

FINANCIAL SECURITIES (BONDS & DEPOSITS IN LIEU)

WHAT ARE FINANCIAL SECURITIES & WHY DOES THE CITY REQUIRE THEM?

Financial securities are provided to the City to: 1) guarantee that work *will be completed*; or 2) to warranty *already completed* work. The City requires financial securities for certain projects to guarantee certain work will be completed (i.e. performance securities); or to warranty the quality of materials or workmanship of certain types of improvements (i.e. warranty securities).



WHEN ARE APPLICANTS REQUIRED TO PROVIDE FINANCIAL SECURITIES TO THE CITY?

Applicants are required to provide warranty securities to the City for many different types of projects. Common examples include: before final plat, short plat, or BSP approval for infrastructure that will be deeded or dedicated to the City, and any type of project where landscaping and/or critical area mitigation is installed.

Performance securities for public infrastructure are only allowed under very narrow circumstances. Mount Vernon Municipal Code 16.12.020(3)(b) states (in part) “Bonding or providing a cash security in lieu of installing improvements will be approved only if circumstances exist that restrict installation such as extreme weather conditions, construction conflicts with other required improvements, etc”.

The following page of this handout contains a table that summarizes Performance and Warranty Securities and provides additional details with regard to their terms, amounts, and when they are usually required.

The City does *not* accept Letters of Credit. The generally approved methods for providing financial securities to the City includes:

- Bond from a Surety Company;
- Actual bond obtained by a bonding/ insurance company; and,
- Assignment of Funds (an established account that a financial institution certifies that at no time any portion of the funds be released without written authorization from the City).

OTHER NOTEWORTHY ITEMS

- Financial security forms are provided by the Development Services Department to the Applicant. Other forms will not be accepted unless pre-approved by the City Attorney’s office.
- City staff calculates the amount securities are required to be and provides the paperwork needed for securities to Applicants.

The purpose of this handout is to assist the public in complying with detailed permit submittal requirements. It is NOT a complete list of permit or code requirements and should NOT be used as a substitute for applicable laws and regulations. It is the responsibility of the owner/design professional to review the submittal for completeness and applicability to other codes. Only complete applications can be accepted by the City for review.

PERFORMANCE SECURITIES¹

These securities guarantee work will be completed that is not already started or finished, i.e. they guarantee future performance.

TYPE	AMOUNT	DURATION ⁸	MVMC
Infrastructure ² located in the City right-of-way; or, infrastructure that will be dedicated or deeded to the City	150% of the estimated cost of construction/installation ³	90± days	12.16
			13.33
			14.05
			16.12
			16.32
Critical Area Mitigation and/or Monitoring	150% of the estimated cost to install and/or complete the critical area monitoring and/or mitigation ⁴	90± days	14.05
			15.40
Landscaping	150% of the estimated cost to install the landscaping and associated amenities ⁵	90± days	14.05
			17.93

MAINTENANCE SECURITIES¹

These securities guarantee work that has already been completed meets, and will continue to meet, certain required standards.

TYPE	AMOUNT	DURATION	MVMC
Infrastructure ² located in the City right-of-way; or, infrastructure that will be dedicated or deeded to the City	10% of the estimated cost of construction/installation ³	Minimum of one year	13.33
			14.05
			16.12
			16.32
			17.72
Critical Area Mitigation	60% of the entire mitigation cost with the cost of the required maintenance activities ⁶	Vary between five and 10 years ⁷	14.05 15.40
Landscaping	60% of the estimated cost to install all landscaping improvements plus the cost of their maintenance. Where irrigation is provided the bonding amount might be reduced from 60% to 25% ⁵	Two years	14.05
			17.93

- (1) The purpose of this handout is to assist the public in understanding basic financial security requirements associated with certain types of projects. This handout is NOT a complete list of requirements applicable to financial securities and should NOT be used as a substitute for applicable laws and regulations.
- (2) Infrastructure = roads, sanitary and storm sewers, and other City owned/maintained infrastructure.
- (3) This cost generally includes every aspect of preparing a site to install the subject infrastructure, the materials, labor and any other associated materials/activities are included in the cost.
- (4) This cost generally includes all plant material, soil amendments, staking, labor to prep the site, split rail fencing, critical areas signage, and labor to install plant materials. Critical area monitoring costs are generally calculated by taking the annual monitoring cost (determined by the city based upon an estimate provided by a consultant that will be performing this work) multiplied by the number of years of the required monitoring minus one (because the applicant will be required to pay for the first year of maintenance upfront) multiplied by one and one-half (or 150 percent).
- (5) This cost generally includes all plant material, soil amendments, staking, labor to prep the site and install plant materials and irrigation (if applicable).
- (6) This cost is generally determined based on an estimate from the consultant that will be performing this work and adding to it the cost of the plants, earthwork, and labor to install the mitigation project (provided by the applicant's critical area consultant) multiplied by the number of years of the required maintenance minus one (because the applicant will be required to pay for the first year of maintenance in advance) and then multiplied by 0.60 (60 percent).
- (7) These timeframes are determined in consultation with the City's consulting biologist – in general these timeframes are: 5 years (most wetlands and non-fish bearing streams); 7 years (Type I wetlands, F and S streams); and 10 years (Type I and II wetlands and some fish bearing streams).
- (8) Infrastructure, critical area mitigation, and landscaping performance securities are only allowed in very limited circumstances.