

# **MONTGOMERY TRACE PROPERTY OWNERS ASSOCIATION**

## **STANDARD PRACTICE BULLETIN**

### **BUDGETING, CONTRACTING FOR SERVICES AND APPROVING EXPENDITURES**

#### **I. POLICIES**

It is a policy of The Montgomery Trace Property Owners Association (Association) to develop and finalize an annual budget for adoption at the September meeting of the Association's Board of Directors (Board).

It is a policy of the Association to routinely enter into contracts for services including but not limited to, property management, security, mowing, landscaping, road and sign installation and repairs, electrical repairs, lakes management, and the provision, installation and repair of equipment.

It is a policy of the Association that contracts for services be structured based on the principle of mutuality of benefits such that the Association receives value for money and the provider receives a fair profit for services rendered.

It is a policy of the Association that budgeting, contracting and the approval of expenditures be carried out as outlined in this Standard Practice Bulletin.

#### **II. PURPOSE**

The purposes of this Standard Practice Bulletin are to set forth the processes which will be followed when preparing the annual budget; obtaining competitive bids; renewing annual contracts for budgeted services; awarding new contracts for budgeted services; and dealing with contracts for unforeseen and/or emergency services not included in an annual budget.

#### **III. RESPONSIBILITY**

The Board has overall responsibility for the administration of the provisions of this Standard Practice Bulletin.

The Board has delegated certain specific operational and administrative responsibilities to a professional Property Management Company (Association Manager). These delegated responsibilities include, among others, the approval and payment of expenses incurred by the Association for routine, on-going services. These administrative services are not included as part of this Standard Practice Bulletin since they are clearly defined in the written contract that exists between the Association and the Association Manager.

The Board has sole responsibility for authorizing the Association's attorney to bring actions at law. The Treasurer of the Board, with the advice and consent of the other members of the Board, is responsible for approving all invoices for legal services.

The Budget Owner has the responsibility to control expenditures within the approved level of the Annual Budget. Any expenses greater than \$1,000 require review by the Board Representative for the given cost area. And will be responsible for providing receipts and/or contractor invoices for payment verification.

#### **IV. DEFINITIONS**

1. **Association** Shall be understood to mean the Montgomery Trace Property Owners Association.
2. **Board** Shall be understood to mean the elected Board of Directors of the Montgomery Trace Property Owners Association.
3. **Treasurer** Shall be understood to mean that member of the Board who has been elected in accordance with the Association's Bylaws and given responsibility for the funds and budgets of the Association.
4. **Association Manager** Shall be understood to mean the firm contracted by the Association to provide property management services.
5. **Attorney** Shall be understood to mean the firm retained by the Association to provide legal services.
6. **Budget Owner** Shall be understood to mean the individual that has been assigned responsibility for a designated area of the annual budget for the Association.
7. **Services** Shall be understood to include the provision of materials, labor, and equipment as required to accomplish a defined scope of work.
8. **Project Owner** Shall be understood to mean a Board-appointed individual that has been assigned responsibility for the management of a defined scope of work.
9. **Contractor** Shall be understood to mean the firm or individual contracted by the Association to provide specific Services.
10. **Project** Shall be understood to mean a defined scope of work.

#### **V. PREPARING THE ANNUAL BUDGET**

1. The Treasurer initiates the process of developing the annual budget in August of each year by preparing and distributing a "Draft" budget. The Treasurer's "Draft" budget will typically include all known budget lines which have been developed over previous years along with any new, previously-identified expenditures which may be incurred by the Association during the upcoming budget year.
2. Budget Owners and Project Owners obtain quotes, obtain competitive bids, and negotiate terms for renewing contracts to provide the Treasurer with new and/or updated estimates for ongoing project activities, as well as any new project activities planned for the upcoming budget year.
3. The Treasurer consolidates all estimates of on-going expenditures and all new expenditures and, along with the Financial Committee, sets the budgeted amount for each cost area for the next year.
4. The Treasurer presents the reconciled budget for final adoption at the September meeting of the Board.

#### **VI. COMPETITIVE BIDDING PROCESS**

1. Budget and Project Owners are responsible for following this process when the provisions of this Standard Practice Bulletin require that competitive bids be obtained.
2. Budget and Project Owners are responsible for identifying a minimum of three (3) qualified bidders.
3. Budget and Project Owners shall develop a written set of Bid Specifications which include the following items.

- a. Clear definition of the scope of work to be performed. NOTE: Professional engineering/surveying services; special cost estimates; drawings; and professionally prepared specifications may be required to develop an appropriate scope of work and, in such cases, funds and separate contracts may be required to develop a scope of work document(s) suitable for letting out for bids.
- b. Specifications calling out any special materials which may be required.
- c. Project Schedule: Start date; interim benchmark completion dates, if applicable; and final completion date shall be included.
- d. Insurance Requirements: Language requiring the Contractor to provide a certificate of insurance evidencing that a liability policy in the amount of not less than \$500,000 has been prepaid to remain in force during the complete term of the Contract.
- e. Basis for Fee: Fixed Fee or Lump Sum; Fixed Plus Variable Fee; Cost Plus, etc. shall be clearly stated.
- f. Type of Payment: Payment upon completion; periodic payments; etc. shall be clearly stated.
- g. List of specific information required with bid submittal.
- h. Specific date, time and place that bids will be accepted.
- i. Name and contact information of the responsible Budget Owner and/or Project Owner.

## **VII. RENEWAL OF EXISTING CONTRACTS FOR BUDGETED SERVICES**

### **1. GREATER than \$3,000 Estimated Annual Expenditure**

One (1) of the following three (3) options must be followed.

- a. Obtain competitive bids as provided in Item VI above; negotiate final contract with successful bidder; prepare written contract for signature of the President of the Board.
- b. If the Competitive Bidding Process was followed in the initial selection of a particular Contractor and the Budget Owner determines that renewal of a particular contract would be beneficial to the Association, the Budget Owner may recommend to the Board that the existing contract be renewed. The Board shall make the final decision to either accept the recommendation of the Budget Owner or to initiate the Competitive Bidding Process.
- c. The Budget Owner must initiate the Competitive Bidding Process in those cases where an existing contract was entered into without obtaining competitive bids.

### **2. LESS than \$3,000 Estimated Annual Expenditure**

The Budget Owner and/or Project Owner may elect either of the following two (2) options.

- a. Renew an existing contract with or without changes.
- b. Obtain competitive bids as provided in Item VI above; negotiate final contract with successful bidder; prepare written contract; execute the contract on behalf of the Association; oversee the execution of the contract to conclusion; approve invoice(s) and submit to the Association Manager for payment.

## **VIII. AWARDING NEW CONTRACTS FOR BUDGETED SERVICES**

### **1. GREATER than \$3,000 Estimated Annual Expenditure**

- a. Obtain competitive bids as provided in Item VI above.
- b. Negotiate final contract with successful bidder.

- c. Prepare written contract documents for signature of the President of the Board.
- d. Present recommendations and contract documents for Board approval.

2. LESS than \$3,000 Estimated Annual Expenditure

The Budget Owner and/or Project Owner may elect either of the following two (2) options.

- a. Obtain competitive bids as provided in Item VI above; negotiate final contract with successful bidder; prepare written contract; execute the contract on behalf of the Association; oversee the execution of the contract to conclusion; approve invoice(s) and submit to the Association Manager for payment.
- b. Prepare summary bid specifications; obtain written quotation from at least one (1) qualified bidder; negotiate final contract with successful bidder; prepare written contract; execute the contract on behalf of the Association; oversee the execution of the contract to conclusion; approve invoice(s) and submit to the Association Manager for payment.

**IX. CONTRACTS FOR UN-BUDGETED SERVICES**

The Board at its sole discretion may elect to consider the feasibility, advisability and method of contracting for services which were not envisioned when the annual budget was approved at the September Board meeting. This section outlines the process to be followed when unforeseen situations arise and the Board must consider contracting for unbudgeted Services in either of the following two (2) categories.

**Minor** un-budgeted Services include items which the Treasurer determines can be absorbed within the approved budget by making necessary reductions and/or adjustments in various budget lines.

**Major** un-budgeted Services include items which the Treasurer determines cannot be absorbed within the existing budget and which require an alternative form of funding such as special assessment and/or loan from a financial institution.

1. MINOR Unbudgeted Services Requiring LESS than \$3,000 Estimated Expenditure

- a. The Budget Owner and/or Project Owner must first obtain concurrence from the Treasurer that the MINOR unbudgeted expenditure can be absorbed within the existing budget. Treasurer's concurrence shall be recorded in the Minutes of the Association.
- b. After complying with Item IX, 1, a, the Budget Owner and/or Project Owner may then elect either of the following two (2) options.
  - 1) Modify an existing contract to include the unbudgeted Services and expenditures.
  - 2) Obtain competitive bids as provided in Item VI above; negotiate final contract with successful bidder; prepare written contract; execute the contract on behalf of the Association; oversee the execution of the contract to conclusion; approve invoice(s) and submit to the Association Manager for payment.
  - 3) Prepare summary bid specifications; obtain written quotation from at least one (1) qualified bidder; negotiate final contract with successful bidder; prepare written contract; execute the contract on behalf of the Association; oversee the execution of the contract to conclusion; approve invoice(s) and submit to the Association Manager for payment.

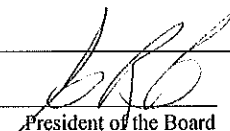
2. MINOR Unbudgeted Services Requiring MORE than \$3,000 Estimated Expenditure
- a. The Budget Owner and/or Project Owner must first obtain concurrence from the Treasurer that the MINOR unbudgeted expenditure can be absorbed within the existing budget. Treasurer's concurrence shall be recorded in the Minutes of the Association.
  - b. After complying with Item IX, 2, a, the Budget and/or Project Owner shall obtain competitive bids as provided in Item VI above; negotiate final contract with successful bidder; prepare written contract for Board approval and signature of the President of the Board.
  - c. The Budget and/or Project Owner shall oversee the execution of the contract to conclusion.
  - d. All invoices must be approved by the Budget and/or Project Owner AND the Treasurer, who is responsible for submitting the invoice to the Association Manager for payment.
3. MAJOR Unbudgeted Services
- a. Emergency repairs, safety issues or other unforeseen, major situations may arise which require expenditures which cannot be covered with Association's available funds. In such cases the Board shall appoint a Project Owner who will have the following listed responsibilities, among others.
    - 1) Investigation of the issue and preparation of summary cost estimates. Professional engineering/surveying services; special cost estimates; drawings; and professionally prepared specifications may be required to complete this critical phase of a major project. In such cases separate contracts for Services may be required and special funding will be required in order to obtain meaningful summary cost estimates.
    - 2) Preparation of a report describing the preliminary scope of work; preliminary schedules and time lines; and preliminary cost estimates.
    - 3) Presentation of the project report and recommended action to the Board.
  - b. The Board shall determine whether or not to proceed with the project and what timetable to adopt.
  - c. The Treasurer is responsible for recommending to the Board the most effective manner of obtaining the necessary funds, either by Special Assessment or Loan from a financial institution.
    - 1) The President of the Board shall be responsible for coordinating all activities associated with a Special Assessment as required by the By-Laws and/or Covenants.
    - 2) The Treasurer shall be responsible for coordinating activities associated with obtaining a loan from a financial institution.
  - d. If the decision has been made to execute the project and funding has been secured, the Board will provide the Project Owner authorization to proceed as outlined below.
    - 1) The Project Owner shall obtain competitive bids as provided in Item VI above; negotiate final contract with successful bidder; prepare written contract for Board approval and signature of the President of the Board.
    - 2) The Project Owner shall oversee the execution of the contract to conclusion.
    - 3) All invoices must be approved by the Project Owner AND the Treasurer, who is responsible for submitting the invoice to the Association Manager for payment.
    - 4) The Project Owner shall prepare and present project status reports at each monthly meeting of the Board until the project is completed.

This Standard Practice Bulletin shall not be construed in any way to limit the resources or funds the Board may expend to secure compliance with the Declaration of Covenants, Conditions and Restrictions in all ten (10) Sections of Montgomery Trace Subdivision.

This Standard Practice Bulletin pertaining to BUDGETING, CONTRACTING FOR SERVICES AND APPROVING EXPENDITURES was adopted and put into full effect by majority vote of the Board of Directors at its regular scheduled meeting on September 28, 2006.

  
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President of the Board of Directors

Date: September 28, 2006

Approved:   
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President of the Board