

STAFF REPORT
City of Lancaster

CC 8
09/28/10
MVB

Date: September 28, 2010

To: Mayor Parris and City Council Members

From: Robert C. Neal, Director of Public Works

Subject: **Exoneration Agreement with Lincoln General Insurance Company for Security Provided for Tract Map No. 39910; Located at the Southeast Corner of Avenue L and 57th Street West**

Recommendation:

Approve an exoneration agreement with Lincoln General Insurance Company (LGIC) for security provided for Tract Map No. 39910; located at the southeast corner of Avenue L and 57th Street West.

Fiscal Impact:

\$98,472.00 to be paid to the City in exchange for exoneration of the Bond for Faithful Performance (Bond) provided for Tract Map No. 39910.

Background:

On February 9, 2004, Turnkey Developers, Inc. (Turnkey), entered into an Undertaking Agreement with the City of Lancaster and on March 30, 2004, LGIC issued a Bond in the amount of \$98,472.00, to guarantee completion of the infrastructure improvements remaining for Tract Map No. 39910. Turnkey subsequently abandoned the project prior to completion of the improvements and the City, pursuant to the Bond, made a demand of LGIC to take over and complete Turnkey's performance on the project.

In order to resolve this dispute, LGIC has offered to pay the City the full penal sum of \$98,472.00 in lieu of completing the required improvements. Upon payment of this amount, the City would exonerate and release the Bond. The City would then use these funds to construct the outstanding improvements along Avenue L.

Approval of this agreement will settle the ongoing dispute with LGIC over the Bond and avoid a potentially costly and time consuming lawsuit. In addition, the City will be able to improve the sidewalk on Avenue L, between 56th Street West and 57th Street West which is heavily used by students attending Quartz Hill High School.

CSW:lcs

Attachment:
Agreement