

Board Member Foundations: Part 6

# 10 considerations for vendor contracts



Life, simplified.<sup>SM</sup>

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When hiring contractors for services within your community, a solid understanding of the vendor contracts is crucial for the success of a project. Depending on applicable laws, the following are examples of when a bidding process is usually needed:

As a reference, the following are examples of when a bidding process is usually needed:

- Major capital projects
- Service contracts
- Professional services
- Non-emergency work

In contrast, these are examples of when a bidding process is usually not needed\*:

- Renewal of existing contracts
- Utilities
- Emergencies
- The contractor is the only available resource within the local area.

*\* Please note the laws in each state regarding the bidding process may vary. Speak with your HOA counsel to determine if you are compliant.*

Once you've completed the bidding and selection process, as determined by the project's circumstances, it's time to execute a contract. Here are some essentials you should know:

1. **Scope of work:** Clearly define the scope of work the vendor will be responsible for. It should outline the specific services or products to be provided, the contract duration, and any other relevant details.
2. **Price and payment terms:** Understand the pricing structure, including upfront costs, ongoing fees, and payment schedules. Confirm that the payment terms are fair and align with the budget and financial capabilities of the association.
3. **Contract duration and termination:** Review the contract's duration and termination clauses. Be aware of any penalties or termination fees that may apply if the contract needs to be canceled prematurely.
4. **Insurance and liability:** Verify that the vendor carries adequate insurance coverage for their work and that they are responsible for any damages or liabilities resulting from their services.
5. **Performance Standards:** Establish clear performance standards and expectations to hold the vendor accountable for delivering quality services or products.
6. **Renewal and renegotiation:** Be aware of contract renewal and renegotiation procedures. It's essential to evaluate the vendor's performance regularly and determine whether to continue or seek alternative options.
7. **Confidentiality and non-disclosure:** If applicable, include clauses that protect sensitive information shared between the community association and the vendor.

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8. **Indemnification:** Clarify the vendor's responsibility to indemnify the community association against any claims, losses, or damages arising from their services.
9. **Dispute resolution:** Establish a clear process for resolving disputes should any issues arise during the contract period.
10. **References and background checks:** Before finalizing the contract, check the vendor's references and reputation in the industry to ensure their reliability and track record.

By understanding these key points, you can effectively manage vendor contracts and make informed decisions that benefit the community association and its residents. Always prioritize transparency, due diligence, and the community's long-term interests in your vendor contract decisions.

We recommend you consult with your association's legal counsel for assistance reviewing vendor contracts and promoting the interests of the community.