What You Need to Know
Tendering an HVAC Contract

By Kelly Halkett

One of the many jobs a manager has is the tendering of the corporation's contracts. From first-hand experience, I think we can all take a collective sigh and agree that this can be a challenging and time-consuming process. There is a lot to consider with potential vendors, including whether they are registered with ACMO, their overall experience level, and reputation in the industry, to name a few.

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Reputation is King

Many managers from the GTHA have WhatsApp group chats where they talk about vendors... who to contact for specific issues or services, who are considered good, and who they recommend. Quite often, managers work with contractors they have previously worked with based on a successful experience. Once managers find a vendor they enjoy working with, that relationship often carries over from building to building as the manager moves during their career. Therefore, reputation and knowledge are everything to a vendor's success. And, naturally, word of mouth can be compelling.

Managers can use online services to find potential vendors based on their needs, review the ratings, and then post a tender request to the vendors they've chosen. This option lets you send the same information to many prospects at once and get more bang for your buck. The vendors also upload their WSIB and COI documents, so the manager doesn't have to ask for them.

Managers need to spend time preparing for the tendering of a quote. It's essential to understand what kind of contract the corporation needs, how often they need servicing, and what equipment they maintain. If your building has limited equipment, you might not need monthly service, and a quarterly service may suffice. After you've gathered all this info, create a scope of work document to share with vendors.

Preventative vs. Comprehensive

Ensure you understand what type of contract is required. If a building is relatively new (i.e. seven years and under), a comprehensive contract probably doesn't make sense, given there are not likely to be significant repairs or costs. Corporations and managers would probably want to consider a preventative contract as the alternative for newer buildings. A comprehensive agreement covers preventive maintenance, repairs, and service calls on maintainable equipment within one fixed price. You can

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complete the HVAC GL on the annual budget much easier with this fixed cost.

Also, with a comprehensive contract, managers need to understand which pieces of equipment are covered and which ones are not, as many vendors' inclusions/exclusions lists vary. Failing to understand this will result in drastically different bids.

Fewer Inclusions = Less Price = More Risk for the Corporation and Board.

A preventive contract will maintain building equipment through a well-thought-out scope of work. When maintained properly, a proper maintenance program can drastically reduce energy spent and extend the life of the equipment. If a corporation is on a preventative maintenance contract at the 7–10-year mark, they should consider moving to a comprehensive contract.

Inviting all prospective vendors to the building to look at the equipment is another critical component. Vendors need to see the current condition/location of the equipment as this also could be a factor for price variance. Managers should proceed with caution if a vendor asks for an equipment list without a site visit, as it shows that the vendor might not be as invested in the contract as you need them to be.

You Need to Do Your Homework to Get Accurate Vendor Quotes

When reviewing quotes with the board, I am sure that many managers can recall an occasion when a director immediately flipped to the last page to see the price. For many boards, price is all that matters, and that is their primary criteria for picking a vendor. However, when boards look at that price, it is a manager's job to ensure that the price accurately represents the scope of work document. If a scope of work is not provided, managers can expect to receive bids that are radically different from one another, with varying services provided, incomplete equipment lists, and ultimately differing prices leaving the manager to determine what the differences are between the quotes.

Managers want board members armed in advance with as much information as possible to help facilitate a decision at a board meeting. Some of that information could be:

- Ask directors to submit any questions they may have in advance so the answers can be shared at the meeting.
- If a board cannot decide between two possible vendors, invite them both for a quick virtual meet and greet.
- Supply reviews of potential vendors.
- A bid summary document detailing at a glance who covers what and where the corporation could incur additional costs.

Before Signing on The Dotted Line

Managers also need to pay close attention, read the fine print, and understand how to terminate a contract. Nobody wants to enter a contract thinking it will end, but changes do occur; therefore, managers need to have a solid understanding of how to cancel a contract.

The standard termination period is generally 60-days for all contracts; however, some vendors have terms and conditions that do not allow an agreement to be cancelled without meeting specific criteria. When entering a 5-year contract that will see the corporation spending considerable money, a little extra time and money spent to have the corporation's solicitor review the contract is wise. The solicitor may want to change some of the wording or make the board aware of clauses that could make the cancellation of the contract a challenge.

Lastly, if something seems too good to be true, it likely is. If someone has a rock bottom price, they might also have rock bottom service. Remember always to protect yourself, the board, and the corporation. ■

Kelly Halkett is a former OLCM, RCM, working with Naylor Building Partnerships as a condominium operations manager. Kelly's property management background helps her work directly with property managers bridging the gap between technical and operations and acting as a support for managers with their day-to-day HVAC needs.
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