

From Bid to Budget

Once a bidder is chosen, it is important to understand that their proposed bid amount will not encompass all the costs that are likely to be incurred during the project. The following are some items to consider when developing a comprehensive project budget.

Unforeseen Conditions: Prepare for additional expenses associated with unforeseen conditions by including a contingency amount in the project budget. Contingencies typically range between 10% and 20%, depending on the size and complexity of the project.

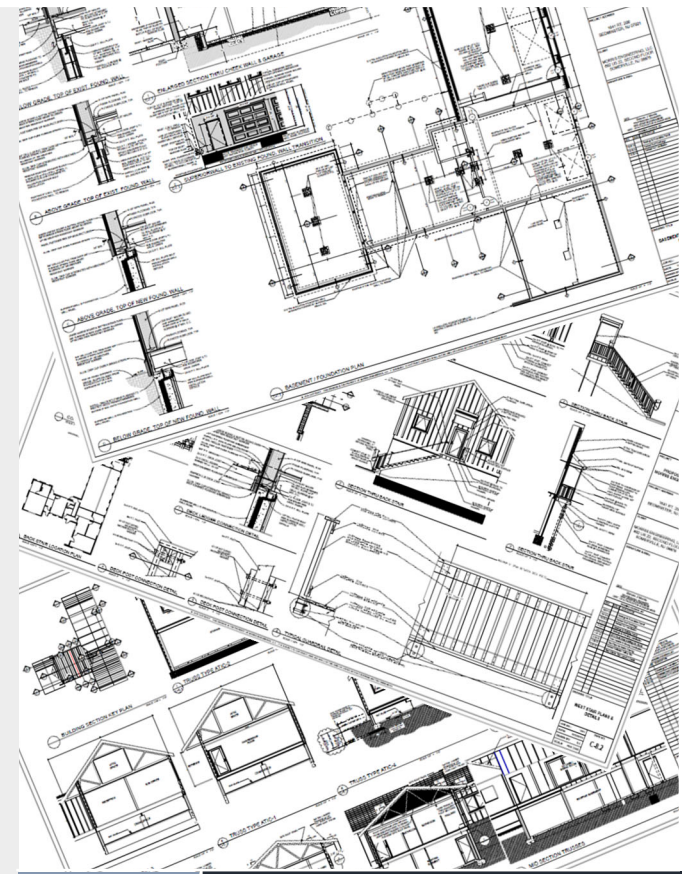
Legal Fees: The budget should consider the costs of the Association's attorney who may help draft the contract between the Association and the contractor, or be involved if the project requires resolutions, votes of the membership, etc.

Loan Costs: In obtaining a loan for a large construction project, there will be closing costs, interest charges, fees for professional services, etc. all contributing to the total project cost.

Management Company Fees: During significant construction projects, the Association's management team incurs an increased workload relating to project coordination and administration. Oftentimes, management companies charge additional fees during these projects.

Engineering Fees: An engineer may be engaged to perform construction observation and administration during a project. The engineering fees that may be incurred will depend on the size/type of project and the extent of services desired by the Association.

Building Permit Fees: The cost of building permits will vary with the size and scope of the project. Typically permit costs are in the range of 2% to 3% of the project cost.



Give us a call, we're here to answer your questions and solve your problems!

Manager's Pocket
Guide:
Specifications,
RFPs & Bid
Documents

"By starting with a good budget, the Association can launch its project toward a successful completion."

Steven J. Morris, P.E., R.S.

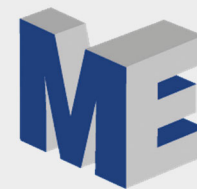
Establishing a Budget for a Renovation Project
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MORRIS ENGINEERING, LLC

1641 US Highway 206
Bedminster, NJ 07921

P: 908.719.7600 F: 908.719.7644
info@morrisengineeringllc.com
www.morrisengineeringllc.com

Certificate of Authorization #: 24GA28146300



MORRIS ENGINEERING, LLC

Should you have Specifications/RFP for your Project?

The short answer: Yes! No matter what size project, Specifications or a Request for Proposal (RFP) will give bidding contractors a defined scope of work to help ensure that you will receive all the services that were anticipated.

So, what should your Specifications/RFP include?

General Conditions will provide contractual requirements for the bidder, including items such as insurance requirements, warranties, time allowed to complete the project, penalties for not completing the project in the defined timeline, payment terms/schedules, etc. All these items influence the contractor's costs. Outlining these requirements up front can weed out the contractors that, for example, may not be insured. Defining these items can protect the Association from a project that just doesn't seem to end, and can provide the Association with workmanship warranties for issues that may arise after the project is complete.

Technical Requirements and Drawings will include material specifications, installation details and requirements, performance standards, method of payment for each item, etc. *Is the contractor installing one coat of paint or two? Is one contractor proposing to install dimensional shingles and the other is proposing 3-tab shingles?* Specifying the materials to be used and any installation requirements for the project will help make sure that all bidders are installing the desired materials.

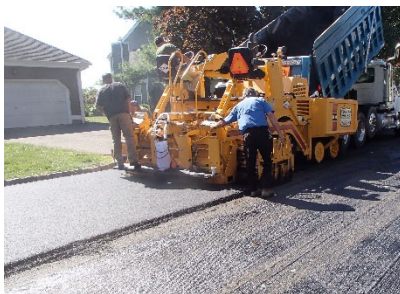
Bid Documents can help to assure that all bidders base their proposals on the same scope of work. This will allow the Board to

compare "apples to apples" in evaluating the bids received. Within the Technical Specifications, it should be clearly defined how the contractor is to get paid for each item on the bid form; *is the particular scope included in a fixed cost or is it paid on a unit price basis (i.e., per square foot of material installed)?*

Bid documents can be used to develop a Bid Summary. A Bid Summary will allow the Association to compare the proposals of different contractors and develop estimated construction costs. To get the most accurate determination of the proposed costs, it is important to consider both the Fixed Cost Items and the Unit

Price Items. With projects such as Siding Replacement, the existence of hidden water damaged building components can increase the total project costs, so it is important to also compare the Unit Price bids between contractors. If estimated quantities for replacement components are available, multiply these quantities by the Unit Price Bid for each item across all bidders. Then add Fixed Cost Items to Unit Price Items to get an estimated construction cost for each bidder for comparison purposes.

Having a well-defined set of Specifications or RFP will help to prevent unexpected project costs or Change Orders.



We can be with you every step of the way...

Morris Engineering is available to work with you to provide Design Plans, Specifications or a Request For Proposal for your Community's upcoming Projects which meet your goals and budgets. We have extensive experience with the Bid Solicitation process and providing Associations with Bid Summaries and Project Budgets. Once the project scope is defined and a contractor is chosen, we can support the Association with construction observation and administrative services throughout the project. These services could include observing ongoing construction work on a full- or part-time basis, reviewing quantities of Unit Price Work performed by the Contractor, updating management on the schedule and construction progress, reviewing contractor invoices and delivering payment recommendations, developing budget updates, etc.

Specification/RFP Checklist

General Conditions

- Warranty Information
 - Workmanship Warranty
 - Material Warranty
- Insurance Requirements
- Schedule
 - Daily work hours
 - Time allowed for completion
- Payment Terms/Schedule

Technical Requirements

- Codes/Standards
- Scope of Work
 - Materials to be used
 - Installation/performance requirements
 - Payment terms per item, Fixed Cost or Unit Price

Bid Document Checklist

- About the company
 - Contact Information
- Experience
 - List of similar jobs
- Trade references
- Bank references
- Certificate of Insurance
- Contractor's Registration/License
- Applicable Trade Qualifications
- List of subcontractors to be used, if any
- Bid Form
 - Costs for Fixed Cost items
 - Costs for Unit Price items
 - Taxes