sewer Not Installed Completely (not tested).	25% of installed plus the full value of Water/Sewer not yet installed

7.6 RELEASE OF SECURITY

7.6.1 PLAT APPROVAL

The Board will refuse to sign the property plat until the project is field finalized and all as-built drawings have been submitted, unless financial security is provided as outlined herein.

7.6.2 FINANCIAL SECURITY RELEASE

The financial security will be held until such time as the project has been field finalized and all aspects of the project meet the requirements of the specifications of the Board. At the completion of the project to the satisfaction of the Board, any financial security held will be returned to the owner or respective party.