

SVCA CONTRACT POLICY
Approved September 26, 2005

Definition: A contract represents an agreement between two or more parties that is written and enforceable by law.

Purpose: This document provides the policy for contracts between SVCA and other parties. Contracts are for goods and services that SVCA is purchasing, or goods and services that SVCA is providing. A contract with Board review and approval will be required if the goods and service(s) to be provided by any party exceeds a total dollar amount of Ten Thousand Dollars (\$10,000) on **Operating Contracts. Contracts covering the purchase of Capital Expenditures, the purpose of which has been previously approved by the Finance Committee and the Board of Directors, may be executed by any two Board Officers.** The contract term may be for multiple years. This could be an expense to SVCA as the purchaser of goods and services, or revenues to SVCA that commit the association to provide goods and services.

For Contracts Ten Thousand Dollars (\$10,000) or More for the Contract Term:

For contracts Ten Thousand Dollars (\$10,000) or more for the contract term, Board review will be required **on Operating Contracts. Contracts covering the purchase of Capital Expenditures, the purchase of which has been previously approved by the Finance Committee and the Board of Directors, may be executed by any two Board Officers.** The Board will also decide if the contract needs legal review. Approval by the Board for individual contracts will be indicated by a documented motion in the Board minutes. The contract must be signed by the SVCA Board President and the SVCA Board Secretary or, in their absence, by an authorized Board officer. Signature(s) by the other party/parties must be done by an authorized person that can legally commit to the contract.

For Contracts Less than Ten Thousand Dollars (\$10,000) for the Contract Term*:

For operational expenses for the procurement of goods and services, or revenues that are earned by providing goods and services, the General Manager (GM) shall be authorized to approve contracts for less than Ten Thousand Dollars (\$10,000). The contract must be signed by the GM and the Accounting Manager or, in their absence, by an authorized Board officer. Examples of operational expenses include inspections, pest control, laundry services, etc. An example of operational revenues is facility rentals.

*Exceptions are goods and services that the Board is responsible for, such as the yearly external audit, legal settlements, reserve studies, and sales of assets such as lots. Contracts for these goods and services will require Board review and approval.

ADDITIONAL CONSIDERATIONS FOR THE SVCA CONTRACT POLICY

A contract should include the following components as appropriate:

- A) A complete description of the goods and service(s) to be provided. The contract will clearly state the specifications that must be met for contract fulfillment. This may be accomplished by attaching the RFP (Request for Proposal) as part of the contract.
- B) The price shall include all financial costs required for completion including sales tax, installation charges, and shipping charges. Whenever possible, SVCA will seek a fixed price contract rather than a time and materials contract. If a time and materials contract must be done, a “not to exceed” total dollar amount must be specified.
- C) Payments shall only be made upon satisfactory completion of work as specified in the contract. An example would be the Road Maintenance contract where partial payments are made as the work is completed.
- D) When appropriate, the contract shall require a ten percent (10%) retention amount (holdback) that will not be paid until the terms of the contract are fully completed to the satisfaction of SVCA.
- E) The party/parties providing the goods and service(s) to SVCA must provide complete liability insurance coverage for their employees. SVCA shall be held harmless. Proof of insurance and a certificate of insurance naming Sudden Valley as loss payee must be provided. In addition, their employees should be bonded. These conditions also apply to any subcontractors.
- F) An arbitration clause.
- G) If any contract involves a loan of SVCA money, the debt must be enforceable through the process of attachment and perfection as specified under Article 9 of U.C.C. (Uniform Commercial Code).
- H) The process and authorization required for change orders.
- I) The contract should specify completion dates and a penalty clause if completion dates are not met.

For multi-year contracts: (This section to be added to the Board Secretary’s duties)

In October of every year, the outgoing Board Secretary will prepare a contract list to be provided to the Board in their November Board packet. This list will identify all contracts that are in effect for the following year(s), a summary of the goods and service(s) being purchased or provided, the contract term, and the dollar amount(s) remaining on the contract. This list is to provide notification to the new Board of existing financial obligations that have been committed to by SVCA.

Additional Notes:

In the SVCA Documents, please refer to Bylaw Article IV, Section 11, entitled “Agreements, Contracts, Deeds, Licenses, Checks, etc.” *“All agreements, contracts, deeds, leases and other instruments of the Association shall be executed by at least two (2) officers or by such other person(s) including managing agents, as may be designated by resolution of the Board.”*

Capital purchases for equipment or goods normally do not require a contract, but must follow the SVCA Bidding Policy and the SVCA Capitalization Policy as required.

Ten Thousand Dollars (\$10,000) was selected as the dollar amount because that is the dollar amount defining check signatures for operational expenses. Checks of \$10,000 or more require two Board officer signatures. Checks of less than \$10,000 require two staff signatures.

The Board should consider a contract template for SVCA to be provided by Phil Sharpe.