

Association of Condominium,  
Townhouse, and  
Homeowners Associations



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Carries the latest info on educational programs,  
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## Contractors & The Bidding Process

*By: James Slowikowski of Dickler Kahn Slowikowski & Zavell, Ltd.*

The bidding process is intended to satisfy a number of needs and to allow contractors to introduce themselves to an association. It should result in securing the best price, terms, quality, product and supplier based upon the competition between the contractors. Price is not the only purpose. The process includes a multitude of tangible and intangible factors. The more tangible material provided, the more likely that the contractor will be perceived as one who you wish to hire.

### UNDERSTANDING THE BIDDING PROCESS

Associations and managers should request bids in a formal manner. The bid request should list all documentation to be provided. A bid should contain all of the information and material necessary to fully identify and evaluate the contractor, the work to be done, the price, the work specifications or drawings, plus a contract which includes all of the criteria, requirements, rights and obligations that would be set forth in a contract prepared by the association's attorney. If an architect is retained by the association, they will assist in preparing the bid request. More often than not associations do not receive adequate information as a bid. They often receive a short form proposal filled in by the contractor, without any supporting information, which includes a very sketchy description of the work to be provided, the price which the association is to pay, and a signature line and acceptance statement for the association. This single document is meant to be a contract, and may be a contract if signed and accepted by the association.

*Continued on page 4*



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# TIP OF THE MONTH

## Spring Water Leaks

April showers bring more than flowers—especially this spring- it gives some associations water leaks. The leaks generally come from roofing products failing or that have been blown off from a wind storm. There is also another area where leaks seem to occur when there is blowing rains and that is windows. With any type of leak, the tricky part is finding the source. Water travels the lowest route; you may have a leak above a door that is coming from an area several feet away.

Water tests are sometimes used to locate the source of a leak: This is when a hose is placed at the highest point of a leak to simulate rain. The hose is then slowly moved back and forth closer to the affected area to see if the leak can be reproduced.

Window leaks can occur from a multitude of areas depending on the exterior covering of your building. Some of these are siding, jay channels, brick joints, rotted wood siding, or the more common bad windows. Usually when an owner is

aware of a leak in the windows, they automatically think it's the caulking around the window. When a window is set in place, there is only (with professional installation) a caulk joint that is ¼" of an inch wide all the way around the window. This is the most uncommon area believe it or not.

With roof leaks, the source can be from missing shingles, flashing or just old shingles. The same process of a water test can be used on the roof as well.

To help reduce the leaks, the Board should consider having the roof evaluated and inspected in the fall and in the spring. If there are any water leaks that appear to be from the windows, approve the contract to do a water test to locate the source.

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**Legal Advisors:** Rob Kogen, Kovitz, Shifrin Nesbit / Charles VanderVennet, Attorney in private practice

**Accountant/Advisor:** Garry Chankin, Frost Ruttenberg & Rothblatt, C.P.A.

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## **BID CONTENTS**

If the bid process is to be effective it should result in a clear understanding of everything that is agreed to and all of the various rights and obligations between the parties. To accomplish this a bid should contain the following:

1. A formal bid letter offering to perform specified services for specified dollars. The proposal may include options with respect to services to be performed and may include optional price additions or reductions predicated upon the optional work;
2. Detailed drawings and specifications showing and describing the work to be performed;
3. Brochures, specification sheets, drawings, standard installation instructions for major components, appliances or manufactured items, installation instructions for specific manufacturer's products.
4. A complete contract intended to be used, containing all contract provisions generally accepted by attorneys (such as an AIA Contractors form contract). It should incorporate all of the specifications, drawings, directions, instructions and materials.
5. An addendum sheet detailing exclusions or limitations with respect to the contract and the specifications.
6. A copy of all relevant insurance policies or certificates of insurance, with a supplemental attachment detailing special insurance included or provisions that are limiting or not included (and copies of surety bonds or information detailing availability if in the bid request).
7. References for similar work and references generally including names, addresses and phone numbers of parties who may be contacted.
8. Brochures, advertisements and other information regarding the contracting organization, its makeup, work history, and references detailing of past work.

The material within each separate category listed above can be substantial in volume and detail. The same information and material should be provided and should be considered no matter what the cost or effort of the project. One must recognize that the association should have and evaluate all of the information identified, no matter what the nature of the work or no matter what the cost. However, practical rather than legal considerations may dictate that there be some flexibility and probably reduction in those requirements depending upon the circumstances and the costs of the project.

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If you want to be able to show the association's true financial position to the members of the association, then your association should be on the accrual basis. Also, any lending institution or any potential buyer of a unit in your association will want to know the association's true financial position so they can see how much are your accounts receivable balances and more important see if you have any delinquent receivables. They will want to see what your accounts payable are so they can determine if the association has enough operating cash or reserve cash (if there are reserve payables) to pay these payables.

If you are comfortable with the cash basis method, because it is easier to understand, then prepare your monthly financials on the cash basis method, but have your CPA at the end of the year prepare an accrual basis method financial statement.

# LEGISLATIVE CORNER

*BY: Richard Lockhart, Governmental Affairs Consultant, of Social Engineering Associates*

S. B. 1651, the bill making numerous changes to the Common Interest Community Association (CICA) Act passed the Senate (59-0) and the House (117-0). Once it reaches the Governor's desk, he will have 60 days to sign the bill, which we expect him to do. Among the changes:

- *Removes "master association" from the definition of "common interest community"*
- *Adds to definition terms: "member," "membership" and "prescribed delivery method"*
- *Requires CICAs to define a member and its relationship to the units*
- *Requires annual board elections*
- *Removes the requirement that directors be voted at-large*
- *Requires proof of purchase in order for a new owner to be counted toward a quorum for election purposes*
- *Adds court costs to attorney fees for purposes of collection by an association on delinquent collections*
- *Adds "other fund specifically designated for an association project" to the list of those a prospective buyer is entitled to and deletes language regarding improvements made by a previous owner their unit or common area*
- *Allows less than 20% for a quorum if allowed under the association's governing documents*
- *Makes election of directors at the members' annual meeting elective*
- *Allows for special meetings to be called if so stated in the governing documents (in addition to the methods stipulated in the Act*
- *Allows boards to not have an open board meeting if discussing third party contracts*
- *Mandates boards to provide an annual detailed account of financials*
- *All CICAs must be compliant with this Act by January 1, 2012*

Individuals wanting to view the bill in its entirety may do so by going to [www.ilga.gov](http://www.ilga.gov) and typing in the SB1651 to the left.

ACTHA followed and kept members informed about S.B. 1652 which many may have been following in the news. This is the electric utility's effort to raise rates without review or approval by the Illinois Commerce Commission, ostensibly to upgrade and create a "smart grid." Rates are expected to significantly increase for all consumers.

Governor Quinn has indicated he will veto this bill. Organizations opposed to this legislation are encouraging their members to contact the Governor.

In Springfield everything is temporary, especially victories and defeats. In addition, every day can bring a surprise. That is why when the General Assembly returns on October 25 for the scheduled "veto session," anything can happen, but the ACTHA lobbyists will be there.

## **ANNOUNCEMENT:**

ACTHA's Certification Program: "Learn and Lead" begins Tuesday, September 27 at Truman College on the north side of Chicago. Individuals may register online by going to [www.actha.org](http://www.actha.org) and clicking on "Education/Learn and Lead" to the left.

## **CORRECTION:**

In the May issue, the incorrect phone number was listed for the lead article, "Who Controls the Wires?" The correct number is: 630-877-7107



## Question of the Month

*By: Steve Silberman of Frost, Ruttenberg and Rothblatt, P.C.  
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**Q.** I recently got elected to the board of our association. I was reviewing our financial statements and noticed that our financials are prepared on the cash basis method of accounting. What are the differences between the cash basis method and the accrual basis method and which method of accounting should our association be using?

**A.** The cash basis method of accounting is a very easy method to understand, which is why many associations use this method. Income is recorded when cash is received and expenses are recorded when they are paid, therefore, it is easy to tie out your cash balance each month. You add income (cash received) to your beginning cash balance and subtract out expenses (cash paid out) to arrive at your month end cash balance.

The accrual basis method of accounting records income (assessments) when billed or earned and expenses when incurred. It is very difficult to reconcile beginning and ending cash balances each month on the accrual basis, but it is the best method to determine your association's true financial position. Your balance sheet will show accounts receivable, since you record income when billed, not when received, so all income may not have been collected. If you are on the cash basis you will not know if everyone has paid their assessments. Your balance sheet will also show accounts payable, since not all expenses incurred are always paid each month. If you have a big project that was completed but not paid by the end of the month, you will not know if the project was finished and how much is owed at the end of the month. It is even more important at year end, since you may have budgeted the project for the current year, but if the project is completed and not paid until the next year, you will not show that project until the next year on the cash basis and therefore not match your current year budget.

*Continued on page 4*