

Quail Run Homeowners Association General Purchasing and Contract Procedures

Introduction

The purpose of the Quail Run Homeowners Association, Inc. (the “Association”) is the governance and administration of the Quail Run Condominium in the best interest of Members. The Board policy below is intended to promote the best interest of Members by ensuring financial transparency and helping the Association and its Manager achieve best value when purchasing and contracting.

This document applies to all purchasing and contracting decisions by the Association. However, this policy may be suspended upon notice by the President or Manager or a vote by a majority of the board in the event of an emergency or other extremely unusual situation that requires urgent action.

Financial Authorization Matrix

This financial authorization matrix below categorizes common purchasing and contracting scenarios. It describes when competitive bidding or legal review is required, as well as the authorized approvers for types of expenditures and contracts. The matrix is only intended to describe the process for approving expenditures and contracts, as opposed to executing instruments or fulfilling invoices for previously authorized expenditures. Invoice payment is normally done by the Manager, and instruments are only executed in accordance with our bylaws.

Expenditure & Contract Approval Matrix

| Process | Notes | Required Prior to Approval | | Approval Authority | | |
|--|--------------------------------|----------------------------|--------------------------|--------------------|---------|---------------------|
| | | Competitive Bid | Legal Review of Contract | Board of Directors | Manager | Association Members |
| New Capital Improvements | | | | | | |
| Expenditure/ Contract Approval \leq \$2,500 | | - | - | ✓ | - | - |
| Expenditure/ Contract Approval $>$ \$2,500 \leq \$5,000 | Bylaws require member approval | - | ✓ | - | - | ✓ |
| Expenditure/ Contract Approval $>$ \$5,000 | Bylaws require member approval | ✓ | ✓ | - | - | ✓ |
| Maintenance, Operation & Repairs | | | | | | |
| Expenditure/ Contract Approval \leq \$5,000 | | - | - | ✓ | ✓ | - |
| Expenditure/ Contract Approval $>$ \$5,000 \leq \$10,000 | | ✓ | - | ✓ | - | - |
| Expenditure/ Contract Approval $>$ \$10,000 | | ✓ | ✓ | ✓ | - | - |

Vendor Selection Considerations

The process and criteria for selecting any vendor varies greatly depending on the value of the expenditure. In general, routine purchases of generally-available items does not require much consideration or effort. Conversely, higher value purchases and procurement of services and products where expertise and technical considerations are important require more diligence and effort. At minimum, the following criteria should be considered when selecting a vendor:

- Proof of liability insurance when applicable
- Proof of appropriate license(s) when applicable
- Prior history with the HOA
- Continuity of services
- References
- Conflict of interest

Competitive Bidding

The intent of this section is to provide general guidance when managing a bidding process. Those approving transactions involving bids must ensure the appropriate level of preparation, detail and due diligence have been met.

Requests for quotation (RFQ).

Preparation of an RFQ should provide the prospective vendors an appropriate level of information to bid accurately. Items to include:

1. Precise statement of work in the case of services.
2. Precise statement of product(s) in the case of property purchases. This should include item identification (part numbers or minimum performance standards for example)
3. Time frames (beginning and completion dates, schedules, milestones or length of contract, as appropriate)
4. Request statement of warranty (if appropriate)
5. Contact information for vendors to ask questions.
6. Quotation deadline date(s)
7. Projected decision date
8. Specification of bid minimum criteria
9. Proof of liability insurance when appropriate
10. Copies of appropriate licenses

In general, at least three bids should be obtained for expenditures where bidding is required. In case of extenuating circumstances, expenditures based on fewer than three bids may be authorized by the board provided the reasons are documented.

Selection of Winning Bid

The process of choosing a winning bid will vary depending on the nature of the work to be performed and the value of the expenditure. Due diligence should be proportional. Recognizing that the Association is run by volunteer owners, this policy is intended to ensure appropriate review without requirements that are too onerous.

Criteria to be considered in selecting vendors include:

1. Cost
2. Quality
3. Vendor qualification (appropriate resources, experience and scale)
4. Previous history (positive or negative) with the Association
5. Continuity of services (particularly when dealing with infrastructure maintenance)

Weighing criteria when selecting vendors

The final selection of a vendor needs to reflect a common sense consideration of all Criteria listed above. While cost is frequently a very important factor in vendor decisions, circumstances may exist when there are good reasons to assign greater importance to other criteria. As a general guideline, the more technically difficult or risky the job, the more emphasis should be placed on previous experience, quality and continuity of services.

Periodic Rebidding

The association purchases certain services on an evergreen or ongoing basis. Examples might include groundskeeping, maintenance or cleaning services. When viable competitors are available, such services should be reviewed and put out for bid at least every five years.

Contract Considerations

The Association intends to follow prudent purchasing procedures in authorizing all expenditures. This is particularly important when contracts for goods or services are signed on behalf of the Association. Proposed contracts need to reflect a level of due diligence and care in proportion to the value and term of the transaction. The following is a list of considerations that should be reviewed and spelled out in contracts:

1. Appropriate government regulations must be followed. This may entail building permits or other approvals pertinent to the proposed transaction.
2. Proof of liability insurance protecting the HOA and owners must be received by the HOA prior to contract execution.
3. Vendors must provide proof of appropriate licensing and bonding.
4. A statement of work appropriate to the value, time frame and technical difficulty should be included.
5. In the case of construction and repair projects, the contract should specify an appropriate level of on site management by the vendor and specify procedures for the Association to communicate issues to the vendor during performance of the contract. If appropriate, the contract should acknowledge the use of outside inspection by the Association.

6. Subcontracting of any portion of the proposed work/product should specify the subcontractor, the specific work/product to be so subcontracted, and a definitive statement of warranty responsibility.
7. Contracts should specify appropriate terms including:
 - a. Timeframes (start and completion dates)
 - b. Renewal conditions
 - c. Termination clauses or sunset language
 - d. Warranty terms

In addition to the considerations above, Association Members participating in contract review should be aware of common mistakes or problems in such contracts:

1. Accepting vendor contract terms
2. Failing to obtain legal review of higher value contracts
3. Ensuring contract language makes it clear the vendor is not an employee of the Association
4. Vague termination or sunset terms
5. Failure to follow Association purchasing guidelines
6. Vague warranty terms

Doing business with Members owners and potential conflict of interest

As a general policy, the Association should not do business with property owners of the association due to potential conflict of interest. However, it is possible that occasionally owners may have particular skills, which combined with knowledge of specific Association needs, or offers of discounts, make it advantageous to the Association to do business with owners. If such circumstances arise, any proposed expenditure for products or services from an HOA owner must be approved by the Board of Directors. As part of the approval process, proposals for such services or products must also be obtained from outside sources following the general guidance used for approving long term contracts. Any such business done with property owners shall be reported on the annual financial report to Quail Run Homeowners along with the amount paid.

Vendor Disqualification

The Association shall maintain a list of vendors which the association will not do business with due to past poor performance or other valid reasons. The purpose of the list is to ensure that in the situation where volunteers may change frequently, new board and committee members may be aware of previous bad experiences. Reasons for inclusion on the list include late performance of deliveries or services, poor quality, failure to make good on warranties, or other valid reasons. Additions to the exclusion list must be approved by the board. Any decision to remove a vendor from the exclusion list must also be approved by the board and appropriately documented on a maintained list. .

Definitions:

Contract – A legal document between the Association and a vendor specifying precise terms for products or services to be delivered or performed by the vendor, the price to be paid by the Association, and other

pertinent terms such as time frames, specifications and quality standards, termination terms and other appropriate terms and conditions.

Evergreen – Any ongoing purchase arrangement or contract that is considered to be automatically renewing unless either party wishes to terminate.

Non contract expenditures – Any authorized agreement, written or verbal, committing the Association to the purchase of goods or services.

Sunset Clause – A provision of a contract that specifies terms for terminating a contract or otherwise defining the conditions under which a contract is ended, allowed to expire or not renewed.