

CDA Financial Policy Summary

The following summarizes the CDA financial policies for the Commissioners. Policies with a status of "New" are recommended to the Board for approval at this meeting by the CDA Finance Subcommittee. Policies with a status of "Modification Proposed" have already been approved by the Board, but modifications are recommended by the CDA Finance Subcommittee. Policies with a status of "Approved" have already been approved by the Board and no action is requested.

Policy	Status	Purpose	Application	Notes
500.10 - CDA Financial Policies	Approved	Procedures for the introduction, review, and modification of financial policies	All	Delegates limited authority to the CDA Finance Subcommittee to modify financial policies
500.15 - CDA Finance Subcommittee Protocol	New	Quorum protocol for the Finance Subcommittee	All	
500.20 - Cash Handling	New	Staff expectations for handling cash	All	
500.25 - Third-Party Bank Accounts	New	Guidance for property managers using bank accounts to administer CDA properties	All	
500.65 - CDA General Fund	Modification Proposed	Defines the activity of the CDA General Fund	Redevelopment Only	Modifications are not substantial
500.67 - Fund Transfer between Properties and Funds	New	Process for moving funds between CDA properties	Redevelopment Only	Board approval is required to move funds between properties
500.10 - Residential Property Management Agreements	New	Criteria for evaluating residential property management agreement proposals	All	
520.10 - Commercial Lease Approval	Approved	Process for approving and renewing commercial leases and agreements	All	Delegates limited authority from the Board to the Board Chair, Executive Director, and property managers
530.65 - Cost Allocation and Administrative Overhead	Modification Proposed	CDA use of management fees	Redevelopment Only	Modifications are not substantial
530.67 - CDA-Owned Property Administrative Allocation	Modification Proposed	Establishes administrative payments from CDA properties to the CDA general fund	Redevelopment Only	Modifications are not substantial
530.85 - Housing Authority Cost Allocation Plan	Approved	Charging direct costs and allocating indirect costs to various programs, grants, contracts, projects, and/or AMPs	Housing Only	
535.65 - Reserves and Cash Balances	Modification Proposed	Sets reserve expectations for CDA properties	Redevelopment Only	Modifications are not substantial
536.70 - CDA-Owned Property Cash Balance Policy	Modification Proposed	Appropriate level of cash managed by a property management company and procedures for transferring fund balances	Redevelopment Only	Modifications are not substantial
540.10 - Capitalization Policy	Approved	Defines the capitalization, inventory, and disposition of assets	All	

Policy	Status	Purpose	Application	Notes
540.85 - Statement of Significant Amendment/Modification Capital Fund Program	Approved	Basic criteria for determining a significant amendment or modification to the Capital Fund Program 5-Year Action Plan	Housing Only	
600.65 - CDA Redevelopment Procurement Policy	New	Process for purchasing goods and services	Redevelopment Only	Establishes the Executive Director and Board Chair as contacts for waste, abuse, and fraud. Establishes that the Chair and Executive Director must sign all contracts. Delegates \$50,000 in emergency purchasing power to the Executive Director and property managers.
600.70 - CDA Redevelopment Capital Improvement and Replacement Policy	New	Capital improvement and replacement contracting process	Redevelopment Only	
600.85 - Community Development Authority Procurement Policy	Approved	Process for purchasing goods and services	Housing Only	

Community Development Authority of the City of Madison
Financial Policies

Last Updated 9/05/2019

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Section 500 General Administrative Policies

500.10.20190314 – CDA Financial Policies

I. Purpose and General Statements of Intent

This policy establishes regular review of the CDA Financial Policies and delegates limited authority from the CDA Board to the CDA Finance Subcommittee.

II. Background and Related Policies

Madison General Ordinance 3.17(7) reaffirms the CDA Board's authority to create rules and regulations as it deems necessary in the performance of its functions. Further, the Board may delegate powers and duties as it deems proper.

Under its Bylaws, the CDA shall have a Finance Subcommittee pertaining to the financial condition of the CDA and the properties it owns and operates. The Bylaws permit subcommittees to exercise any powers delegated by the Board.

III. Definitions

A. Financial Policy

A financial policy defines the Board's intent for the administration and stewardship of CDA resources. Financial policies are generally recommended by the Finance Subcommittee to the Board for approval. In the CDA, these policies are identified by policy numbers in the 500 and 600 ranges.

IV. Policy

A. Financial Policy Approval

In the exercise of its duties, the Finance Subcommittee shall recommend financial policies to the CDA Board for approval as needed. Financial policies approved by the Board will be assigned a policy number in the 500 range for general financial matters and in the 600 range for procurement.

B. Financial Policy Review

Approved financial policies shall be reviewed by the Finance Subcommittee for reauthorization every four years (“Policy Review”). Financial policies under review shall remain in effect until the Policy Review is complete.

Following the Policy Review, the policy and any revisions shall be recommended by the Finance Subcommittee to the Board for approval.

The CDA Board retains the authority to create, modify, or discontinue any financial policy at its discretion notwithstanding the Policy Review schedule.

C. Administrative and Typographical Updates

If administrative or typographical updates to a policy are needed between Policy Reviews, the Board delegates authority to the Finance Subcommittee to approve such changes.

D. Absence of CDA Policies

In the absence of a CDA policy, federal, state, and City of Madison statutes and policies, in order of priority, shall apply.

V. Examples

None.

VI. References

- Bylaws of the Community Development Authority of the City of Madison
- Madison General Ordinance 3.17(7)

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

[New]500.15.20190912 – CDA Finance Subcommittee Protocol

I. Purpose and General Statements of Intent

This policy creates protocols governing meetings of the CDA Finance Subcommittee.

II. Background and Related Policies

The CDA Finance Subcommittee's duties and operations are defined in the CDA Bylaws. The Subcommittee is composed of three members, at least two of whom are CDA Commissioners, and shall meet at least quarterly. Subcommittee members are appointed each June by the CDA Board Chair.

III. Definitions

None

IV. Policy

A. Subcommittee Quorum

The CDA Finance Subcommittee may convene when two of the three Subcommittee members are present. Attendance by CDA Commissioners who are not appointed to the Subcommittee does not count toward quorum. A meeting of at least two Subcommittee members to discuss business of the Subcommittee shall be appropriately noticed and shall be open to the public.

Because only two Subcommittee members constitute a quorum, Subcommittee members are advised to avoid any discussions related to the work of the body outside of Subcommittee members.

CDA Commissioners who are not appointed to the Subcommittee may participate in Subcommittee meetings at the discretion of the Subcommittee chair, but may not vote on matters before the Subcommittee.

B. Minutes

Minutes shall be recorded for all Subcommittee meetings and shall be made available to all CDA Commissioners.

V. Examples

None.

VI. References

- Bylaws of the Community Development Authority of the City of Madison
- Policy 600.65 CDA Redevelopment Procurement Policy

VII. Creation

Proposed September 12, 2019

VIII. Last Review

None.

IX. Next Review

2023

[New]500.20.20190912 – Cash Handling

I. Purpose and General Statements of Intent

This policy establish guidelines for handling cash and checks.

II. Background and Related Policies

In fulfillment of its mission, the CDA collects rent payments from housing residents and commercial tenants. Further, the CDA may administer small cash operations, like coin-operated laundry, for the benefit of tenants.

Refer to the CDA procurement policies for more information on petty cash.

III. Definitions

None

IV. Policy

A. Cash Handling

As general operational guidance, CDA staff should not handle, collect, or accept cash or check payments. When possible, the City Treasury should collect and process payments.

When not possible, steps should be taken to ensure appropriate cash handling and the safety of staff. For example, if staff must collect cash from coin-operated laundry machines, two staff members should collect the coins together.

At no time should staff members who collect cash also record the financial transaction. Generally, staff should deposit cash collections with the City Treasurer.

B. Copier Funds

The CDA may accept reimbursement from the public and tenants for copies that are associated with CDA operations. In general, copies are made as a convenience for tenants and should be limited to a few pages.

Copier funds should be stored in a secure location at the end of the day (e.g., locked desk drawer). Copier funds should be deposited into the appropriate City account by the designated CDA Contracting Officer when petty cash accounts are reconciled.

No expenses should be paid directly from cash in the copier fund.

V. Examples

None.

VI. References

- CDA Housing Procurement Policy
- Policy 600.65 CDA Redevelopment Procurement Policy

VII. Creation

Proposed September 12, 2019

VIII. Last Review

None.

IX. Next Review

2023

[New]500.25.20190912 – Third-Party Bank Accounts

I. Purpose and General Statements of Intent

This policy establishes practices for opening and administering accounts at banks outside of the City of Madison treasury.

II. Background and Related Policies

Per the Contract for Services with the City of Madison, the City provides the CDA with administrative and fiscal support. The financial records of the CDA are also maintained by the City.

In fulfillment of its mission, the CDA contracts with property management companies to administer residential and commercial properties owned by the CDA. Property management companies use checking, savings, and money market accounts outside of the City treasury to administer the finances of the property. See Policy 510.10 for additional information.

As a managing member of Limited Liability Corporation partnerships, the CDA may directly manage a property or may contract with property management companies. As with CDA-owned properties, property managers use bank accounts, often with the investor member, to administer the finances of the property. See Policy 530.65 for additional information on LLCs.

III. Definitions

A. Contract for Services

See Policy 500.65 for a description of Contract for Services, Materials, and Equipment (Contract for Services).

B. Limited Liability Corporation (LLC)

See Policy 530.65 for a description of Limited Liability Corporations.

IV. Policy

CDA staff and City of Madison employees supporting the CDA shall not open bank accounts of any kind for the operations of the CDA. Any exception to this policy must be approved by the CDA Board of Commissioners, the City Finance Department, and the City Attorney's Office.

The following provides additional clarification for specific property management arrangements.

A. CDA Staff Managing CDA-Owned Properties

When CDA staff manage CDA-owned properties, all funds shall be managed within the City Treasury. CDA staff shall not establish third-party bank accounts for operational transactions or for holding property reserves.

B. Property Management Company Managing CDA-Owned Properties

Property management companies shall establish third-party bank accounts consistent with Policy 535.65. CDA Asset Managers shall have the ability to view account transactions and balances online, but shall not have the ability to transfer, withdraw, or otherwise access funds.

Per Policy 510.10, property management companies shall report the balance of all accounts monthly.

Consistent with the CDA Bylaws, all bank accounts shall be in the name of the CDA.

C. Property Management Company Managing LLC Properties

Property management companies shall establish bank accounts consistent with the LLC Operating Agreement. In the absence of guidance in the Operating Agreement, property management companies shall follow the guidance in Policy 535.65. CDA Asset Managers shall have online access to view account transactions and balances, but shall not have the ability to transfer, withdraw, or otherwise access funds.

V. Examples

None.

VI. References

- Wis. Stat. 66.1333
- Wis. Stat. 66.1335
- Contract for Services, Materials, and Equipment
- Bylaws of the Community Development Authority of the City of Madison
- Policy 510.10 Residential Property Management Agreements
- Policy 530.65 Limited Liability Corporation Management Fee
- Policy 535.65 Redevelopment Property Reserve Policy

VII. Creation

Proposed September 12, 2019

VIII. Last Review

None.

IX. Next Review

2023

[Modified]500.65.2019031420190912 – CDA General Fund

I. Purpose and General Statements of Intent

This policy establishes the purpose and appropriate uses of the CDA General Fund.

II. Background and Related Policies

The functions of the CDA are divided between two divisions: the Housing Authority and CDA Redevelopment. CDA Redevelopment is charged with addressing deteriorating areas through redevelopment activities including assisted housing development and management, neighborhood revitalization, housing finance and rehabilitation, and urban renewal.

The CDA General Fund supports the administrative activities of CDA Redevelopment.

III. Definitions

A. Contract for Services

The CDA is authorized by Madison General Ordinance 3.17 and §66.1335, Wis. Stat., to act as the housing and redevelopment authority for the City of Madison. The CDA is a separate body, corporate and politic, that acts as the agent of behalf of the City in neighborhood and housing rehabilitation programs. The operational and financial relationship between the City and the CDA is outlined in the Contract for Services, Materials, and Equipment (Contract for Services).

B. Tax Incremental Financing (TIF)

Tax Incremental Financing is a tool that the City of Madison uses to fund public infrastructure, promote development opportunities, and expand the tax base. Funding is secured by diverting future property tax revenue increases, or “increments”, in a defined district to these purposes. For example, future property tax increments in a neighborhood may be committed to the renovation of an affordable housing development.

C. Limited Liability Corporation (LLC)

See Policy 530.65 for the definition.

D. Managing Member

See Policy 530.65 for the definition.

IV. Policy

The CDA General Fund supports six purposes:

- General administrative activity of CDA Redevelopment
- Retention of property funds
- Revenue bond repayments
- Maintenance of undeveloped real estate
- Limited-duration redevelopment activities
- Limited Liability Corporation (LLC) managing partner activities

The following policy clarifies each of these purposes and provides additional administrative guidance.

A. General Administrative Activity

To effectively and efficiently fulfill its mission, CDA Redevelopment coordinates administrative and strategic directions across its activities. Expenses related to these activities should be billed to the General Fund. The following are examples of expenses that would generally be considered appropriate for this activity:

- Expenses related to the operation of the CDA Board and CDA Finance Subcommittee as permitted by Wis. Stat. 66.1333(3)(6), Wis. Stat. 66.1335(2)(d), Madison General Ordinance 3.17(3), and CDA Bylaws.
- Supplies needed by staff in the execution of their duties.
- Audits of CDA finances. A portion of the annual CDA audit cost should be reimbursed by all CDA properties. Audits of individual LLCs should be billed to the LLC.
- Staff training and conferences on topics that are relevant to the CDA mission and operations.
- Salaries and benefits of redevelopment staff or interns employed by the CDA.
- Salaries and benefits for City of Madison employees supporting the general operation of the CDA.
- Salaries and benefits for City of Madison employees managing the operations of CDA properties.

The administrative work of the CDA is primarily conducted by City of Madison staff. Consistent with the Contract for Services and Madison General Ordinance 3.17(8)(d), the CDA compensates the City for services rendered by staff. City of Madison employee time spent ~~on general administrative functions~~ should be billed to the General Fund.

In general, it is preferable for City of Madison employees to record actual hours worked or use a payroll allocation based on a recent time study to bill the CDA. Time related to a specific property should be billed to the General Fund with a reason code indicating the appropriate property.

City of Madison employee overtime should be billed to the City of Madison and not to the CDA.

B. Retention of Property Funds

Consistent with CDA Policy 536.70, significant fund balances may be transferred from a property to the CDA General Fund. The purpose of these transfers is to reduce the reserve balance at a property below the FDIC insurance limit, increase the security of the funds, and generate additional interest revenue. See Policy 500.67 for additional information.

C. Revenue Bond Repayment

The CDA may support redevelopment projects by issuing tax-exempt revenue bonds for low-income rental housing. The bonds are limited-obligation for the CDA and are payable with revenues from the supported project.

The CDA may also issue lease revenue bonds for redevelopment in the context of TIF. In this arrangement, the CDA owns the property that is leased to the City and then subsequently leased to a private developer. An example is the Monona Terrace (Hilton) parking project.

The assets, liabilities, and transactions for issuing and paying bonds should be reflected in the General Fund.

D. Maintenance of Undeveloped Real Estate

The CDA may hold vacant properties before redevelopment activities begin. Holding costs, like mowing and snow removal, are paid from the General Fund. The CDA General Fund should not pay holding or utility costs for properties owned by an LLC or the City of Madison.

E. Limited-Duration Redevelopment Activities

The CDA may engage in redevelopment activities that are limited in duration, generally less than three years. These activities should be captured in the General Fund.

Ongoing redevelopment activities with a longer anticipated duration should be added to the chart of accounts as a separate subfund.

F. LLC Managing Partner Activities

The CDA forms LLCs with development firms to own, develop, construct, rent, maintain, and operate affordable housing projects. Revenues and expenses associated with the CDAs role as the managing member of an LLC are housed in the General Fund. Policy 530.65 addresses this activity in greater detail.

G. Legacy Activities

Some existing activities in the CDA General Fund may no longer be in compliance with this policy. As reasonable effort permits, these activities should be moved into compliance with the policy.

H. Annual Budget

An annual budget for the General Fund shall be presented to CDA Finance Subcommittee for recommendation to the CDA Board. Anticipated capital expenses should be included in the budget. A balance sheet should also accompany the budget for the Finance Subcommittee's information.

V. Examples

None.

VI. References

- Wis. Stat. 66.1333
- Wis. Stat. 66.1335
- Madison General Ordinance 3.17
- Contract for Services, Materials, and Equipment
- Bylaws of the Community Development Authority of the City of Madison
- Policy 530.65 Limited Liability Corporation Management Fee
- Policy 530.67 CDA-Owned Property Administrative Allocation

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

[New] 500.67.20190912 – Fund Transfers between Properties and Funds

I. Purpose and General Statements of Intent

This policy establishes Board oversight of fund transfers between CDA Redevelopment properties.

II. Background and Related Policies

In fulfillment of its mission, the CDA owns and operates residential and commercial properties. Appropriate stewardship of these properties requires regular, transparent reporting on each property's financial status. Maintaining a financial distinction between properties supports the CDA Board and staff in assessing a property's operation.

Fund transfers between Housing Authority properties are governed by federal regulations. This policy does not apply to transfers between Housing Authority properties.

III. Definitions

A. CDA General Fund

See Policy 500.65 for a description of the CDA General Fund.

IV. Policy

A. Fund Transfers between Redevelopment Properties

All fund transfers between CDA Redevelopment properties shall be approved by the CDA Board.

B. Balance Transfers between Redevelopment Properties and the General Fund

Consistent with CDA Policy 536.70, significant fund balances may be transferred from a property to the CDA General Fund. The purpose of these transfers is to reduce the reserve balance at a property below the FDIC insurance limit, increase the security of the funds, and generate additional interest revenue.

The origin of funds transferred to the General Fund shall be tracked and shall remain associated with the transferring property. Use of funds from a property for any purpose other than the operation of that property requires CDA Board approval.

C. Fund Transfers between CDA Redevelopment and the Housing Authority

Fund transfers from the CDA General Fund to Housing Authority properties requires CDA Board approval. In general, it is preferred to recognize redevelopment activities associated with Housing Authority properties in the CDA General Fund as part of a coherent redevelopment plan instead of transferring funds.

Fund transfers from Housing Authority properties to CDA Redevelopment properties are prohibited.

D. Implementation

As reasonable effort permits, staff shall bring financial practice into compliance with this policy.

V. Examples

None.

VI. References

- Policy 500.65 CDA General Fund
- Policy 530.65 Limited Liability Corporation Management Fee
- Policy 530.67 CDA-Owned Property Administrative Allocation

VII. Creation

September 12, 2019 (Proposed)

VIII. Last Review

None.

IX. Next Review

2023

Section 510 Property Management

[New] 510.10.20190912 – Residential Property Management Agreements

I. Purpose and General Statements of Intent

This policy establishes criteria for evaluating residential property management agreement proposals and consistent expectations for property management performance.

II. Background and Related Policies

The CDA owns and manages residential properties to provide quality, affordable housing. As it deems appropriate, the CDA engages property management companies to administer the properties. The relationship between the CDA and property management company is defined in a property management agreement.

III. Definitions

A. Replacement Reserves

See Policy 535.65 for a description of Replacement Reserves.

B. Ban the Box

See Policy 600.65 for a definition of Ban the Box.

C. Section 3

See Policy 600.65 for a definition of Section 3.

IV. Policy

The CDA has developed general expectations and best practices for property management agreements. The following policy outlines considerations that should be reflected in a property management agreement submitted to the CDA Board for approval.

A. Selection Criteria

Selection criteria assist staff in evaluating property management proposals in a consistent manner and clearly specify the most important factors in the selection process. The selection criteria for property management proposals will be as follows:

- Proposed staff and firm – 15 to 25 points
- Cultural competency – 15 points
- Similar project experience – 15 to 25 points
- Accounting services – 5 to 10 points
- Low vacancy rate maintenance – 5 to 15 points
- Cost – 25 to 35 points
- Local preference – 5 points

The possible points in the selection criteria should total to 100 points.

The selection criteria shall be published in the initial request for proposals.

Each proposal meeting the minimum requirements shall be evaluated by at least three people using the selection criteria.

C. Local Preference

The CDA has jurisdiction in the City of Madison and values the use of local suppliers. Firms listed on the Buy Local: Dane County Database will receive 5 points.

D. Cultural Competency

The CDA affirms the values of inclusion and social justice and expects property management companies to share these values in their management, hiring, and business practices. A property management request for proposals shall request the following information:

- Minority Business Enterprise (MBE), Woman Business Enterprise (WBE), Small Business Enterprise (SBE), and Section 3 status of the firm or contractor.
- A description of the firm's workforce equity and diversity program accomplishments, if any.
- Experience managing properties with diverse resident, tenant, and/or customer populations, including the elderly, disabled, veterans, and people identifying as LGBTQ+.

In evaluating proposals, responses to these questions shall be factored into the points awarded for Cultural Competency.

E. Affirmative Action Plans

Property management companies shall provide an Affirmative Action plan if required by CDA Policy 600.65 in consultation with the City Finance Department.

F. Ban the Box

Property management companies shall comply with the City of Madison Ban the Box policy.

G. Contract Duration and Approval

CDA property management agreements shall have a duration of three years with the option for two one-year renewals.

The initial contract and three-year term requires CDA Board approval. One-year renewals require approval by the CDA Executive Director. The initial contract and subsequent renewals must be signed by the Board Chair and the Executive Director.

H. Contract Termination

The period to terminate a property management contract with cause shall not exceed 30 days after written notification.

The period to terminate a property management contract without cause shall not exceed 60 days after written notification.

Any exceptions to this policy must be approved by the CDA Board.

I. Performance Standards

A property management company is expected to meet the following performance standards for residential properties:

- Occupancy – Minimum of 95 percent monthly occupancy
- Vacancy turnaround – Within 30 days, including make ready and lease-up time
- Turnover rate – Less than 20 percent annually
- Emergency work orders – Percent completed or abated within 24 hours
- Non-emergency work orders – Percent completed within 4 days

The performance standards shall be clearly outlined in the initial request for proposals and included in the property management contract.

Recognizing that some properties may need time to stabilize or may serve vulnerable populations, the Executive Director may approve alternative performance standards or milestones to reach the performance standards over time.

I. Property Reporting

At a minimum, the property management company shall provide the following information in a monthly report:

- Current occupancy
- Tenants that have moved in and moved out (move in/move out report)
- Current rent roll
- Summary of police calls for service in the past month
- Detailed balance sheet of assets and liabilities
- Detailed financial statement including all revenues and expenses
- Comparison of actual revenues and expenses to budget
- Schedule of accounts receivable and payable
- Statements from all property accounts (e.g., operating reserve, replacement reserve, working capital, operating funds, petty cash)

Annually, the property management company shall provide the following information:

- Self-reported race/ethnicity of people interested in the property during the year
- Self-reported race/ethnicity of tenants signing new leases during the year
- Self-reported race/ethnicity of tenants signing renewal leases during the year
- Average vacancy turnaround in the previous year, including make ready and lease-up time
- Turnover rate in the previous year
- Percent of emergency work orders completed or abated within 24 hours during the previous year
- Percent of non-emergency work orders completed within 4 days

J. Annual Budget

As a requirement in the property management agreement, the property manager shall propose an annual budget that includes anticipated capital projects and draws from replacement reserves for the following fiscal year. The proposal shall be presented at the fourth-quarter meeting of the CDA Finance Subcommittee.

K. Public Records Requests

Property management companies should be aware that records related to the managed property may be subject to open records requests. The property management agreement should include language in keeping with the intent of the following:

As a contractor of a public authority, the property management company shall make available for inspection or copying any record produced or collected under this contract. Documents subject to a request may include, but are not limited to, property management agreements, leases, invoices, financial reports, bank statements, budgets, and communications or emails with tenants and the CDA.

All open records requests, whether verbal or written, shall be referred to the CDA Executive Director. The CDA Executive Director shall respond to the open records requests in accordance with applicable statutes, policies, and compliance guidelines. The property management company shall not respond to any open records request beyond referring the request to the CDA Executive Director.

The property management company may not destroy any requested record until at least sixty days after denial of the request by the CDA Executive Director or until the CDA Executive Director determines that related litigation is complete.

L. Legacy Property Management Agreements

Existing property management agreement may not be in compliance with this policy. As reasonable effort and renewal schedules permit, these management agreements should be brought into compliance with the policy.

V. Examples

None.

VI. References

- Policy 535.65 Redevelopment Property Reserve Policy
- Policy 536.70 CDA-Owned Property Cash Balance Policy
- Policy 600.65 CDA Redevelopment Procurement Policy
- Wisconsin Public Records Law Compliance Guide, March 2018

VII. Creation

September 12, 2019 (Proposed)

VIII. Last Review

None.

IX. Next Review

2023

Section 520 Commercial Space

520.10.20190314 – Commercial Lease Approval

I. Purpose and General Statements of Intent

This policy clarifies the roles of the CDA Board, staff, and property management companies in approving and renewing commercial leases and agreements for space owned by the CDA.

This policy does not apply to commercial space owned by an LLC.

II. Background and Related Policies

Wisconsin Statute authorizes the CDA chairperson, or the vice chairperson in the absence of the chairperson, and the executive director, or the assistant director in the absence of the executive director, to execute on behalf of the authority all contracts, notes and other forms of obligation when authorized by at least 4 of the commissioners of the authority to do so. [Wis. Stat. 66.1333(5)(a)6]

III. Definitions

A. Space Use Agreement

A space use agreement allows a current property tenant or other party to rent interior commercial space for no more than 48 hours or on a month-to-month term. For example, a vacant unit may be used by a community organization for a craft fair.

B. Temporary Land Use Agreement

A temporary land use agreement allows a current property tenant or other party to use exterior space for no more than 48 hours. For example, a tenant may use a portion of a parking lot for its annual picnic.

C. Agreement

For the purpose of this policy, an Agreement refers to either a Space Use Agreement or Temporary Land Use Agreement.

D. Lease

A Lease refers to all contracts for the use of property that are not Agreements and would be considered leases as that term is commonly used.

E. Limited Liability Corporation (LLC)

See Policy 530.65 for the definition.

IV. Policy

A. Leases or Agreements

Except as outlined in Subsections B and C, all new Leases and Agreements and renewals thereof must be approved by a CDA Board resolution and signed by the Board Chair and Executive Director.

B. Leases or Agreements for Less than Three Years and 3,000 Square Feet

Leases and Agreements and renewals thereof for less than three years and for less than 3,000 square feet may be signed by the CDA Board Chair and Executive Director without a CDA Board resolution. In the absence of the Chair, the Vice Chairperson may sign the lease. In the absence of the Executive Director, the Assistant Director may sign the lease. Executed Leases and Agreements shall be communicated to the Board during the Secretary's report.

C. Agreements at Properties with a Property Manager

A property manager may sign Agreements after receiving approval from the CDA Asset Manager, pursuant to a valid property management agreement. Reasonable compensation for this activity should be defined in the property management agreement. Revenue from agreements should be included in the property's quarterly financial reports to the Board.

Agreements may include recurring use for up to eight months. For example, a single temporary land use agreement may include recurring weekly farmers markets in a parking lot during the summer months.

All agreements on CDA property shall require a certificate of insurance.

V. Examples

None.

VI. References

Wis. Stat. 66.1333(5)(a)6

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

Section 530 Cost Allocation and Administrative Overhead

[Modified]530.65.20190912 – Limited Liability Corporation Management Fee

I. Purpose and General Statements of Intent

This policy provides guidance to CDA staff when managing limited liability corporation (LLC) agreements for affordable housing. Specifically, the policy conveys the Board’s intent for management fees received by the CDA as the LLC managing member. This policy only applies to CDA Redevelopment properties.

II. Background and Related Policies

The CDA enters into LLC agreements to develop affordable housing under the Low-Income Housing Tax Credit Program. The CDA is currently the managing partner in two redevelopment LLCs:

- Burr Oaks Senior Housing, LLC
- Allied Drive Redevelopment, LLC

The CDA is also a managing partner in two Housing Authority LLCs related to the Truax development, but this policy does not apply to those properties.

III. Definitions

A. CDA General Fund

See Policy 500.65 for a description of the CDA General Fund.

B. Limited Liability Corporation (LLC)

An LLC is a corporate structure created between multiple partners as a separate and distinct legal entity. The CDA forms LLCs with development firms to own, develop, construct, rent, maintain, and operate affordable housing projects. The LLC has a Managing Member and an Investor Member.

C. Managing Member

The Managing Member is responsible for managing the affairs of the LLC after construction is completed. The responsibilities of the Managing Member include directing the business of the LLC, monitoring the management of the property, supervising the Management Agent, maintaining appropriate financial records and reports, following sound business practices, and communicating with stakeholders. The Managing Member receives a management fee from the LLC for fulfillment of these duties. In redevelopment LLCs, the CDA is the Managing Member.

D. Investor Member

The Investor Member is responsible for monitoring the Managing Member’s operational results, reviewing audited financial statements and tax returns, and an annual review of the property’s condition. Generally, the Investor Member receives a management fee from the LLC for fulfillment of these duties. However, the Investor Member primarily benefits from federal low-income housing tax credits.

E. Low-Income Housing Tax Credits (LIHTC)

LIHTC support the development costs of low-income housing by allowing the Investor Member to take a federal tax credit equal to a percentage of the cost incurred for development of the low-income units in a rental housing project. The program is administered by the Wisconsin Housing and Economic Development Authority (WHEDA).

F. Management Agent

A Management Agent, often a property management company, handles the day-to-day activities of a property and interface directly with tenants. The company is selected by and directly accountable to the LLC through the Managing Partner. The property management agreement details the relationship between the property management company and the LLC.

IV. Policy

This policy creates a distinction between the financial activity of the CDA as a Managing Member and the financial activity of the ~~CDA as a~~ Management Agent. Recognizing this distinction, management fees received by the CDA as the Managing Member should be posted to the CDA General Fund as development fees. Management fees in the General Fund are not associated with the property and may be used to fund any CDA obligations.

In general, Managing Member expenses will primarily be salaries and benefits. If a portion of a City of Madison or CDA employee's time is allocated for the administrative functions of the Managing Member, it should be billed to the General Fund. If a City of Madison or CDA employee is billing actual hours worked on administrative functions of the Managing Member, the time should be billed to the General Fund with a reason code identifying the property.

~~It is the practice of the CDA that a property management company serve as the Management Agent of redevelopment properties. As such, the property management company should manage the finances of the property. In general, operational transactions for redevelopment properties should not occur in the CDA General Fund. Financial activity generated by the CDA in the role of Management Agent should be captured in an account separate from the CDA General Fund.~~

V. Examples

None.

VI. References

Policy 500.65 CDA General Fund

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

I. Purpose and General Statements of Intent

This policy establishes guidance for allocating general administrative costs incurred by the CDA to CDA-owned properties. This policy does not apply to properties under the CDA Housing Authority.

II. Background and Related Policies

The General Fund has historically been financed from two sources: redevelopment fees and limited liability corporation (LLC) management fees. Redevelopment fees are recognized when the CDA acts as a developer on a property. This revenue is only generated when the CDA redevelops a property.

LLC management fees recognize the costs associated with managing the operations of a property LLC. This activity is specifically addressed in Policy 530.65.

Recognizing the need to support ongoing expenses and salaries in the General Fund, this policy establishes administrative allocations from CDA-owned properties to the General Fund. This policy currently applies to the following properties: Monona Shores and the Village on Park.

Consistent with Policies 500.65 and 530.65, the routine administrative operational activities of these properties should be, including staff time, should be managed by the Management Agent. Generally, this activity should not occur in the CDA General Fund. allocated to a fund other than the CDA General Fund.

III. Definitions

A. CDA General Fund

See Policy 500.65 for a description of the CDA General Fund.

B. CDA-Owned Property

The CDA may enter into a variety of property management and ownership structures (e.g., limited liability corporations). A CDA-Owned Property is a property under the sole ownership of the CDA in fulfilling its mission as a Redevelopment Authority. A CDA-Owned Property may be managed by a property management company.

C. Management Agent

See Policy 530.65 for a description of a Management Agent.

IV. Policy

A. Residential Property

The annual CDA General Fund budget recommended to the Board shall propose a per-unit administrative allocation. The allocation applies to all units, both leased and vacant.

Generally, the per-unit administrative allocation should be comparable across residential properties. A higher allocation may be charged to a property undergoing significant redevelopment or renovation.

B. Commercial Property

The annual CDA General Fund budget recommended to the Board shall propose an administrative allocation per square foot of commercial space. The allocation applies to all space, both leased and vacant.

Generally, the administrative allocation should be comparable across properties. A higher allocation may be charged to a property undergoing significant redevelopment or renovation.

C. Rate Considerations

In developing rates, the cost of City staff time billed to the CDA General Fund should be considered. Further, it is appropriate to consider the long-term recuperation of costs associated with the purchase and development of the property.

~~Generally, the administrative allocation should be comparable to the management fee for LLCs as the purposes are analogous (see Policy 530.65).~~

D. Timing

~~The administrative allocation shall be transferred to the CDA General Fund at the end of the second and fourth quarters. Properties should transfer the allocation regardless of the property's cash position at the time of the transfer.~~

D. Use of Administrative Allocation

~~The administrative allocation transferred to the CDA General Fund is not associated with the property and may be used to fund any General Fund obligations.~~

V. Examples

None.

VI. References

- Policy 500.65 CDA General Fund
- Policy 530.65 Limited Liability Corporation Management Fee
- Policy 530.85 Public Housing Cost Allocation Plan

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

530.85.20190314 – Housing Authority Cost Allocation Plan

I. Purpose and General Statements of Intent

The purpose of this cost allocation policy is to summarize, in writing, the methods and procedures that the CDA will use to charge direct costs and to allocate indirect costs to various programs, grants, contracts, project, and/or asset management project (AMP).

II. Background and Related Policies

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or Uniform Guidance (2 CFR 200), establishes the principles for determining costs of grants, contracts and other agreements with the Federal Government.

III. Definitions

A. Direct Costs

Direct costs are those that can be identified specifically with a particular final cost objective, such as a Federal award, or other internally or externally funded activity, or that can be directly assigned to such activities relatively easily with a high degree of accuracy [2 CFR 200.413 (a)].

B. Indirect Costs

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular grant, contract, program, or amp. Only costs that are allowable, in accordance with the Uniform Guidance, are to be charged to programs administered by the CDA.

IV. Policy

The CDA follows US generally accepted accounting principles (GAAP) and uses the accrual basis of accounting. The general approach of the CDA in allocating costs to particular grants and programs is as follows:

- All allowable direct costs are charged directly to the grant or program.
- All allowable direct costs incurred in the Public Housing Program are charged directly to the amp where the cost was incurred.
- Allowable direct costs that can be attributed to more than one program are prorated individually as direct costs using a base most appropriate to the particular cost being prorated.
- All other allowable general and administrative costs (costs that benefit all programs and departments that cannot be attributed to a specific program or department) are allocated to programs, grants, projects, amps, etc. using a base that results in an equitable distribution.

The following summarizes the procedures that are used by the Community Development Authority to allocate costs.

A. Service Types (Administration, Tenant Services, and Maintenance, and Capital Fund)

The current chart of accounts has four service types. Costs are allocated to the most appropriate service within the grant, program, project or amp. Below are the service type definitions:

1. Administration. All allowable costs incurred to administer federally funded programs and grants. In the public housing program, asset management fees and allowable Central Operating Cost Center (COCC) expenses are considered administrative expenses. Example: Investigative services, Office supplies, Postage, administrative staff wages.
2. Tenant Services. All allowable costs incurred as a result of providing a direct service (not administrative function) to residents or program participants. Example: All costs expensed to Multifamily Service Coordinator and ROSS grants.
3. Maintenance. All allowable costs incurred to maintain CDA owned properties. Example: Maintenance staff wages, repair and maintenance supplies, and utilities.
4. Capital Fund. All allowable costs charged directly to the Capital Fund Grant Program. Example: Paving contract for Truax Park Apartments.

B. Salaries

Allocated based on time spent on each program or grant. Salaries and wages are charged directly to the program for which work has been done using a default payroll allocation.

Overtime and premiums are allocated based on actual time spent on each program, grant, or amp. When an employee works overtime that benefit more than one program, grant, or amp the default payroll allocation will be used.

Fringe Benefits (Health Insurance, Dental Insurance, Wage Insurance, WI Retirement System, FICA, and Workers Compensation) are allocated using the employee's default payroll allocation.

Vacation, holiday, sick leave, and all other leave benefits are allocated using the employees default payroll allocation.

Documentation of time spent on each program is calculated using one of the following methods:

Staff Work Category	Work Location	Service Type	Allocation Method
1. Administrative Staff	Site Offices	Administration	Allocation follows number of units per amp to total units managed by that site office.
2. Admissions & Eligibility Staff	Central Office	Administration	Manager reviews workload of staff on an as needed basis and updates default payroll allocation to accurately reflect time spent on each program.
3. Section 8 Staff	Central Office	Administration	All salaries are allocated to the Section 8 program.
4. Service Coordinators	Site Offices	Tenant Services	All salaries are allocated to the appropriate grant program.
5. Maintenance Staff	Site Offices	Maintenance	All Maintenance Staff document time spent at each AMP on their timesheets. Salaries and wages are charged directly to the AMP for which work was done. Default payroll allocation for leave time follows unit count percentages.

Staff Work Category	Work Location	Service Type	Allocation Method
6. Housing Authority Program Manager	Central Office	Administration	Allocation follows Example 2 below.
7. Modernization Grants Manager	Central Office	Administration	Allocation follows total number of units managed by the CDA. The Public Housing portion of this allocation is charged to the COCC and covered by the Capital Fund Admin Fee.

C. Office Expenses and Supplies (including office supplies and postage)

Allocated based on usage. Expenses used for a specific program or grant funded activity will be charged directly to that program or grant. Costs that benefit more than one program or department will be allocated based on the ratio in Example 1 or 2.

D. Printing (including supplies, maintenance, and repair)

Expenses are charged directly to the program or amp that benefits from the supply or service. Costs that benefit all or more than one program or amp will be allocated based on the ratio in Example 1 or 2.

E. Utilities

Allocated based on usage and charged directly to the appropriate amp.

F. Professional Services Costs (including consultants, investigative services, waste removal services, elevator repair, etc.)

Allocated to the program benefiting from the service. All professional service costs are charged directly to the program for which the service was incurred. Costs that benefit one program or amp will be charged directly to that program or amp. Costs that benefit more than one program or amp will be allocated based on the ratio in Example 1 or 2.

G. Professional Security Services

Allocated to the appropriate amp based on the number of amp units benefiting as a percentage of total units. Security services are considered administrative expenses.

H. Telephone/Communications

Fax lines, cell phone lines, and telephone lines are charged directly to the program, grant, or amp if readily identifiable. Other telephone or communication expenses that benefit all or more than one program, grant, or amp will be allocated based on the ratio in Example 1 or 2.

I. Travel Costs

All travel costs (local and out-of-town) are charged directly to the program, grant, or amp for which the employee works. If the employee spends time on more than one program or grant, the default payroll allocation will be used. Travel costs that benefit all or more than one program, grant or amp will be allocated based on the ratio in Example 1 or 2.

J. Conference and Training Costs

Allocated to the program, grant, or amp benefiting from the training or conference. Costs that benefit all or more than one program, grant, or amp will be allocated based on the ratio in Example 1 or 2.

K. Insurance

Insurance needed for a particular program is charged directly to the program requiring the coverage. Property insurance is charged directly to the amp receiving the coverage. Other insurance that benefits all or more than one program or amp will be allocated based on the ratio in Example 1 or 2. Insurance is an administrative expense.

L. Audit

Identifiable direct audit costs are charged directly to the program or grant. Audit costs that benefit all programs (or funds) are allocated based on the ratio of each programs expenses to total expenses audited. Audit fees are considered administrative expenses. [24 CFR 990.190 (d); 24 CFR 905.200 (b)(16)].

M. Taxes & PILOT

Identifiable direct taxes or PILOT costs are charged directly to the amp or project and are considered administrative expenses.

N. Inter-Departmental Charges (from City of Madison Departments)

Expenses are charged directly to the program, grant, project, or amp that benefits from the service. Expenses that benefit more than one program, grant, project, or amp are allocated based on the ratio in Example 1 or 2.

O. COCC Asset Management & Bookkeeping Fees

A direct expense charged directly to the amp or property. The CDA sets the asset management and bookkeeping fees annually during the budget process by comparing the current fee to the HUD approved maximum fee amount for the market location and assessing expenses in the Central Operating Cost Center (COCC). Fees are calculated by multiplying the set fee times the occupied units per month and are charged directly to the amp or project as an administrative expense. [24 CFR Part 900].

P. Other Costs

Other joint costs will be allocated on a basis determined to be appropriate to the particular costs. Costs are charged directly to programs that benefit from the supply or service. Costs that benefit all or more than one program, grant, project, or amp will be allocated based on the ratio in Example 1 or 2.

V. Examples

A. Public Housing AMPs & Multifamily Properties - \$50,000 Example Expense

1. Costs that benefit all Public Housing amps are allocated to the amp based on the ratio of each amp's total units, as follows:

AMP	Total Units	%	Amount Allocated
200 – East LIPH	166	21%	\$ 10,401.00
300 – West Scattered	129	16%	\$ 8,802.71
300 – Romnes	168	21%	\$ 10,526.32
400 – Triangle LIPH	224	28%	\$ 14,035.09
500 – Truax Phase 1	71	9%	\$ 4,448.62
600 – Truax Phase 2	40	5%	\$ 2,506.27
Total	798	100%	\$ 50,000.00

2. Costs that benefit only units managed by one Site Office are allocated to the amps or property benefiting from the supply or service based on the ratio of each amp/property's units to total managed units, as follows:

Site Office	AMP/Property	Total Units	%	Amount Allocated
East	200 - East LIPH	166	60%	\$29,963.90
	500 - Truax Phase 1	71	26%	\$12,815.88
	600 - Truax Phase 2	40	14%	\$7,220.22
	<i>Total</i>	277	<i>100%</i>	<i>\$50,000.00</i>
West	300 - Romnes	168	56%	\$28,282.83
	300 - West Scattered	129	44%	\$21,717.17
	<i>Total</i>	297	<i>100%</i>	<i>\$50,000.00</i>
Triangle	400 - Triangle LIPH	224	66%	\$33,038.35
	Parkside Apartments	95	28%	\$14,011.80
	Karabis Apartments	20	6%	\$2,949.85
	<i>Total</i>	339	<i>100%</i>	<i>\$50,000.00</i>

3. Costs that benefit all Public Housing and Multifamily units are allocated to the AMP or property based on the ratio of each AMP/Property's units to total units, as follows:

AMP or Property	Total Units	%	Amount Allocated
200 - East	166	18%	\$ 9,090.91
500 – Truax Phase 1	71	8%	\$ 3,888.28
600 – Truax Phase 2	40	4%	\$ 2,190.58
300 – West Scattered	129	14%	\$ 7,064.62
300 – Romnes	168	18%	\$ 9,200.44
400 - Triangle	224	25%	\$ 12,267.25
Parkside Apartments	95	10%	\$ 5,202.63
Karabis Apartments	20	2%	\$ 1,095.29
Total	913	100%	\$50,000.00

B. All Programs - \$50,000 Example Expense

1. Costs that benefit all programs are allocated to the program based on a ratio of each program's FTEs, as follows:

Program	FTE	%	Amount Allocated
Public Housing	24.26	54%	\$ 26,777.04
Multifamily Housing: Parkside	6.10	13%	\$ 3,355.41
Multifamily Housing: Karabis	3.04	7%	\$ 6,732.89
Section 8	11.90	26%	\$ 13,134.66
Total	45.30	100%	\$ 50,000.00

VI. References

2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

VII. Creation

May 16, 2018

VIII. Last Review

None.

IX. Next Review

2023

Section 535 Reserves and Cash Balances

[Modified]535.65.20190912 – Redevelopment Property Reserve Policy

I. Purpose and General Statements of Intent

This policy establishes guidance on appropriate reserves for CDA Redevelopment Authority properties. It further defines a process for managing and authorizing the use of accumulated reserves.

II. Background and Related Policies

Consistent with its mission, the CDA owns and manages residential and commercial properties. As a responsible steward of these properties, the CDA accumulates reserves to maintain, repair, and replace the building structure, capital, and mechanical systems.

Housing Authority properties are governed by federal requirements and are not subject to this policy.

III. Definitions

A. Capital Expenses

See Policy 540.10 for additional information about capital expenses.

B. Limited Liability Corporations (LLCs)

See Policy 530.65 for additional information about LLCs.

C. Operating Reserves

Operating Reserves are readily available funds that can be used to support regular operations in the event of an unanticipated loss of revenue (e.g., unexpected loss of tenants) or an increase in expenses (e.g., high snow removal and utility costs during a heavy winter). These funds should be unrestricted, which means that there should be no planned uses in the future.

D. Replacement Reserves

Replacement Reserves are used to replace property components that will wear out or require replacement before the building. Examples of typical expenses include roof replacements, extensive renovation of a bathroom, overhaul of a heating system, and major parking lot repairs. Cash is added to the replacement reserve each month to pay for future expenses, and the accumulated balance is restricted to these purposes.

Regular maintenance, like broken light bulbs and furnace filters, are generally paid from the operating budget and not replacement reserves.

E. Working Capital Account

After capital projects (e.g., roof replacements, heating system replacements) are approved, funding is transferred from the Replacement Reserves to the Working Capital Account. Expenses for the projects are drawn from the Working Capital Account.

IV. Policy

A. Operating Reserves

CDA properties, residential and commercial, shall maintain an operating reserve equal to at least four months of operating expenses and debt service.

Operating reserve balances for each property shall be presented to the CDA Finance Subcommittee with the annual operating budget recommendation. Staff shall report on properties below their required operating reserve target at the quarterly Finance Subcommittee meetings.

Operating Reserves shall be maintained in a restricted account that is separate from unrestricted operating funds. The reserve account shall comply with Policy 500.25. Transfers and withdrawals from Operating Reserves shall require the signature of the Executive Director and appropriate budget authorization.

B. Replacement Reserves

The monthly Replacement Reserve rate shall be established for each property based on an assessment of anticipated replacement expenses over ten years. For residential properties, the rate shall be expressed per unit. For commercial properties, the rate shall be expressed per square foot. The rate shall be included in the recommended annual budget for each property.

Replacement Reserves shall be maintained in a restricted account that is separate from unrestricted operating funds. The reserve account shall comply with Policy 500.25. Transfers and withdrawals from Operating Reserves shall require the signature of the Executive Director and appropriate budget authorization.

The planned use of Replacement Reserves shall be presented to the Board for approval with the annual budget. Following Board approval of the budget and with authorization from the Executive Director, the anticipated annual expenses from Replacement Reserves shall be transferred to a Working Capital Account. All expenses for approved projects shall be billed against the Working Capital Account.

Because of the financial relationship with the City of Madison, detailed in Policy 600.70, the Working Capital Account will generally be themay be in the City's financial system if General Obligation borrowing is involved. Deviations from this policy to accommodate the City's financial procedures should be approved by the Executive Director.

C. Emergency Use of Reserves

The Executive Director, or designee in the event of the Executive Director's absence, may authorize emergency use of operating reserves or replacement reserves when following the Emergency Purchase Procedures in Policy 600.65.

D. Limited Liability Corporations

The CDA serves as a Managing Member and Management Agent of LLCs created to fulfill its mission. The reserve structure and requirements for properties developed by anan LLC are defined in the Operating Agreement. Any requirements established in the Operating Agreement supersede this policy.

E. Lender Requirements

When financing a property, lenders may establish reserve requirements as a condition of a loan or mortgage. Requirements established in the property's financing supersede this policy.

V. Examples

None.

VI. References

- [Policy 500.25 Third-Party Bank Accounts](#)
- Policy 536.70 CDA-Owned Property Cash Balance Policy

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

I. Purpose and General Statements of Intent

This policy provides guidance on the appropriate level of cash managed by a property management company at a redevelopment property owned by the CDA. This policy does not apply to properties under the CDA Housing Authority.

II. Background and Related Policies

The CDA may contract with a property management company for the day-to-day operations of a CDA-owned property. The property management company collects rent and other revenues, resulting in the accumulation of cash over time. Per Policy 500.25, The cash may be held in bank accounts outside of the direct management of the City treasury.

Some properties currently owned by the CDA were formerly under a limited liability corporation (LLC). Under an LLC, these properties functioned as distinct financial entities. When full ownership is transitioned to the CDA, the property may have significant cash balances or financial practices that should be brought into compliance with this policy.

Under the Contract for Services, the City of Madison provides the CDA with financial services. The City currently manages CDA funds for a variety of properties, projects, and services.

III. Definitions

A. CDA-Owned Property

See Policy 530.67 for a definition.

B. Limited Liability Corporation

See Policy 530.65 for additional information about limited liability corporations.

C. Replacement Reserves

See Policy 535.65 for additional information about replacement reserves.

D. Contract for Services

See Policy 500.65 for a definition.

IV. Policy

For CDA-owned commercial and residential properties, the balance of combined sum of cash in unrestricted operating accounts outside of the City Treasury should not exceed \$250,000. Cash in excess of \$250,000 shall be transferred to the City and credited to a property specific CDA sub fundCDA General Fund following Policies 500.65 and 500.67.

In general, it is advisable that the balance of funds in the Operating Reserves, Replacement Reserves, and Working Capital accounts not exceed \$250,000. Based on the professional judgement of CDA Asset Managers, funds may be transferred to the CDA General Fund.

Checks from a property should shall be mailed directly to the City Finance Department. Electronic transfers from the property should shall originate from the Finance Department. CDA Asset Managers

shall~~ould~~ not receive checks or initiate cash transfers from the property during the balance transfer process.

If a property is regularly generating revenue that exceeds the \$250,000 limit, quarterly cash transfers should be established with the Finance Department.

V. Examples

None.

VI. References

- Contract for Services, Materials, and Equipment
- ~~Madison General Ordinance 3.17~~
- ~~Wis. Stat. 66.1335~~
- ~~Wis. Stat. 66.1333 Policy 500.67 Fund Transfers from CDA Redevelopment Properties~~
- Policy 530.65 Limited Liability Corporation Management Fee

VII. Creation

March 14, 2019

VIII. Last Review

None.

IX. Next Review

2023

Section 540 Capital Projects, Costs, and Dispositions

540.10.20190314 – Capitalization Policy

I. Purpose and General Statements of Intent

- To establish and implement controls necessary to protect the assets of the Community Development Authority (CDA), record assets in compliance with federal, state, and municipal rules and regulations, and generally accepted accounting principles (GAAP).
- To provide guidelines and parameters necessary to allow the enforcement and implementation of the CDA's capital policies; and to provide a sound basis for accurately valuing the CDA's assets.
- To ensure funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

II. Background and Related Policies

The CDA considers some items capital assets that the City of Madison considers ordinary repair/maintenance items such as roof replacements, HVAC, plumbing, and any other items as defined in this policy. Care must be taken to distinguish between costs that materially increase the value or useful life of a capital asset and ordinary repairs and maintenance.

III. Definitions

The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, or Uniform Guidance (2 CFR 200) defines capital assets as tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include:

- Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and
- Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance) [2 CFR 200.12].

IV. Policy

A. Capitalization Threshold and Procedure

The CDA establishes \$5,000 per unit as the threshold amount for minimum capitalization. All capital assets costing less than \$5,000 per unit should be expensed in CDA financial statements. Capital assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of the acquisition or production cost.

All capital assets are recorded at historical cost as of the date acquired.

B. Inventory of Capital Assets

All CDA capital assets are assigned an asset ID number maintained by the City of Madison Accounting Department. A physical inventory of all capital assets must be taken and the results reconciled with the property records at least once every two years.

C. Disposition of Capital Assets

The CDA will notify the City of Madison Accounting Department when disposing of any capital asset.

All equipment will be disposed of in accordance with Uniform Guidance (2 CFR 200). Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds \$5,000 [2 CFR 200.33].

When original or replacement equipment acquired with HUD funds is no longer needed for the original project or program or for other activities currently or previously supported by HUD, the CDA will request disposition instructions from HUD even if it is fully depreciated for accounting purposes.

V. Examples

None.

VI. References

- For definitions and all other matters related to capitalization of assets refer to the City of Madison Capitalization, Depreciation, & Amortization Policy.
- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

VII. Creation

August 3, 2018

VIII. Last Review

None.

IX. Next Review

2022

540.85.20190314 – Statement of Significant Amendment/Modification Capital Fund Program

I. Purpose and General Statements of Intent

The 2013 Capital Fund Final Rule [2 CFR 905.300] and the Capital Fund Guidebook state that a Public Housing Authority (PHA) must include basic criteria that the PHA will use for determining a significant amendment or modification to the Capital Fund Program (CFP) 5-Year Action Plan. The Community Development Authority of the City of Madison (CDA) Statement of Significant Amendment or Modification for the Capital Fund Program is below.

II. Background and Related Policies

None.

III. Definitions

None.

IV. Policy

The following are considered significant amendments or modifications to the CFP 5-Year Action Plan as required under 24 CFR § 905.300 (b)(1)(iii):

- proposed demolition;
- proposed disposition;
- public housing homeownership proposal;
- Capital Fund Financing Program proposal (CFFP);
- development, defined as any or all undertakings necessary for planning, land acquisition, demolition,
- construction, or equipment in connection with a public housing project;
- proposed RAD conversion; or
- mixed-finance proposal.

If the CDA determines a proposed amendment or modification is significant, the CDA will:

Submit the amendment or modification to the CDA Board of Commissioners in a meeting that is open to the public for approval; and

Provide the amendment or modification to HUD for approval by HUD in accordance with HUD's plan review procedures.

The following are not considered significant amendments or modifications to the CFP 5-Year Action Plan:

- The transfer of work projects, from one grant year to another in the Capital Fund Program (fungibility), which are included in the approved Capital Fund Program 5-Year Action Plan;

- The transfer of funds in the Capital Fund Program from one-line item to another within the same grant year budget;
- Additional work projects funded by the Capital Fund Program not included in the 5-Year Action Plan, which have been deemed to be emergencies; and
- Policy changes resulting from HUD or other federal agency mandates, regulations, or directives.

If the CDA determines a proposed amendment or modification is not significant, no HUD approval is needed.

V. Examples

None.

VI. References

- 2 CFR 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Public Housing Capital Fund Program Final Rule (2013)
- 24 CFR 905.300 – Capital Fund Submission Requirements
- U.S. Department of Housing and Urban Development Capital Fund Guidebook

VII. Creation

July 269, 2018

VIII. Last Review

None.

IX. Next Review

2022

Section 600 General Procurement Policies

[New]600.65.20190912 – CDA Redevelopment Procurement Policy

I. Purpose and General Statements of Intent

This policy clarifies the procurement process for CDA Redevelopment. The intent of this policy is to provide for the fair and equitable treatment of all persons or firms involved in purchasing; to ensure that goods, commodities, and services are procured efficiently, effectively, and at the most favorable prices available; and to promote competition in contracting.

II. Background and Related Policies

The Redevelopment Authority of the City of Madison was created for the purpose of “carrying out blight elimination, slum clearance, and urban renewal programs and projects.” The powers and duties of the Authority are outlined in State statute, notably Wis. Stat. 66.1333(5).

Under state statute, the CDA is a separate body, corporate and politic, from the City of Madison. The City of Madison and the CDA have defined their administrative relationship in the Contract for Service.

As CDA Redevelopment operates under state statute, but uses City facilities and personnel under the Contract for Services, which, at times, requires following City ordinances and policy. As such, there is a need to clarify and standardize the procurement process for CDA Redevelopment. This policy also applies to purchases made by property management companies under contract with the CDA.

The CDA Housing Authority is subject to federal procurement guidelines. As such, this policy does not apply to the Housing Authority. Refer to the Housing Authority procurement policy for additional information.

CDA Redevelopment properties under a limited liability corporation (LLC) are included under this policy to the extent permitted and reasonable under the conditions of the Operating Agreement. For more information, see Policy 530.65.

III. Definitions

A. CDA Redevelopment

The division of the Community Development Authority of the City of Madison exercising the powers and duties of the Redevelopment Authority of the City of Madison.

B. Contract for Services

The CDA is authorized by Madison General Ordinance 3.17 to act as the housing and redevelopment authority for the City of Madison. The CDA is a separate body, corporate and politic, formed with approval of the City to carry out neighborhood and housing rehabilitation programs. The operational and financial relationship between the City and the CDA is outlined in the Contract for Services, Materials, and Equipment (Contract for Services).

C. Major Object Code

In the City of Madison financial system, which the CDA uses to administer its finances, similar purchase types are grouped into Major Object Codes. The two primary Major Object Codes for procurement are Supplies (53) and Purchased Services (54).

D. Class 2 Notice

Section 985.07, Wisconsin Statutes, generally provides for three classes of legal notices, distinguished by the number of “insertions,” which is the number of times a notice must be published. A Class 1 notice must be inserted or published once, at least a week before the applicable act or event takes place. A Class 2 notice must be published for two consecutive weeks, the second of which must be at least one week before the occurrence of the act or event about which notice is being given. A Class 3 notice requires three insertions, in three consecutive weeks, the final of which must be at least a week before the act or event. The designated number of insertions is the minimum required by law, and the frequency may be increased at the discretion of the governmental agency. (Wisconsin Legislative Reference Bureau, “Giving Notice: Publication of Government Activities in the Internet Age.” December 2015)

E. Ban the Box

Ban the Box policies remove questions about an applicant’s criminal and arrest record from job applications, and help ensure that an applicant’s criminal history is not considered until later in the hiring process. This policy is intended to address hiring disparities and barriers to employment faced by ex-offenders and people who have had police contacts but are qualified for the job. The City of Madison policy is General Ordinance 39.08.

F. Small Business Enterprise (SBE)

The City of Madison created a Small Business Enterprise program to encourage participation of small businesses in City-funded public works contracts.

G. Section 3

Section 3 is a means by which the U.S. Department of Housing and Urban Development (HUD) fosters local economic development, neighborhood economic improvement, and individual self-sufficiency. Section 3 is the legal basis for providing jobs for residents and awarding contracts to businesses in areas receiving certain types of HUD financial assistance. Under Section 3 of the HUD Act of 1968, wherever HUD financial assistance is expended for housing or community development, to the greatest extent feasible, economic opportunities will be given to Section 3 residents and businesses in that area. (HUD Section 3 Brochure)

H. Lowest Bidder

The lowest bidder is one whose bid contains the lowest total dollar amount when compared with other bids submitted for the same work. (Adapted from State of Wisconsin Department of Administration Administrative Code Chapter ADM21)

I. Qualified Bidder

A qualified bidder is one who 1) has completed one or more projects of similar size or value to the work being bid and 2) has access to all necessary equipment and has organizational capacity and technical competence necessary to enable performance of the work properly and expeditiously. (Adapted from State of Wisconsin Department of Administration Administrative Code Chapter ADM21)

J. Competent Bidder

A competent bidder is one who meets the following conditions:

1. Maintains a permanent place of business.
2. Provides a sworn statement upon request, which evidences the bidder has adequate financial resources to complete the work being bid, as well as all other work the bidder is presently under contract to complete.
3. Is bondable for the terms of the proposed contract, if required.
4. Has a record of satisfactorily completing past projects.
5. Established and diligently maintained a satisfactory affirmative action program in accordance with the contract provisions. (Adapted from State of Wisconsin Department of Administration Administrative Code Chapter ADM21)

K. Petty Cash

Petty cash is a small amount of cash kept on hand to make immediate payments for miscellaneous expenses.

IV. Policy

A. Statement of Ethics in Public Contracting

Per Madison General Ordinance 3.17(10), Commissioners and employees of the CDA are subject to the City of Madison Code of Ethics outlined in Madison General Ordinance 3.35.

With specific regard to procurement, no staff, officer, or agent of the CDA shall participate in the selection, award, or administration of a contract if it would involve a real or perceived conflict of interest. Such conflict would arise when a financial or other interest in a firm selected for award is held by:

1. A CDA employee or officer involved in making the award;
2. The relative of a CDA employee or officer including father, mother, son, daughter, brother, sister, uncle, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepsister, half brothers, or half sisters;
3. The partner of a CDA employee or officer; or
4. An organization which employs, is negotiating to employ, or has an arrangement concerning prospective employment of any of the above.

CDA officers, staff, or agents shall not solicit or accept anything of value (e.g., gratuities, favors, or kickbacks) from contractors, potential contractors, or parties to sub agreements.

Questions regarding ethical conduct in CDA procurement shall be directed to the Executive Director and Office of the City Attorney. Concerns about ethical procurement conduct, waste, abuse, or fraud shall be directed to the Executive Director. In the event that the concern involves the Executive Director, the concern shall be directed to the CDA Board Chair and Office of the City Attorney for consideration and investigation.

B. Statement of Intent

It is the intent of the CDA to align its procurement practices with those of the City of Madison. While state statutory requirements and differences in governance structures prevent full alignment, reasonable

effort should be made to consult and adopt City of Madison procurement principles. City of Madison procurement staff should be consulted on situations not addressed by this policy, and this policy should be updated as appropriate.

C. Contract Execution

All contracts directly executed by the CDA must be signed by the Board Chair, or the Vice Chair in the absence of the Chair, and the Executive Director, or the Assistant Director in the absence of the Executive Director. Signing contracts shall not be delegated to CDA staff.

Contracts executed by a property management company in fulfillment of the duties and responsibilities delineated in the property management agreement do not require the signature of the Board Chair and Executive Director.

D. Petty Cash

CDA staff shall not use petty cash for procurement on CDA redevelopment properties.

For property management companies, petty cash should be a payment method of last resort. When possible and practical, purchases are preferably made using a purchase card or by invoice. Petty cash purchases shall not exceed \$200.

Petty cash purchases require a receipt. When a receipt cannot be obtained (e.g., coin-operated parking meter), the expense should be documented by management company staff.

Petty cash funds shall not exceed \$500. Funds shall be stored in a secure location, like a locked box or drawer. Petty cash funds shall be reconciled and replenished monthly. Per Policy 510.10, the petty cash reconciliation shall be included in the monthly property management report.

D. Goods and Commodities

Goods and commodities are generally tangible items, supplies, or software. In the financial system, these are identified in Major Object Code 53. The CDA relies on City of Madison purchasing guidance to define and categorize goods and commodities, as needed.

The requirements for purchasing goods and commodities vary in State statute and City policy by the value of the purchase. The following reconciles State and City requirements.

1. Less than \$3,000. Purchases of less than \$3,000 made through the City financial system may be made by purchase card or purchase order. Written quotes are recommended to inform a best value judgment in making a final decision. Purchases require delegated authorization from the Executive Director and appropriate budget authority.

For purchases made by property management companies, written quotes are recommended to inform a best value judgment in making a final decision. Purchases may be made by purchase card, purchase order, or petty cash.

2. \$3,000 to \$9,999. Purchases in this range follow the same guidelines as purchases for less than \$3,000. Written quotes are recommended to inform a best value judgment in making a final decision. Per Wisconsin Statute 66.1333(5)(a)(2), if a contract is required, a class 2 notice shall be completed before any contract is signed.

Property management companies shall comply with this paragraph.

As provided under Section 985.02, Wisconsin Statues, Class 2 procurement notices in this price range are published to the CDA website and to a public bulletin board in the CDA Housing Office lobby.

3. \$10,000 to \$24,999. A purchase of goods from \$10,000 to \$24,999 made through the City financial system will be done by purchase order. A minimum of three written quotes will be obtained before deciding on a vendor. A class 2 notice shall be published before any contract is entered into. Purchases require approval by the Executive Director or delegate and appropriate budget authority.

Purchases made by property management companies require a minimum of three written quotes obtained before deciding on a vendor. If a contract is required, a class 2 notice shall be published before any contract is entered into. Proper budget authority is required for these purchases.

As provided under Section 985.02, Wisconsin Statues, Class 2 procurement notices in this price range are published to the CDA website and to a public bulletin board in the CDA Housing Office lobby.

4. \$25,000 to \$49,999. A purchase of goods from \$25,000 to \$49,999 made through the City financial system shall require three written quotes. The solicitation of quotes shall be noticed with a class 2 notice. Purchases made through the City financial system will be done by purchase order with approval of the Executive Director and appropriate budget authority.

Per Wisconsin Statute 66.1333(5)(2), the contract shall be awarded to the lowest qualified and competent bidder. As such, contractors may be strongly encouraged to comply with the City of Madison Ban the Box ordinance, but may not be denied a contract on this basis.

Purchases made by property management companies need not require contractors to comply with the Ban the Box ordinance. Approval by the Executive Director and proper budget authority is required for these purchases.

As provided under Section 985.02, Wisconsin Statues, Class 2 procurement notices in this price range are published to the CDA website and to a public bulletin board in the CDA Housing Office lobby.

5. \$50,000 or greater. A purchase of goods \$50,000 or greater shall require a bid following City of Madison guidelines. The bid shall also be advertised with a Class 2 notice. Purchases must comply with the City's Affirmative Action policy. Purchases made through the City financial system require approval of the Executive Director. Purchases require proper budget authority and will be done by purchase order.

Per Wisconsin Statute 66.1333(5)(2), the contract shall be awarded to the lowest qualified and competent bidder. As such, contractors may be strongly encouraged to comply with the City of Madison Ban the Box ordinance, but may not be denied a contract on this basis.

Purchases made by property management companies shall require a formal bid with technical assistance from CDA staff. Purchases require approval of the Executive Director. Purchases require proper budget authority. Contracts are not subject to the City of Madison's Ban the Box ordinance and Affirmative Action requirements.

Class 2 procurement notices in this price range are published to the CDA website, to a public bulletin board in the CDA Housing Office lobby, and to an appropriate newspaper.

E. Services

In the financial system, these are identified in Major Object Code 54. The CDA relies on City of Madison purchasing guidance to define and categorize services, as needed.

The requirements for purchasing services vary in City policy by the length and value of the contract. Note that renewals in the contract are included when determining the length of the contract.

1. Less than one year and \$5,000. A purchase of services through the City financial system can be done by purchasing card or purchase order. Written quotes are recommended to inform a best value judgment in making a final decision. Delegated authorization of the Executive Director and proper budget authority are required for these purchases.

Property management companies may contract for services provided that appropriate budget authority is available. Written quotes are recommended to inform a best value judgment in making a final decision. Proper budget authority is required for these purchases.

2. One year and \$5,000 to \$9,999. A purchase of services through the City financial system follows the same requirements for a contract of less than one year and \$5,000. Written quotes are recommended to inform a best value judgment in making a final decision. In addition, a CDA Purchase of Services Contract is required.

Property management companies are not required to use a Purchase of Services Contract.

3. One year and \$10,000 to \$24,999. A purchase of services through the City financial system will be done by purchase order and will require a CDA Purchase of Services Contract. A minimum of three written quotes must be obtained before deciding on a vendor. Approval of the Executive Director and proper budget authority are required.

Property management companies may contract for services provided that appropriate budget authority is available. A minimum of three written quotes must be obtained before deciding on a vendor. Property management companies are not required to use a Purchase of Services Contract.

4. One year and \$25,000 to \$49,999. A purchase of services in the City financial system follows the same requirements for a contract of less than one year and \$10,000 to \$24,999. In addition, contracts must comply with the City of Madison Ban the Box policy.

Property management companies need not require Ban the Box compliance from contractors. Approval from the Executive Director is required.

5. One year and \$50,000 to \$99,999. A purchase of services through the City financial system meeting these criteria shall require a request for proposals (RFP) following City of Madison guidelines. The purchase shall be done by purchase order, use a CDA Purchase of Services Contract, comply with the City of Madison Ban the Box policy, and comply with City of Madison Affirmative Action policies.

Approval of the Executive Director and proper budget authority are required for these purchases.

Property management companies shall complete an RFP process with the technical assistance of CDA staff. A Purchase of Services Contract, City of Madison Ban the Box policy compliance, and City of Madison Affirmative Action compliance are not required. Proper budget authority and approval from the Executive Director are required for these purchases.

6. Greater than \$100,000 per year. A purchase of services for more than an average of \$100,000 per year shall require a request for proposals (RFP) following City of Madison guidelines. The purchase shall be done by purchase order, use a CDA Purchase of Services Contract, comply with the City of Madison Ban the Box policy, and comply with City of Madison Affirmative Action policies. The CDA shall make all reasonable efforts to support the City's SBE policies. Approval by the CDA Board and proper budget authority are required.

Property management companies shall complete an RFP process with the technical assistance of CDA staff. A Purchase of Services Contract, City of Madison Ban the Box policy compliance, and City of Madison Affirmative Action compliance are not required. Proper budget authority and approval from the CDA Board are required for these purchases.

7. Greater than one year. A purchase of services lasting more than one year shall be approved by the CDA Board. The competitive process will be the same as for a contract of one year or less based on the total cost of the contract.

In general, contracts for services should not extend beyond five years.

F. Emergency Purchase Procedures

In the event of an emergency, the Executive Director, or designee in the event of the Executive Director's absence, may approve purchases up to \$50,000 without following the procurement considerations in the above policy. The Board shall be advised of the conditions constituting an emergency and the purchase by email at the time of purchase.

Emergency contracts for capital projects by CDA staff must be approved by the City of Madison Finance Director, or designee, and the CDA Executive Director, or designee in the event of the Executive Director's absence. There is no limit on the value of emergency contracts for capital projects. The Board shall be advised of the conditions constituting an emergency and the purchase by email at the time of purchase.

A property manager may approve emergency procurement purchases up to \$50,000 without following the procurement considerations in the above policy. Every reasonable effort shall be made to contact the Executive Director prior to signing a contract. The property manager shall communicate the conditions warranting the emergency purchase and the contract to the Asset Manager and Executive Director within 48 hours. If necessary, budgets shall be amended after the emergency to reflect the purchase.

An emergency is a situation that is an immediate and credible threat to the life, health, or safety of property residents, tenants, and guests. Examples may include purchasing sand bags during a flooding event or space heaters during an extended heating system failure in the winter.

G. Limited Liability Corporations

The general operation of properties owned by an LLC are defined in the LLC documents and management agreement. In the absence of procurement guidance in those documents, the CDA shall use this policy for guidance in its role as a managing member and/or management agent.

For additional information on LLCs, see Policy 530.65

H. Auditing Contracts

Contracting with auditors for CDA finances and properties shall follow the policy for contracting for service. Recognizing that it is desirable for auditors to develop familiarity with an organization's finances over time, auditing contracts may extend beyond five years without being rebid. It is considered best practice to rebid auditing contracts after fifteen years.

I. Residential Property Management Companies

Contracting with residential property management companies is subject to Policy 510.10.

J. Changes in Laws and Regulations

This policy complies with applicable State and City procurement requirements. In the event a new requirement is adopted or an applicable requirement is modified, the new or modified requirement shall supersede this policy. The CDA shall update this policy to resolve any inconsistencies following Policy 500.10.

K. Public Access to Procurement Information

Procurement information shall be a matter of public record to the extent provided in Wisconsin Open Records Law and shall be available to the public as provided in those statutes.

V. Examples

A. Goods and Commodities

Value	Transaction System	Process	Approval	Purchase Method	Ban the Box	Affirmative Action	Guiding Policy
Less than \$3,000	City financial system	Written quote recommended	Delegation from Executive Director	Purchase card or purchase order	No	No	City of Madison
	Management company	Written quote recommended	Management agreement	Purchase card, purchase order, petty cash	No	No	City of Madison
\$3,000 to \$9,999	City financial system	Quote recommended, Class 2 notice for contracts	Delegation from Executive Director	Purchase card or purchase order	No	No	State statute
	Management company	Quote recommended, Class 2 notice for contracts	Management agreement	Purchase card or purchase order	No	No	State statute
\$10,000 to \$24,999	City financial system	Three quotes, Class 2 notice for contracts	Executive Director or delegate	Purchase order	No	No	City of Madison
	Management company	Three quotes, Class 2 notice for contracts	Management agreement	Purchase order	No	No	City of Madison
\$25,000 to \$49,999	City financial system	Quotes advertised with a Class 2 notice	Executive Director	Purchase order	Strongly encouraged	No	State statute
	Management company	Quotes advertised with a Class 2 notice	Executive Director	Purchase order	No	No	State statute
\$50,000 or greater	City financial system	Bid advertised with a Class 2 notice	Executive Director	Purchase order	Strongly encouraged	Yes	City of Madison
	Management company	Bid advertised with a Class 2 notice	Executive Director	Purchase order	No	No	City of Madison
Emergency (\$50,000 limit)	City financial system and Management company	None	Executive Director or designee when absent	Purchase order	No	No	CDA policy
Emergency for capital projects (No limit)	City financial system	None	City Finance Director and Executive Director	Purchase order	No	No	City of Madison

B. Services

Duration and Value	Transaction System	Process	Approval	Purchase Method	Ban the Box	Affirmative Action	SBE
One year and less than \$5,000	City financial system	Written quote recommended	Delegation from Executive Director	Purchase card or Purchase order	No	No	No
	Management company	Written quote recommended	Management agreement	Purchase card or Purchase order	No	No	No
One year and \$5,000 to \$9,999	City financial system	CDA Purchase of Services Contract	Executive Director or delegate	Purchase card or Purchase order	No	No	No
	Management company	Written quote recommended	Management agreement	Purchase card or Purchase order	No	No	No
One year and \$10,000 to \$24,999	City financial system	Three quotes, CDA Purchase of Services Contract	Executive Director	Purchase order	No	No	No
	Management company	Three quotes	Management agreement	Purchase card or Purchase order	No	No	No
One year and \$25,000 to \$49,999	City financial system	Three quotes, CDA Purchase of Services Contract	Executive Director	Purchase order	Yes	No	No
	Management company	Three quotes	Executive Director	Purchase card or Purchase order	No	No	No
One year and \$50,000 to \$99,999	City financial system	RFP and CDA Purchase of Services Contract	Executive Director	Purchase order	Yes	Yes	No
	Management company	RFP	Executive Director	Purchase card or Purchase order	No	No	No
Greater than \$100,000 per year	City financial system	RFP and CDA Purchase of Services Contract	CDA Board	Purchase order	Yes	Yes	Yes
	Management company	RFP	CDA Board	Purchase order	No	No	No
Greater than one year	City financial system	Depends on value	CDA Board	Varies	Varies	Varies	Varies
	Management company	Depends on value	CDA Board	Varies	No	No	Varies
Emergency (\$50,000 limit)	City financial system and Management company	None	Executive Director or designee when absent	Purchase Order	No	No	No
Emergency for capital projects (No limit)	City financial system	None	City Finance Director and Executive Director	Purchase Order	No	No	No

VI. References

- Contract for Services, Materials, and Equipment
- Madison General Ordinance 3.17
- Madison General Ordinance 3.35
- Wis. Stat. 66.1333(5)
- Wisconsin Public Records Law Compliance Guide, March 2018
- Bylaws of the Community Development Authority of the City of Madison

VII. Creation

September 12, 2019 (Proposed)

VIII. Last Review

None.

IX. Next Review

2023

[New]600.70.20190912 – CDA Redevelopment Capital Improvement and Replacement Policy

I. Purpose and General Statements of Intent

This policy outlines the process for capital improvement and replacement contracting on CDA Redevelopment properties. This policy does not apply to CDA properties under a Limited Liability Corporation (LLC).

II. Background and Related Policies

While the CDA is established as a separate body, corporate and politic, from the City of Madison, the two entities are administratively connected. Under Wis. Stat. 66.1333(15) and Madison General Ordinance 3.17(15), the CDA's annual budget shall be approved by the Finance Committee and Common Council. Further, the Contract for Services specifies that the City of Madison shall maintain the financial records of the CDA.

The administrative connection is particularly relevant for capital improvements on CDA Redevelopment properties.

III. Definitions

A. Contract for Services

The CDA is authorized by Madison General Ordinance 3.17 to act as the housing and redevelopment authority for the City of Madison. The CDA is a separate body, corporate and politic, that acts as the agent of behalf of the City in neighborhood and housing rehabilitation programs. The operational and financial relationship between the City and the CDA is outlined in the Contract for Services, Materials, and Equipment (Contract for Services).

B. Limited Liability Corporation (LLC)

See Policy 530.65 for additional information about LLCs.

IV. Policy

A. Statement of Ethics in Capital Improvements and Replacements

Per Madison General Ordinance 3.17(10), Commissioners and employees of the CDA are subject to the City of Madison Code of Ethics outlined in Madison General Ordinance 3.35.

If any Commissioner or employee of the CDA owns or controls a direct or indirect interest in any property that is part of a redevelopment project, he or she shall immediately disclose the same in writing to the CDA and such disclosure shall be entered upon the minutes of the CDA, and such Commissioner or employee shall not participate in any action by the CDA relating to such property.

Questions regarding ethical conduct shall be directed to the Executive Director. Concerns about direct or indirect interest in a property shall be directed to the Executive Director. In the event that the concern involves the Executive Director, the concern shall be directed to the CDA Board Chair for consideration and investigation.

B. Capital Threshold

Per Policy 540.10, improvements and replacements less than \$5,000 or with under 12 months of useful life should be expensed and not capitalized. Procurement for purchases less than the threshold should follow the guidance for goods and commodities described in Policy 600.65.

C. City of Madison Capital Budget

The CDA shall submit all capital projects that will be transacted through the City financial system to the City capital budget process. City capital budget requests shall be reviewed by the CDA Finance Subcommittee at the second quarter meeting prior to submission.

D. CDA Property Budgets

CDA staff and property management companies shall prepare annual property budgets, which are reviewed at the fourth quarter CDA Finance Subcommittee meeting and recommended to the Board for approval. The budgets shall include all CDA capital projects for the following fiscal year and the anticipated use of replacement reserves. See Policy 535.65 for more information on replacement reserves.

E. Capital Project Contracting

Contracting shall follow the process outlined in Policy 600.65.

F. Capital Projects Outside of the Budget Process

A capital improvement or replacement project may be identified after the City of Madison capital budget and CDA property budget are approved. In that case, the CDA Board must adopt a resolution approving the project and amending the property budget. Following CDA Board approval, a resolution to amend the City of Madison Capital Budget must be approved by the Common Council if the transaction will occur in the City financial system.

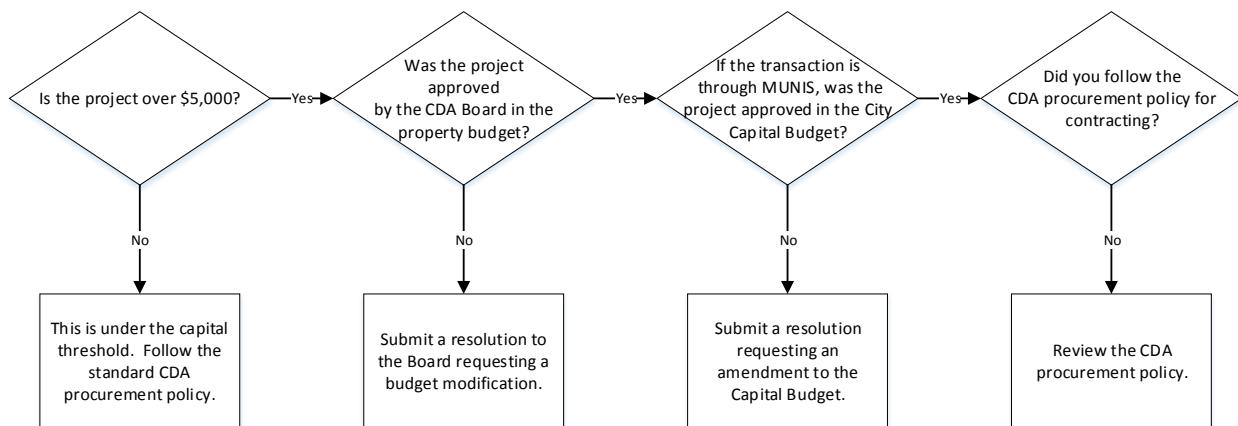
F. Emergency Capital Projects

Consistent with Madison General Ordinance 4.26(4) and Policy 600.65, the City of Madison Finance Director, or designee, and the CDA Executive Director, or designee in the event of the Executive Director's absence, may contract for capital projects transacted through the City financial system in the event of an emergency.

Requirements to notify the Common Council and CDA Board of emergency contracting are defined in Madison General Ordinance and CDA policy 600.65.

V. Examples

A. Project Checklist



VI. References

- Wis. Stat. 66.1333(15)
- Madison General Ordinance 3.17(15)
- Madison General Ordinance 3.35
- Bylaws of the Community Development Authority of the City of Madison
- Contract for Services, Materials, and Equipment
- Policy 600.65 CDA Redevelopment Procurement Policy

VII. Creation

September 12, 2019 (Proposed)

VIII. Last Review

None.

IX. Next Review

2023

600.85.20190509 – Community Development Authority Procurement Policy

Policy follows in the format used by Housing and Urban Development. Next review in 2023.

**COMMUNITY DEVELOPMENT AUTHORITY
of the
CITY OF MADISON**



Procurement Policy

Resolution No.: 4322

Adopted: May 9, 2019

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PROCUREMENT POLICY

COMMUNITY DEVELOPMENT AUTHORITY OF THE CITY OF MADISON

This Procurement Policy is established for the Community Development Authority of the City of Madison (hereinafter, CDA) by action of the CDA Board of Commissioners (Board) on May 9, 2019. This Procurement Policy (Policy) complies with the Annual Contributions Contract (ACC) between the CDA and the United States Department of Housing and Urban Development (HUD); Federal Regulations 2 CFR 200.317 through 200.326, the procurement standards of the Procurement Handbook for Public Housing Authorities (PHAs); HUD Handbook 7460.8, Rev 2; and applicable State and Local Laws. In case of a discrepancy between this document and the procurement standards of HUD, the language of the HUD Procurement Handbook shall prevail.

I. GENERAL PROVISIONS

The CDA shall:

1. Provide for a procurement system of quality and integrity;
2. Provide for the fair and equitable treatment of all persons or firms involved in purchasing by the CDA;
3. Ensure that supplies, services and construction are procured efficiently, effectively, and at the most favorable prices available to the CDA;
4. Promote competition in contracting; and
5. Assure that CDA purchasing actions are in full compliance with applicable Federal standards, HUD regulations, State, and Local laws.

Application

This Policy applies to all procurement actions of the CDA, regardless of the source of funds, except as noted under "exclusions," below. However, nothing in this Policy shall prevent the CDA from complying with the terms and conditions of any grant, contract, gift or bequest that is otherwise consistent with the law. When both HUD and non-Federal grant funds are used for a project, the work to be accomplished with the funds should be separately identified prior to procurement so that appropriate requirements can be applied, if necessary. If it is not possible to separate the funds, HUD procurement regulations shall be applied to the total project. If funds and work can be separated and work can be completed by a new contract, then regulations applicable to the source of funding may be followed.

CDA will conduct its purchasing and procurement according to this Policy and the federal regulations, Handbooks and policies listed above. This procedure is authorized for the Housing Authority by the federal government, thus CDA conducts its purchasing methods under the exception to Wis. Stat. sec. 66.1201(24)(a) stated in sec. 66.1201(24)(ag). CDA also is not obligated to follow the City of Madison's Purchasing Guidelines and related ordinances, because CDA is a separate legal entity from the City of

Madison. However, CDA may use the services of the City of Madison Finance Department Purchasing unit when it is advantageous to do so, as long as it is done in compliance with this Policy.

Definition

The term “procurement,” as used in this Policy, includes the procuring, purchasing, leasing, or renting of: (1) goods, supplies, equipment, and materials, (2) construction and maintenance; consultant services, (3) Architectural and Engineering (A/E) services, (4) Social Services (Tenant/Resident Services), and (5) other service.

Exclusions

This policy does not govern administrative fees earned under the Section 8 voucher program, the award of vouchers under the Section 8 program, the execution of landlord Housing Assistance Payments contracts under that program, or non-program income, e.g., fee-for-service revenue under 24 CFR Part 990 and non-HUD funded units. These excluded areas are subject to applicable State and local requirements.

Changes in Laws and Regulations

In the event an applicable law or regulation is modified or eliminated, or a new law or regulation is adopted, the revised law or regulation shall, to the extent inconsistent with this Policy, automatically supersede this Policy.

Public Access to Procurement Information

Most procurement information that is not proprietary is a matter of public record and shall be available to the public to the extent provided in the Freedom of Information Act and Wisconsin Public Records Law, Wis. Stat. s.19.31, *et.seq.*

II. ETHICS IN PUBLIC CONTRACTING

The CDA hereby establishes this code of conduct regarding procurement issues and actions and shall implement a system of sanctions for violations. This code of conduct is intended to be consistent with applicable Federal, State, and Local law.

Conflicts of Interest

No employee, officer or agent of CDA shall participate directly or indirectly in the selection or in the award or administration of any contract if a conflict, real or apparent, would be involved. Such conflict would arise when a financial or other interest in a firm selected for award is held by:

1. An employee, officer or agent involved in making the award;
2. His/her relative (including father, mother, son, daughter, brother, sister, uncle, nephew, niece, husband, wife, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepsister, half brothers, or half sisters);
3. His/her partner; or
4. An organization which employs, is negotiating to employ, or has an arrangement concerning prospective employment of any of the above.

Gratuities, Favors, Kickbacks, and Use of Confidential Information

CDA officers, employees, Board members or agents will neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or parties to subcontracts, and shall not knowingly use confidential information for actual or anticipated personal gain. CDA may set minimum rules where the financial interest is not substantial or the gift is an unsolicited item of nominal intrinsic value. To the extent permitted by State or local law, such minimum rules will provide for penalties, sanctions, or other disciplinary actions for violations of such standards by the officers, employees, or agents, or by contractors or their agents. Compliance with applicable state law and the City of Madison Ethics Code, Sec. 3.35 of the Madison General Ordinances ("Madison Ethics Code") and its interpretation and enforcement under procedures established therein shall fulfill this requirement.

City of Madison Ethics Code. In addition to the code of conduct established in this section, CDA employees and officers (CDA commissioners) are subject to the City of Madison Ethics Code, section 3.35 of the Madison General Ordinances. In the event of a conflict between the Madison Ethics Code and this Policy, the more strict provision shall apply.

Prohibition Against Contingent Fees

Contractors wanting to do business with the CDA must not hire a person to solicit or secure a contract for a commission, percentage, brokerage, or contingent fee, except for bona fide established commercial selling agencies.

III. PROCUREMENT PLANNING

Planning is essential to managing the procurement function properly. Hence, the CDA will periodically review its record of prior purchases, as well as future needs, to:

1. Find patterns of procurement actions that could be performed more efficiently or economically;
2. Avoid unnecessary or duplicative items;
3. Maximize competition and competitive pricing among contracts and decrease the CDA's procurement costs;
4. Reduce CDA administrative costs;
5. Ensure that supplies and services are obtained without any need for re-procurement, e.g., resolving bid protests; and
6. Minimize errors that occur when there is inadequate lead time.

Consideration should be given to storage, security, and handling requirements when planning the most appropriate purchasing actions. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. Where appropriate, an analysis will be made of lease versus purchase alternatives, and any other appropriate analysis to determine the most economical approach.

IV. PURCHASING METHODS

CDA will conduct its purchasing and procurement according to this Policy and the federal regulations, Handbooks and policies listed in the Introduction. This procedure is authorized for the Housing Authority by the federal government, thus CDA conducts its purchasing methods under the exception to Wis. Stat. sec. 66.1201(24)(a) stated in sec. 66.1201(24)(ag). CDA also is not obligated to follow the City of Madison's Purchasing Guidelines and related ordinances, because CDA is a separate legal entity from the City of Madison. However, CDA may use the services of the City of Madison Finance Department Purchasing unit when it is advantageous to do so, as long as done in compliance with this Policy.

Petty Cash Purchases

Purchases under \$200 may be handled through the use of a petty cash account. The Contracting Officer shall ensure that:

1. The account is established at \$500 to cover small purchases made during a reasonable period, e.g., one month;
2. Security is maintained and only authorized individuals have access to the account;
3. The account is periodically reconciled and replenished by submission of a voucher to the City of Madison Finance Office; and
4. The account is periodically, no less than annually, audited by the CDA Finance and Grants Manager or designee to validate proper use and to verify that the account totals equals cash on hand plus the total of accumulated vouchers.

Micro Purchase Procedures (under \$10,000)

For purchases of less than \$10,000 (except for construction procurements subject to the Davis-Bacon Act, which is set at \$2,000), also known as Micro Purchases, a minimum of one quote is required provided the quote is considered reasonable.

CDA shall not break down requirements aggregating more than the Micro Purchase limit into several purchases that are less than the applicable threshold merely to: (1) permit use of the Micro Purchase procedures or (2) avoid any requirements that apply to purchases that exceed the Micro Purchase limit.

To the greatest extent feasible and to promote competition, Micro Purchases should be distributed among qualified sources.

Small Purchase Procedures (\$10,000 - \$250,000)

For any amounts above the Micro Purchase threshold, but not exceeding \$250,000 the CDA may use Small Purchase procedures. Under Small Purchase procedures, the CDA shall obtain a reasonable number of quotes, preferably a minimum of three Quotations for Small Purchases (QSP), or quotes, shall be obtained in writing.

CDA shall not break down requirements aggregating more than the Small Purchase limit into several purchases that are less than the applicable threshold merely to: (1) permit use of the Small Purchase procedures or (2) avoid any requirements that apply to purchases that exceed the Small Purchase limit.

Award shall be made to the responsive and responsible vendor that submits the lowest cost to the CDA. If the award is made for reasons other than the lowest price, documentation shall be provided in the contract file. To the greatest extent feasible and to promote competition, Small Purchases should be distributed among qualified sources.

Sealed Bids (\$250,000 and above)

Sealed Bidding shall be used for all contracts that exceed the Small Purchase threshold and that are not competitive proposals or non-competitive proposals, as these terms are defined in this Policy. Under Sealed Bids, the CDA publicly solicits bids and awards a fixed-price contract (lump sum or unit price) to the responsive and responsible bidder whose bid, conforming with all the materials terms and conditions of the Invitation for Bids (IFB), is the lowest price. Sealed bidding is the preferred method for procuring construction, supply, and non-complex service contracts that are expected to exceed the Small Purchase threshold of \$250,000.

1. **Conditions for Using Sealed Bids.** CDA shall use the sealed bid method if the following conditions are present: a complete, adequate, and realistic statement of work, specification, or purchase description is available; two or more responsible bidders are willing and able to compete effectively for the work; the contract can be awarded based on a firm fixed price; and the selection of the successful bidder can be made principally on the lowest price. Sealed bidding shall not be used for A/E solicitations.
2. **Solicitation and Receipt of Bids.** An IFB is issued, which includes the specifications and all contractual terms and conditions applicable to the procurement, and a statement that the award will be made to the lowest responsible and responsive bidder whose bid meets the requirements of the solicitation. The IFB must state the time and place for both receiving bids and the public bid opening. All bids received will be date and time-stamped and stored unopened in a secure place until the public bid opening. A bidder may withdraw the bid at any time prior to the bid opening.
3. **Bid Opening and Award.** Bids shall be opened publicly and in the presence of at least one witness. All bids received shall be recorded on an abstract (tabulation) of bids and then made available for public inspection. If equal low bids are received from responsible bidders, selection shall be made by drawing lots or similar random method, unless otherwise provided in State or local law and stated in the invitation for bids. If only one responsive bid is received for a responsible bidder, award shall **not** be made unless a cost or prices analysis verifies the reasonableness of the price.
4. **Mistakes in Bids.** Correction or withdrawal of bids may be permitted where appropriate, before bid opening by written notice received in the office designated in the IFB prior to the time set for bid opening. After bid opening, corrections in bids may be permitted only if the bidder can show by clear and convincing evidence that a mistake of a nonjudgmental character was made, the nature of the mistake, and the bid price actually intended. A low bidder alleging a nonjudgmental mistake may be permitted to withdraw its bid if the mistake is clearly evident on the face of the bid document but the intended bid is unclear or the bidder submits convincing evidence that a mistake was made. All decisions to allow correction or withdrawal of a bid shall

be supported by a written determination signed by the Contracting Officer. After bid opening, changes in bid prices or other provisions of bid prejudicial to the interest of the CDA or fair competition shall not be permitted.

Competitive Proposals (\$250,000 and above)

Unlike Sealed Bidding, the Competitive Proposal method permits: the consideration of technical factors other than price; discussion with offerors concerning offers submitted; negotiation of contract price or estimated cost and other contract terms and conditions; revisions to proposals before the final contractor selection; and the withdrawal of an offer at any time up until the point of award. Award is normally made on the basis of the proposal that represents the best overall value to the CDA, considering price and other factors (e.g., technical expertise, past experiences, quality of proposed staffing, etc.) set forth in the solicitation and not solely the lowest price.

- 1. Conditions for Use.** Where conditions are not appropriate for the use of Sealed Bidding, Competitive Proposals may be used.

Competitive Proposals are the preferred method for procuring professional services that will exceed the Small Purchase threshold. As detailed within Section 7.2.B. of HUD Procurement Handbook 7460.8 REV 2, "Only under limited circumstances would construction services be procured by competitive proposals;" accordingly, construction services will most typically be procured utilizing Sealed Bidding or Small Purchase procedures.

- 2. Form of Solicitation.** Other than architectural and engineering (A/E) services, Competitive Proposals shall be solicited through the issuance of a request for proposals (RFP). The RFP shall clearly identify the importance and relative value of each of the evaluation factors as well as any sub factors and price. A mechanism for fairly and thoroughly evaluating the technical and price proposals shall be established before the solicitation is issued. Proposals shall be handled so as to prevent disclosure of the number of offers, identity of the offerors, and the contents of their proposals until after award. The CDA may assign price a specific weight in the evaluation criteria or the CDA may consider price in conjunction with technical factors; in either case, the method for evaluating price shall be established in the RFP.
- 3. Evaluation.** The proposals shall be evaluated only on the criteria stated in the RFP. Where not apparent from the evaluation criteria, the CDA shall establish an Evaluation Plan for each RFP. Generally, all RFPs shall be evaluated by an appropriately appointed Evaluation Committee. An Evaluation Report, summarizing the results of the evaluation, shall be prepared prior to the award of a contract.
- 4. Negotiations.** Negotiations are exchanges (in either the competitive or sole source environment) between the CDA and offerors that are undertaken with the intent of allowing the offeror to revise its proposal. These negotiations may include bargaining. Bargaining includes persuasion, alteration of assumptions and positions, give-and-take, and may apply to price, schedule, technical requirements, type of contract or other terms of a proposed contract. When negotiations are conducted in a competitive acquisition, they take place after establishment of the competitive range and are called discussions.

Discussions are tailored to each offeror's proposal, and shall be conducted by the Contracting Officer with each offeror within the competitive range. The primary object of discussions is to maximize the CDA's ability to obtain the best value, based on the requirements and the evaluation factors set forth in the solicitation. The Contracting Officer shall indicate to, or discuss with, each offeror still being considered for award, significant weaknesses, deficiencies, and other aspects of its proposal (such as technical approach, past performance, and terms and conditions) that could, in the opinion of the Contracting Officer, be altered or explained to enhance materially the proposer's potential for award. The scope and extent of discussions are a matter of the Contracting Officer's judgement.

The Contracting Officer may inform an offeror that its price is considered by the CDA to be too high, or too low, and reveal the results of the analysis supporting that conclusion. It is also permissible to indicate to all offerors the cost of price that the CDA's price analysis, market research, and other reviews have identified as reasonable. "Auctioning" (revealing one offeror's price in an attempt to get another offeror to lower their price) is prohibited.

These offerors shall be treated fairly and equally with respect to any opportunity for negotiation and revision of their proposals. No offeror shall be given any information about any other offeror's proposal. A common deadline shall be established for receipt of the proposal revisions based on negotiations.

Negotiations shall be conducted with all offerors who submit a proposal determined to have a reasonable chance of being selected for award, unless it is determined that negotiations are not needed with any of the offerors. This determination is based on the relative score of the proposals as they are evaluated and rated in accordance with the technical and price factors specified in the RFP.

5. **Award.** After evaluation of the revised proposals, if any, the contract shall be awarded to the responsible firm whose technical approach to the project, qualifications, price and/or any other factors considered, are more advantageous to the CDA provided that the price is within the maximum total project budgeted amount established for the specific property or activity and the contract terms can be successfully negotiated.
6. **Architect/Engineer Services.** The CDA shall contract for A/E services using Qualifications-based Selection (QBS) procedures, utilizing a Request for Qualifications (RFQ). Under QBS procedures, competitors' qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. Price is not used as a selection factor under this method. QBS procedures shall not be used to purchase other types of services, other than Energy Performance Contracting and Developer services, though architectural/engineering firms are potential sources.

Noncompetitive Proposals

1. **Conditions for Use.** Procurement by noncompetitive proposals (sole or single source) may be used only when the award of a contract is not feasible using Small Purchase procedures, Sealed Bidding, Competitive Proposals, or Cooperative Purchasing/Intergovernmental Agreements, and if one of the following applies:
 - a) The item is available only from a single source, based on a good faith review of available sources;
 - b) An emergency exists that seriously threatens the public health, welfare, or safety, or endangers property, or would otherwise cause serious injury to the CDA, as may arise by reason of a flood, earthquake, epidemic, riot, equipment failure, or similar event. In such cases, there must be an immediate and serious need for supplies, services, or construction such that the need cannot be met through any of the other procurement methods, and the emergency procurement shall be limited to those supplies, services, or construction necessary simply to meet the emergency;
 - c) The awarding agency authorizes the use of noncompetitive proposals; or
 - d) After solicitation of at least three sources, competition is determined inadequate.
2. **Justification.** Each procurement based on Noncompetitive Proposals shall be supported by a written justification for the selection of this method. This justification shall be approved in writing by the responsible Contracting Officer. Poor planning or lack of planning is not justification for emergency or sole-source procurements. The justification, to be included in the procurement file, should include the following information:
 - a) Description of the requirement;
 - b) History of prior purchases and their nature (competitive vs. noncompetitive);
 - c) The specific exception in 2 CFR 200.320(f)(a)-(4) which applies to the procurement;
 - d) Statement as to the unique circumstances that require award by Noncompetitive Proposals;
 - e) Description of the efforts made to find competitive sources (e.g., advertisement in trade journals or local publications, phone calls to local suppliers, issuance of a written solicitations, etc.);
 - f) Statement as to the efforts that will be taken in the future to promote competition for the requirement;
 - g) Signature by the Contracting Officer's supervisor or CDA Executive Director; and
 - h) Price Reasonableness. The reasonableness of the price for all procurements based on noncompetitive proposals shall be determined by performing an analysis, as described in this Policy.

Cooperative Purchasing/Intergovernmental Agreements

The CDA may enter into State and/or local cooperative or intergovernmental agreements to purchase or use common supplies, equipment or services. The decision to use an interagency agreement instead of conducting a direct procurement shall be based on economy and efficiency. If used, the interagency agreement shall stipulate who is authorized to purchase on behalf of the participating parties and shall specify inspection, acceptance, termination, payment, and other relevant terms and conditions. The CDA may use Federal or State excess and surplus property instead of purchasing new equipment and

property if feasible and if it will result in a reduction of project costs. The goods and services obtained under a cooperative purchasing agreement must have been procured in accordance with 2 CFR 200.317 through 200.326.

V. INDEPENDENT COST ESTIMATE (ICE)

For all purchases above the Micro Purchase threshold, the CDA shall prepare an Independent Cost Estimate prior to solicitation. The level of detail shall be commensurate with the cost and complexity of the item to be purchased.

VI. COST AND PRICE ANALYSIS

The CDA shall require assurance that, before entering into a contract, the price is reasonable, in accordance with the following instructions.

Petty Cash and Micro Purchases (under \$10,000)

No formal cost or price analysis is required. Rather, the execution of a contract by the Contracting Officer (through a Purchase Order or other means) shall serve as the Contracting Officer's determination that the price obtained is reasonable, which may be based on the Contracting Officer's prior experience or other factors.

Small Purchases (\$10,000 – \$250,000)

A comparison with other offers shall generally be sufficient determination of the reasonableness of price and no further analysis is required. If a reasonable number of quotes are not obtained to establish reasonableness through price competition, the Contracting Officer shall document price reasonableness through other means, such as prior purchases of this nature, catalog prices, the Contracting Officer's personal knowledge at the time of purchase, comparison to ICE, or any other reasonable basis.

Sealed Bids and Competitive Proposals

The presence of adequate competition should generally be sufficient to establish price reasonableness. Where sufficient bids are not received, and when the bid received is substantially more than the ICE, and where the CDA cannot reasonably determine price reasonableness, the CDA must conduct a cost analysis, consistent with Federal guidelines, to ensure that the price paid is reasonable. For competitive proposals, where prices cannot be easily compared among offerors, where there is not adequate competition, or where the price is substantially greater than the ICE, the CDA must conduct a cost analysis consistent with Federal guidelines, to ensure that the price paid is reasonable.

Contract Modifications

A cost analysis, consistent with federal guidelines, shall be conducted for all contract modifications for projects that were procured through Sealed Bids, Competitive Proposals, or Non-Competitive Proposals. Projects originally procured through Small Purchase procedures that will exceed the Small Purchase limit with the contract modification shall also require a cost analysis.

VII. SOLICITATION AND ADVERTISING

Method of Solicitation

1. **Petty Cash and Micro Purchases.** The CDA may contact only one source if the price is considered reasonable.
2. **Small Purchase.** Quotes may be solicited by phone, email, or any other reasonable method. In soliciting quotes, staff should be mindful of avoiding conflicts of interest, both real and perceived, in the selection of firms solicited for quotes. Reasonable efforts shall be made to solicit quotes from minority- and women-owned businesses.
3. **Sealed Bids and Competitive Proposals.** Solicitation must be conducted publicly. The CDA must use one or more of the following solicitation methods, provided that the method employed provides for meaningful competition:
 - a. Advertising in newspapers or other print mediums of local or general circulations.
 - b. Advertising in various trade journals or publications (for construction).
 - c. E-Procurement. The CDA may conduct its public procurements through the Internet using e-procurement systems. However all e-procurements must otherwise be in compliance with federal regulations, State, and local requirements and the CDA's procurement policy.

Time Frame

For purchases exceeding the Small Purchase threshold, the public notice should run not less than once each week for two consecutive weeks.

Form

Notices/advertisements should state, at a minimum, the place, date, and time that the bids or proposals are due, the solicitation number, a contact who can provide a copy of, and information about, the solicitation, and a brief description of the needed item(s).

Time Period for Submission of Bids

A minimum of 30 days shall generally be provided for preparation and submission of sealed bids and 15 days for competitive proposals. However, the Executive Director may allow for a shorter period under extraordinary circumstances.

Cancellation of Solicitations

1. An IFB, RFP, or other solicitation may be cancelled before bids/offers are due if:
 - a. The supplies, services, or construction is no longer required;
 - b. The funds are no longer available;
 - c. Proposed amendments to the solicitation are of such magnitude that a new solicitation would be best; or
 - d. Other similar reasons.

2. A solicitation may be cancelled and all bids or proposals that have already been received may be rejected if:
 - a. The supplies or services (including construction) are no longer required;
 - b. Ambiguous or otherwise inadequate specifications were part of the solicitation;
 - c. All factors of significance to the CDA were not considered;
 - d. Prices exceed available funds and it would not be appropriate to adjust quantities to come within available funds;
 - e. There is a reason to believe that bids or proposals may not have been independently determined in open competition, may have been collusive, or may have been submitted in bad faith; or
 - f. For good cause of a similar nature when it is in the best interest of the CDA.
3. The reasons for cancellation shall be documented in the procurement file and the reasons for cancellation and/or rejection shall be provided upon request.
4. A notice of cancellation shall be sent to all bidders/offerors solicited and, if appropriate, shall explain that they will be given an opportunity to compete on any resolicitation or future procurement of similar items.
5. If all otherwise acceptable bids received in response to an IFB are at unreasonable prices, an analysis should be conducted to see if there is a problem in either the specifications or the CDA's cost estimate. If both are determined adequate and if only one bid is received and the price is unreasonable, the Contracting Officer may cancel the solicitation and either
 - a. Re-solicit using an RFP; or
 - b. Complete the procurement by using the Competitive Proposal method. The Contracting Officer must determine, in writing, that such action is appropriate, must inform all bidders of the CDA's intent to negotiate, and must give each bidder a reasonable opportunity to negotiation.
6. If problems are found with the specifications, CDA should cancel the solicitation, revise the specifications, and resolicit using an IFB.

Purchasing Credit Cards

Credit card usage should follow the rules for all other Micro Purchases and Small Purchases. For example, the Contracting Officer may use a credit card for Micro Purchases without obtaining additional quotes provided the price is considered reasonable. However, for amounts above the Micro Purchase

level, the Contracting Officer would generally need to have obtained a reasonable number of quotes before purchasing via a credit card.

When using credit cards, the CDA should adopt reasonable safeguards to assure that they are used only for intended purposes (for instance, limiting the types of purchases or the amount of purchases that are permitted with credit cards) in collaboration with the City of Madison Finance Department.

VIII. BONDING REQUIREMENTS

The standards under this section apply to construction contracts that exceed the Small Purchase threshold. There are no bonding requirements for Micro Purchases, Small Purchases, or Competitive Proposals. The CDA may require bonds in these latter circumstances when deemed appropriate; however, non-construction contracts should generally not require bid bonds.

1. **Bid Bonds.** For construction contracts exceeding the Small Purchase threshold, offerors shall be required to submit a bid guarantee from each bidder equivalent to 5% of the bid price. The bid guarantee shall consist of a firm commitment such as a bid bond, certified check, or other negotiable instrument accompanying a bid as assurance that the bidder will, upon acceptance of the bid, execute such contractual documents as may be required within the time specified.
2. **Performance and Payment Bonds.** For construction contracts exceeding the Small Purchase threshold, the successful bidder shall furnish an assurance of completion. This assurance may be any one of the following four at the discretion of the Contracting Officer:
 - a. A performance and payment bond in penal sum of 100% of the contract price; or
 - b. Separate performance and payment bonds, each for 50% or more of the contract price; or
 - c. A 20% cash escrow; or
 - d. A 25% irrevocable letter of credit.

These bonds must be obtained from guarantee or surety companies acceptable to the U.S. Government and authorized to do business in the State of Wisconsin. Individual sureties shall not be considered. U.S. Treasury Circular Number 570 lists companies approved to act as sureties on bonds securing Government contracts, the maximum underwriting limits on each contract bonded, and the States in which the company is licensed to do business. Use of companies on this circular is mandatory.

IX. CONTRACTOR QUALIFICATIONS AND DUTIES

Contractor Responsibility

The CDA shall not award any contract until the prospective contractor (i.e., low responsive bidder or successful offeror) has been determined to be responsible. A responsible bidder/offeror must:

1. Have adequate financial resources to perform the contract, or the ability to obtain them;

2. Be able to comply with the required or proposed delivery or performance schedule, taking into consideration all the bidder's/offeror's existing commercial and governmental business commitments;
3. Have satisfactory performance record;
4. Have a satisfactory record of integrity and business ethics;
5. Have the necessary organization, experience, accounting and operational controls, and technical skills, or the ability to obtain them;
6. Have the necessary production, construction, and technical equipment and facilities, or the ability to obtain them; and
7. Be otherwise qualified and eligible to receive an award under applicable laws and regulations, including not be suspended, or debarred or under a HUD-imposed LDP.

If a prospective contractor is found to be non-responsible using these criteria, a written determination of non-responsibility shall be prepared and included in the official contract file, and the prospective contractor shall be advised of the reasons for the determination.

Suspension and Debarment

Contracts shall not be awarded to debarred, suspended, or ineligible contractors. Contractors may be suspended, debarred, or determined to be ineligible by HUD in accordance with HUD regulations (2CFR 200.317 through 200.326) or by other Federal agencies (e.g., Department of Labor for violation of labor regulations) when necessary to protect housing authorities in their business dealings. Prior to issuance of a contract, CDA staff shall, as detailed within Section 10.2.H.1 and 10.2.H.2 of HUD Procurement Handbook 7460.8 REV 2, conduct the required searches within the HUD Limited Denial of Participation (LDP) system and the U.S. General Services Administration System for Award Management (SAM) and place with the applicable contract file a printed copy of the results for each such search.

Qualified Bidder's Lists

All interested businesses shall be given an opportunity to be included on qualified bidder's lists. Any lists of persons, firms, or products which are used in the procurement of supplies and services (including construction) shall be kept current and shall include enough qualified sources to ensure competition. Firms shall not be precluded from qualifying during the solicitation period. Solicitation mailing lists of potential contractors shall include, but not be limited to, such prequalified suppliers.

X. CONTRACT PRICING ARRANGEMENTS

Contract Types

Any type of contract which is appropriate to the procurement and which will promote the best interests of the CDA may be used, with the exception of the cost-plus-a-percentage-of-cost and percentage-of-construction-cost methods.

For all cost reimbursement contracts, CDA must include a written determination as to why no other contract type is suitable. Further, the contract must include a ceiling price and the contractor exceeds at its own risk.

A time and material contracts may be used only if a written determination is made that no other contract type is suitable, and the contract includes a ceiling price that the contractor exceeds at his own risk.

All solicitations and contracts shall include the clauses and provisions necessary to define the rights and responsibilities of both the contractor and the CDA.

Options

Options for additional quantities or performance periods may be included in contracts, provided that:

1. The option is contained in the solicitation;
2. The option is a unilateral right of the CDA;
3. The contract states a limit on the additional quantities and the overall term of the contract;
4. The options are evaluated as part of the initial competition;
5. The contract states the period within which the options may be exercised;
6. The options may be exercised only at the price specified in or reasonably determinable from the contract; and
7. The options may be exercised only if determined to be more advantageous to the CDA than conducting a new procurement.

XI. CONTRACT CLAUSES

All contracts shall identify the contract pricing arrangement as well as other pertinent terms and conditions, as determined by the CDA.

Additionally, the CDA shall ensure that each contract executed by CDA contains the required contract clauses detailed within 2 CFR 200.326 and Appendix II.

All contracts shall include clauses outlining the process to resolve grievances and the situations under which the contract may be terminated.

XII. CONTRACT ADMINISTRATION

The CDA shall maintain a system of contract administration designed to ensure that contractors perform in accordance with their contracts. These systems shall provide for inspection of supplies, services, or construction, as well as monitoring contractor performance, status reporting on major projects including construction contracts, and similar matters. For cost-reimbursement contracts, costs are allowable only to the extent that they are consistent with the cost principles in HUD Handbook 2210.18.

XIII. SPECIFICATIONS

General

Specifications in procurement are defined as a description of a supply, service, or construction item that is used in procurements to tell prospective contractors precisely what the CDA requires. Specifications are required for all solicitations and are also used in the resulting contract, and come in a variety of forms, including a statement of work when procuring services. All specifications shall be drafted so as to promote overall economy for the purposes intended and to encourage competition in satisfying the CDA's needs. Specifications shall be reviewed prior to solicitation to ensure that they are not unduly restrictive or represent unnecessary or duplicative items. Functional or performance specifications are preferred. Detailed product specifications shall be avoided whenever possible. Consideration shall be given to consolidating or breaking out procurement to obtain a more economical purchase. For equipment purchases, a lease versus purchase analysis should be performed to determine the most economical form of procurement.

Limitation

The following specification limitations shall be avoided:

1. Geographic restrictions not mandated or encouraged by applicable Federal law (except for architect-engineer contracts, which may include geographic location as a selection factor if adequate competition is available);
2. Unnecessary bonding or experience requirements;
3. Brand name specifications (unless a written determination is made that only the identified item will satisfy the CDAs needs);
4. Brand name or equal specifications (unless they list the minimum essential characteristics and standards to which the item must conform to satisfy its intended use).

Nothing in this procurement policy shall preempt any State licensing laws. Specifications shall be scrutinized to ensure that organizational conflicts of interest do not occur (for example, having a consultant perform a study of the CDA's computer needs and then allowing that consultant to compete for the subsequent contract for the computers).

XIV. APPEALS AND REMEDIES

It is the CDA's policy to resolve all contractual issues informally at the CDA and in a manner that avoids litigation unless necessary. Disputes will not be referred to HUD until all administrative remedies have been exhausted. When appropriate, the CDA may consider the use of informal discussions between the parties by individuals who did not participate substantially in the matter in dispute, to help resolve the differences.

Informal Appeals Procedure (under \$250,000)

The CDA shall adopt an informal bid protest/appeal procedure for contracts under the Small Purchase threshold. Under these procedures, the bidder/contractor may request to meet with the appropriate Contract Officer.

Formal Appeals Procedure (over \$250,000)

A formal appeals procedure shall be established for solicitations/contracts of more than the Small Purchase threshold.

1. **Bid Protest.** Any actual or prospective contractor may protest the solicitation or award of a contract for serious violations of the principles of this Policy. Any protest against a solicitation must be received before the due date for receipt of bids or proposals.

Any protest against the award of a contract must be received within ten (10) calendar days after the contractor receives notice of the contract award, or the protest will not be considered.

All bid protests shall be in writing and submitted to the Contracting Officer or designee, who shall issue a written decision on the matter. The Contracting Officer may, at his/her discretion, suspend the procurement pending resolution of the protest if the facts presented so warrant.

2. **Contractor Claims.** All claims by a contractor relating to performance of a contract shall be submitted in writing to the Contracting Officer or designee for written decision. The contractor may request a conference on the claim. The Contracting Officer's decision shall inform the contractor of its appeal rights to the Executive Director. Contractor claims shall be governed by the Changes clause in the form HUD-5370.

XV. ASSISTANCE TO SMALL AND OTHER BUSINESSES

Required Efforts

Consistent with Presidential Executive Orders 11625, 12138, and 12432, and Section 3 of the HUD Act of 1968, all feasible efforts shall be made to ensure that small and minority-owned businesses, women's business enterprises, labor surplus area businesses, and individuals or firms located in or owned in substantial part by persons residing in the area of a CDA project are used when possible. Such efforts shall include, but shall not be limited to:

1. Including such firms, when qualified, on solicitation mailing lists;
2. Encouraging their participation through direct solicitation of bids or proposals whenever they are potential sources;
3. Dividing total requirements, when economically feasible, into smaller tasks or quantities to permit maximum participation by such firms;
4. Establishing delivery schedules, where the requirement permits, which encourage participation by such firms;
5. Using the services and assistance of the Small Business Administration, and the Minority Business Development Agency of the Department of Commerce;
6. Including in contracts, to the greatest extent feasible, a clause requiring contractors, to provide opportunities for training and employment for lower income residents of the project area and to award subcontracts for work in connection with the project to business concerns which provide

opportunities to low-income residents, as described in 24 CFR 135 (so-called Section 3 businesses); and

7. Requiring prime contractors, when subcontracting is anticipated, to take the positive steps listed in A1e through A1f above.

Goals may be established by the CDA periodically for participation by small businesses, minority-owned businesses, women's business enterprises, labor surplus area businesses, and the business concerns which are located in, or owned in substantial part by persons residing in the area of the projects, in the CDA's prime contracts and subcontracting opportunities.

Definitions

1. A **small business** is defined as a business which is: independently owned; not dominant in its field of operation; and not an affiliate or subsidiary of a business dominant in its field of operation. The size standards in 13 CFR 121 shall be used, unless the CDA determines that their use is inappropriate.
2. A **minority-owned business** is defined as a business which is at least 51% owned by one or more minority group members; or, in the case of a publicly-owned business, one in which at least 51% of its voting stock is owned by one or more minority group members, and whose management and daily business operations are controlled by one or more such individuals. Minority group members include, but are not limited to Black Americans, Hispanic Americans, Native Americans, Asian Pacific Americans and Asian Indian Americans, and Hasidic Jewish Americans.
3. A **women's business enterprise** is defined as a business that is at least 51% owned by a woman or women who are U.S. citizens and who also control(s) or operate(s) the business.
4. A **labor surplus area business** is defined as a business which, together with its immediate subcontractors, will incur more than 50% of the cost of performing the contract in an area of concentrated unemployment or underemployment, as defined by the U.S. Department of Labor in 20 CFR 654, Subpart A, and in lists of labor surplus areas published by the Employment and Training Administration.
5. A **Section 3 business concern** located in the area of the project, is defined as an individual or firm located within the relevant Section 3 covered project area, as determined pursuant to 24 CFR 135.15, listed on HUD's registry of eligible business concerns, and meeting the definition of small business above. A business concern owned in substantial part by persons residing in the area of the project is defined as a business concern which is 51% or more owned by persons residing within the Section 3 covered project, owned by persons considered by the U.S. Small Business Administration to be socially or economically disadvantaged, listed on HUD's registry of eligible business concerns, and meeting the definition of small business above.

XVI. BOARD APPROVAL OF PROCUREMENT ACTIONS

Other than approval of this Procurement Policy, approval by the Board of Commissioners is not required for any procurement action, as permitted under State and local law. Rather it is the responsibility of the Executive Director to make sure that all procurement actions are conducted in accordance with the policies contained herein.

XVII. DELEGATION OF CONTRACTING AUTHORITY

While the Executive Director is responsible for ensuring that the CDA's procurements comply with this policy, the Executive Director may delegate all procurement authority in writing as is necessary and appropriate to conduct the business of the CDA.

Further, and in accordance with this delegation of authority, the Executive Director shall, where necessary, establish operational procedures (such as a procurement manual or standard operating procedures) to implement this Policy. The Executive Director shall also establish a system of sanctions for violations of the ethical standards described in Section III below, consistent with Federal, State, or local law.

The Executive Director or his/her designee shall ensure that:

1. Procurement requirements are subject to an annual planning process to assure efficient and economical purchasing;
2. Contracts and modifications are in writing, clearly specifying the desired supplies, services or construction, and are supported by sufficient documentation regarding the history of the procurement, including as a minimum the method of procurement chose, the selection of the contract type, the rationale for selecting or rejecting offers, and the basis for the contract price;
3. For procurements other than small purchases, a class 2 public notice (as defined in Wis. Stat. sec. 985.07) is given of each procurement; responses to such notices are honored to the maximum extent practical; a minimum of 30 days is provided for preparation and submission of bids or proposals; and notice of contract awards is made available to the public;
4. There are sufficient unencumbered funds available to cover the anticipated project (cost of each procurement before contract award or modification, including change orders), work is inspected before payment, and payment is made promptly for contract work performed and accepted; and
5. The CDA complies will applicable HUD review requirements.

The Board appoints and delegates procurement authority consistent with this policy to the Executive Director. The Executive Director is authorized to sign contracts of any type not to exceed \$50,000. Any contracts in excess of \$50,000 must be authorized by the Board prior to signature and are signed by the Executive Director and the Board Chair unless another signer is authorized by resolution.

XVIII. DOCUMENTATION

The CDA must maintain records sufficient to detail the significant history of each procurement action. These records shall include, but shall not necessarily be limited to, the following:

1. Rationale for the method of procurement (if not self-evident);
2. Rationale for contract pricing arrangements (also if not self-evident);
3. Reason for accepting or rejecting the bids or offers;

4. Basis for the contract price (as prescribed in this handbook);
5. A copy of the contract documents awarded or issued and signed by the Contracting Officer;
6. Basis for contract modifications; and
7. Related contract administrative actions.

The level of documentation should be commensurate with the value of the procurement.

Records are to be retained for a period of seven years, pursuant to Wis. Stat. s.19.21 (4)(b), after final payment and all matters pertaining to the contract are closed.

XIX. DISPOSITION OF SURPLUS PROPERTY

Property no longer necessary for the CDA's purposes (non-real property) shall be transferred, sold, or disposed of in accordance with applicable Federal, state, and local laws and regulations.

XX. FUNDING AVAILABILITY

Before initiating any contract, the CDA shall ensure that there are sufficient funds available to cover the anticipated cost of the contract or modification.