

DEERLAKE VILLAGE COMMUNITY ASSOCIATION CONTRACT PROCESS POLICY

A contract protects both parties to the transaction. In general all improvements and/or modifications to the Association's fixed assets and common areas (clubhouse, pool, grounds, etc.) require a contract.

All major routine maintenance expenses should also be provided by contract.

Expenditures for non-fixed assets should have, as a minimum, a written cost estimate for the purchase with warranty and other provisions (for example appliances, furniture, etc.).

The Board can make exceptions to this policy. The minutes and/or written statement to support the Board's decision will be prepared and placed in the file.

GENERAL

- **Approval:** All contracts (new and renewals) must be approved by the Board and signed by two officers of the Board. (Bylaws, Article VI, section 6.8.
- **Length:** Contracts will normally be for a duration of no more than three years, unless a cancellation clause is part of the contract. This clause should allow the Association to cancel the contract within a reasonable time period and without penalty.
- **Reviews:** For a new, large, and detailed project, it is recommended that the contractor(s) meet with the entire Board for questions, explanation of scope of work, etc.
- **Certificate of Insurance:** All contracts must include a certificate of insurance from the contractor. (See below for coverage requirements.)
- **An EIN, TIN or SS number** must be provided to the Treasurer by any unincorporated independent contractor that is sole proprietor or member of a partnership or LLC being paid \$600 or more for the current year for work done in the course of their trade or business. The DVCA must file a 1099 tax form for these contractors thru our accountant.
- **Terms and Conditions of a Contract:** The Board shall determine when a contract should be reviewed with the Association's attorney.
- **Filing:** Copies of signed contracts will be given to the Treasurer and retained in the DVCA files. For quick reference, copies of Certificates of Insurance will be filed in a separate folder.

NEW CONTRACTS

- A minimum of two (2) bids should be obtained and submitted for the project. A written statement will be prepared describing why the contractor is recommended. This statement and the Certificate of Insurance are attached to the contract proposal. These documents are submitted/discussed with the Board for approval.

CONTRACT RENEWAL

- If it is decided to stay with the current contractor, a written statement will be attached to the new contract describing why the contractor was retained. (Include our past experience with the contractor.)
- If there is a rate (price) increase, the contractor will submit a written statement explaining why the increase was necessary.
- These items are attached to the contract that is submitted/discussed with the Board for approval.
- However, no contract will be renewed for more than four (4) years without opening the contract to additional bids. A minimum of two (2) bids will be obtained and submitted.

INSURANCES

The contractor shall provide and maintain:

- **Worker's Compensation Insurance** as required by the laws of North Carolina. In addition, they will provide **Employer's Liability Coverage** with minimum limits of \$150,000. This insurance covers all contractor's employees. The contractor shall also require a subcontractor to provide the same coverage for any of his employees engaged in the contract.
- **Commercial General Liability Insurance** on an occurrence basis in the minimum amount of \$500,000 combined single limit.
- **Vehicle Liability Insurance**, to include liability coverage, covering all owned, hired, and non-owned vehicles used in connection with the contract. The minimum combined single limit shall be \$150,000 bodily injury and property damage, \$150,000 uninsured/underinsured motorist, and \$1,000 medical payments.

This Contract Process Policy was approved by the DVCA Board of Directors on January 11, 2018