

APPROVED: July 7, 2020

Board of Directors Resolution and Policy for Purchasing and Contracting Authority

Association Name: Canyon Lake Property Owners Association

Whereas, on the 7th day of July 2020, in open session, the Board found the following:

Whereas, the Board is responsible to promote the creation and preservation of peaceful enjoyment of the property and the protection of property values.

Whereas, the Board oversees the work of the General Manager (GM) and has given the GM broad responsibility and authority related to the purchasing and contracting needed to contribute to the Boards responsibility.

Whereas, all purchasing and contracting using Association Operating and Reserve Funds must be overseen by the Board and done prudently, wisely, efficiently, in a prioritized manner and with life cycle costs in mind.

Whereas, the Board policy dated July 5, 2017 currently grants purchasing and contracting authority to the GM for items under \$20,000 including reserve items previously approved in the annual budget. All other purchases and contracts require specific Board approval. Reserve items between \$20,000 and \$50,000 must be set forth on the consent agenda and above \$50,000 reviewed and approved in open session.

Whereas, there is value in refining and expanding the existing pre-approval levels to clarify how they can be applied to multi-task projects, recognize the different types of expenditures that occur in an effort to further support an expedited process for maintaining and enhancing our facilities while assuring appropriate oversight.

Whereas, it is recognized that there are four categories of items and projects that will benefit from different pre-approval rules including Operations Routine / Scheduled and Preventive Maintenance, Fixed Building Service Systems / Fixed Equipment Repairs / Replacement, Non-Equipment related Repairs / Replacement and Capital Improvements.

Whereas, these terms need to be clearly defined to support an expedited process.

Now, therefore, be it resolved, the Board of Directors, with the enactment of this resolution, grants the following expanded preapproved purchasing and contracting authority to the General Manager in these four categories as follows.

1. Operations Routine / Scheduled / Preventive Maintenance:

- a. General Manager is pre-approved to carry out all routine, scheduled and preventive maintenance activities within the resource limits of the Operating Budget.

2. Fixed Equipment Repair / Replacement Items:

- a. General Manager is pre-approved to spend up to \$50,000 for needed equipment repairs or, if warranted, replacement with due consideration given to life cycle cost.

3. Non-Equipment Repair / Replacement Projects:

- a. General Manager is pre-approved to commit up to \$50,000 (total project cost – not individual task cost) for repair / replacement projects as defined below.
- b. Repair / replacement projects that exceed \$50,000 and are less than \$100,000 must be approved by the Board in concept for a specific scope of work and conceptual budget plus a specified contingency amount prior to proceeding. No further approval will be required unless the contingency is exhausted.

4. Capital Improvement Projects

- a. General Manager has authority to commit up to \$20,000. (total project cost – not individual task cost) for capital improvement projects as defined below.
- b. Capital Improvement projects that exceed \$20,000 but are less than \$80,000 must be approved by the Board in concept for a specific scope of work and conceptual budget plus a specified contingency amount prior to proceeding. No further approval will be required unless the contingency is exhausted.
- c. Capital Improvement projects that exceed \$80,000 must be approved by the Board before beginning each phase. The project should be included in the approved 5-Year Plan or added to the plan by immediate action of the Board.

Definitions

Boards of Directors Standard Approval Process:

For those projects that are not eligible for pre-approval, the Board shall approve the project before proceeding with each of the following phases:

1. Conceptual phase including project definition / scope of work, and conceptual project budget approved for design. Conceptual budget shall include all items defined in total project costs. Conceptual phase shall include a proposed schedule for completion of each phase of the project.
2. Schematic / design development phase including a refined Total Project cost. This phase includes rough study drawings that illustrate the basic concepts of the design. It includes initial research of jurisdictional regulations so that challenges with moving forward are understood.
3. Substantially Complete Construction Documents phase including Total Project Cost. This phase includes construction drawings and outline specifications documents that show the complete design and significant details of construction.
4. Construction phase which shall include recommendation for contract award based on bids received and final project budget approved for construction. Project budget shall include final costs for all items defined in total project cost.

CANYON LAKE

PROPERTY OWNERS ASSOCIATION

Capital Improvement Projects:

A capital improvement is (i) any significant new common area amenity or (ii) substantial discretionary improvement to an existing common area amenity. (Adams|Sterling, 2020)

Fixed Equipment Repair / Replacement Items:

Equipment repair / replacement items include all attached mechanical systems, electrical systems, plumbing, building monitoring systems and fixed furniture installed.

Non- Equipment Repair / Replacement Projects:

A non-equipment repair / replacement project is “the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components that the association is obligated to repair, restore, replace, or maintain. ([Civ. Code §5510\(b\)](#)).” Included are such items as fencing, signage, mailboxes, docks, seawalls, park furnishings and play equipment, and building/amenity refurbishment with new paint, flooring, doors, windows, furniture, non-permanent equipment, appliances, etc.

Operations Routine / Scheduled / Preventive Maintenance:

Operations activities are those related to the normal performance of the functions for which a facility or item of equipment is intended to be used. Maintenance activities are those related to the repairs to scheduled and unscheduled deficiencies during the time period in which they occur. This includes scheduled preventive maintenance for building, structures and installed related equipment and recommended by the manufacturer.

Project:

A project is defined as a series of tasks that need to be completed in order to reach a specific outcome. Projects are the organized effort to repair, reconstruct, rehabilitate, or construct a building, amenity or structure at one time. Projects may require professional design or related services and incorporate numerous trades or activities.

Total Project Cost

The total project cost includes all costs such as contracted A&E services that support planning, design, and execution of the project, permit fees, construction, and construction inspection, testing services, other special services and all required POA supplied furnishings. The total project cost includes identification of all funding sources (split funding from CIP, Repair / Replacement, Roads).

Now, therefore, be it further resolved, that all projects shall be adhered to the following requirements.

1. All expenditures related to this Resolution will be noticed in the monthly Finance Report.
2. All expenditures for items or projects not listed or otherwise eligible for pre-approval shall follow the Board of Directors standard approval process as defined below prior to committing any resources.
3. Vendor provided contracts / service agreements over \$80,000 must be reviewed and approved by Legal Counsel prior to commencing work. Review should be limited to the terms and conditions and not the scope of work, related schedules, liquidated damages, etc.
4. Pre-approval limits are not contingent on the cost listed in the related reserve study but are based on updated costs provided by Staff.
5. Reserve studies will be updated annually, and the funding plan reconsidered when projects over \$100,000 are approved for amounts significantly greater than listed or when they are not included the reserve study.