

# The key elements to a good contract

By Carlene Brown

A good way to protect your agency is by embracing contracts and making sure both sides of a business agreement know what their obligations and responsibilities are. Any time a Member agrees to engage with another party in activities including but not limited to sharing resources with another entity, hiring an independent contractor to perform work, leasing property or pursuing ongoing services, a written agreement should be created.

The following are some key elements that should be present in all contracts:

1. **Involved parties**: The legal name of the organization, group or contractor as well as the Member. Each party who has an interest in a contract should be identified at the beginning of the document as a named party.
2. **Purpose of the agreement**: This section provides an overview of the reasons or facts surrounding why the agreement is being developed.
3. **Term of the agreement**: The term of the agreement should be established to provide information of when the activity is to begin and its anticipated duration.
4. **Duties and responsibilities of the parties**: Document each party's responsibilities and obligations. This section should specifically identify what each party is required to do in order to complete the obligations under the contract.
5. **Indemnification, defense and hold harmless**: An indemnification provision is a means of shifting risk between parties to an agreement and is a contractual obligation by one party to pay or compensate, defend and not blame the other parties, for losses, damages or liabilities incurred by another party to the contract or to a third party. The indemnification language should be in favor of the Member except for losses arising out of a Member's sole negligence.
6. **Insurance**: Insurance needs for a project or activity should be assessed for each individual project depending on the risk exposures involved. Some activities may be very low in risk and require minimal or no insurance coverage while others may expose the Member to a variety of potential and significant risks or losses, requiring higher than minimal insurance limits or different types of insurance.
7. **Authorized signatures**: The contract should be signed by the authorized agent of each party. For Member agencies, it may be a position that has been granted the authority by statute or ordinance to sign contracts legally binding the Member. For municipal organizations, the correct signatory may be the Mayor, City Manager, Town Manager or Executive Director.

ADM.21, Insurance and Indemnity Requirements for Contracts, provides sample contract language and information concerning insurance requirements. ADM.21 is located in WCIA's Liability Resource Manual, which is available through the Member Resources page on the WCIA website: <http://www.wciapool.org/member-resources>. Your assigned WCIA Risk Management Representative can also aid with analyzing the potential risks and provide you with guidance in determining the appropriate insurance coverage requirements.