ENGINEERING BULLETIN #04-09

TO: All Interested Parties

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SUBJECT: Grading Bonds

This Engineering Bulletin provides policy direction regarding the implementation and administration of grading bonds.

Security Amount – As authorized by L.Q.M.C. 8.02.010 and California Building Code, Appendix J, the property owner, or grading contractor, shall post security in an amount calculated per the following formula:

$$BA = CA \times PB$$

Where:

BA = Bond Amount

CA = Contract Amount to grade property in accordance with approved grading plans

PB = Percent Bonded

When:

- $CA < \$100,000$; $PB = 100\%$
- CA is $> \$100,000$ but $< \$1$ Million; $PB = [1-(0.8CA/900000)-0.088]$**
- $CA > \$1$ Million; $PB = 20\%$

**This formula calculates the bond amount based on a straight line decreasing bonding percent that starts at 100% for grading contracts equaling $100,000 and decreases to 20% for contracts at $1 million. An online calculator in Excel spreadsheet format is available for calculating the grading bond amount. Please visit the City website.

The security shall conform to security requirements adopted by the City Council in its Resolution 96-27.

Procedure to Avoid Double Bonding – The City does not require "double" bonding if the developer desires to post a grading bond before the Subdivision Improvement Agreement (SIA) is established and secured. If the developer wants to grade his/her property before the SIA is in place, the developer simply posts grading security as if no SIA is pending. Later, when the SIA is prepared, the line item for "grading" in the SIA exhibit will be noted as previously graded and bonded pursuant to grading permit #(XXXX), unless some grading remains in which case 100% of the unfinished grading area must be bonded. Be advised, the double bonding conflict occurs only with grading projects associated with tentative maps. Grading projects not associated with tentative maps are not confronted with the double bonding conflict since there is no pending SIA to contend with.

Bond Forms –The "Grading Bond" form is available online for easy preparation. The bonding company can fill out the grading bond form, online, and print it out for execution by the appropriate officials.