

Financial Assurances – Lessons Learned

Mobile District Regulatory Division

Mobile, Alabama

Pine Savannah Wetlands : Fire Driven System



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US Army Corps of Engineers
BUILDING STRONG®

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2 Types of Required Financial Assurances

1. Construction financial assurance
 - required at start of project
2. Long-Term Stewardship Financial Assurance
 - required near end of project





Pine
Savannah

FIRE

TREE
REMOVAL

FIRE

22/2000

NOV 8 2007

OCT 1 2007

9/22/2000

CONSTRUCTION FINANCIAL ASSURANCES

1. Performance Bond
2. Letter of Credits
3. Insurance Policy
 - a. Amounts based on cost to pay a third party to do the work, not the sponsor. Bond and LOC can be reduced.
 - b. Performance Bond and Letter of credits usually good for 1 year, These may expire without bank or ILF sponsor notifying you. Request annual status report with annual reports.
 - c. Insurance policies established for life of project. Good for projects where available collateral may be an issue, however the amount is usually fixed and cannot be reduced as work is done. BEWARE THE “ACT OF GOD” clause and your required land management needs.
 - d. Develop cost category worksheets to determine reasonable local rates.

CALCULATION STRATEGY

LONG-TERM BURNING	\$96,000 (4 burns, up to 1200 acres @ \$20/acre/burn)
FIRE LINES	\$64,000 (4 burns, up to 8 miles @ \$2000/mile)
ROAD MAINTENANCE	\$800/year
EXOTIC SPECIES CONTROL	\$20,000/year (10 years, 200 acres@\$10/acre/year)
MONITORING	\$20,000 (\$2,000/year)
MISC (10%)	\$20,080
Total	\$220,880



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