

# Purchasing Manual



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## **SECTION 1: ETHICS**

### **PURCHASING CODE OF ETHICS**

Public employment is a public trust. It is the policy of the City of Stephenville to promote and balance the objective of protecting government integrity and the objective of facilitating the recruitment and retention of personnel by the City of Stephenville. Such policy is implemented by prescribing essential standards of ethical conduct without creating unnecessary obstacles to entering public service.

Public employees must discharge their duties impartially so as to assure fair competitive access to governmental procurement by responsible contractors. Moreover, they should conduct themselves in such a manner as to foster public confidence in the integrity of the City of Stephenville procurement organization.

To achieve the purpose of this article, it is essential that those doing business with the City of Stephenville also observe the ethical standards prescribed here.

### **GENERAL ETHICAL STANDARDS**

1. It shall be a breach of ethics to attempt to realize personal gain through public employment with the City of Stephenville by any conduct inconsistent with the proper discharge of the employee's duties.
2. It shall be a breach of ethics to attempt to influence any public employee of the City of Stephenville to breach the standards of ethical conduct set forth in this code.
3. Gratuities  
It shall be a breach of ethics to offer, give or agree to give any employee or former employee of the City of Stephenville, or for any employee or former employee of the City of Stephenville to solicit, demand accept or agree to accept from another person, a gratuity.

It shall be a breach of ethics for any employee or former employee of the City of Stephenville to offer employment in connection with any decision, approval, disapproval, recommendation, preparation of any part of a program standard, rendering of advice, investigation, auditing, or in any other advisory capacity.

It shall be a breach of ethics for any employee or former employee of the City of Stephenville to offer or agree to give any compensation pertaining to any program requirement or a contract or subcontract, or to any solicitation or proposal pending before this government.

4. Kickback

It shall be a breach of ethics for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor for any contract for the City of Stephenville or any person associated therewith, as an inducement for the award of a subcontract or order.

5. Contract Clause

The prohibition against gratuities and kickbacks prescribed above shall be conspicuously set forth in every contract and solicitation therefore.

6. It shall be a breach of ethics for any employee or former employee of the City of Stephenville knowingly to use confidential information for actual or anticipated personal gain, or for the actual or anticipated gain of any person.

## **SECTION 2: DEPARTMENTAL DUTIES**

### **THE PURCHASING DEPARTMENT AND ITS DUTIES**

The purchasing division is a separate division under the supervision of the Finance Director, with the Purchasing Manager acting in a division head capacity. The purchasing division is a source of assistance to all departments and will aid in every manner to accomplish their objective.

Each city employee authorized to purchase supplies, equipment or services must be familiar with the purchasing procedures and should adhere to them in order to obtain the best results. With adequate planning and teamwork by all departments, much can be accomplished toward furthering the services rendered by the city government.

This manual will not answer all questions, but will be used as a guide and aid in securing materials and services needed to operate each department.

#### Duties of the Purchasing Manager

1. To observe and enforce the procedures as outlined and any related regulations.
2. To discourage any procedure other than that of purchasing by competitive bids, either formal or informal.
3. To conduct the purchasing division in such a manner that bidders may be impressed by the fairness of all awards and thus be encouraged to continue to bid.
4. To review each account being charged for sufficient funds before authorizing a purchase or issuing a purchase order.
5. To process approved request to purchase and issue purchase orders.
6. To complete the purchase order process by releasing for payment approved invoices with valid numbers and dollar amount.
7. To explore the possibilities of quantity buying in order to take full advantage of discounts.
8. To dispose of surplus, obsolete, worn-out scrap material at city sales or other methods.
9. To maintain a listing of vendors, classified according to materials, equipment, supplies, and services. To advise vendors the proper procedure in which they may be placed on the vendors list.
10. To coordinate the preparation of all formal bid specification to ensure minimum requirements and non-exclusion before submission to the City Council or mailing.
11. To open bids at a designated time and prepare a tabulation of the results.
12. To review the bids received and with the Department Head determine the lowest most responsible bidder or the bidder whose bid gives the "best value" to the city.
13. To complete a bid memorandum with the Department Head's consent, making a recommendation to award the bid.
14. To turn in the bid tabulation, along with a memorandum addressed to the City Administrator for recommendation to award the bid, to the City Secretary for inclusion on the City Council agenda.

## DUTIES OF THE DIVISION DIRECTORS

1. Departments should plan their work so that “rush orders” and emergencies will be held to an absolute minimum. The Purchasing Division should be notified for formal bid request far enough in advance to allow sufficient time to obtain quotes through the proper bid procedures.
2. In the event that sufficient funds do not exist to cover a purchase request, the Division Director must complete and submit to the Purchasing Department a written budget amendment for correcting insufficient accounts.
3. Division Directors must sign and verify all invoices.
4. No city employee shall purchase supplies, material or equipment of any kind through the Purchasing Division for personal use.
5. Minimum specifications on all formal bids must be submitted to the Purchasing Manager for review and finalization.

## **SECTION 3: PURCHASE ORDERS**

### **PURCHASE ORDERS**

A purchase order number is required on all purchases over \$1,000, with the exception of those listed below. The department head or an authorized employee must present a requisition to the Purchasing Division and request a purchase order before proceeding to the vendor's place of business or placing an order.

If an emergency should arise after normal hours, the Department Head or designee will make the purchase that is needed, but then the department head must notify the Purchasing Manager immediately upon opening the next business day, and turn in the proper documentation.

Departments need to go through the formal bid process for materials, supplies or services which are constantly needed for city operation. As soon as an annual contract is awarded, the department may release items on the contract as need arises, after fund verification.

The following payments and services do not require the issuance of a purchase order for payment authorization.

1. Tax Payments
2. Insurance Premium Payments
3. Retirement System Payments
4. Debt Service Payments
5. Investment Payments
6. Utility Service Payments
7. Petty Cash fund purchases

## PURCHASING DOLLAR LIMITS

**Purchases under \$1,000 shall be made by using the department's petty cash or charging. Purchase orders will not be issued for purchases less than \$1,000 unless required by vendor to complete the order.**

**All purchases between \$1,000 and \$5,000, require a telephone tabulation sheet with at least three (3) oral competitive bid quotations.**

**All purchases between \$5,001 and \$10,000 require at least three (3) written and competitive bid quotations.**

- a. Purchases between \$3,000 and \$25,000 must include at least one Historically Underutilized Business (HUB) vendor on a rotating basis. If no HUB vendors are located in the county, the city is exempt; however the file must contain verification that status has been checked.
- b. High tech products may be purchased through a QISV (Qualified Information Systems Vendor) vendor from the State of Texas, a copy of their certification letter from the state and catalog page must be on file. Purchases over \$2,000 must be sent out as an RFP (Request for Proposal) when possible
- c. In awarding bids a local vendor preference called the "5% rule" may be used. If the bids are within 5% of the non-local vendor and provide the best economic opportunities for the city, the bid may be awarded to that vendor.
- d. If two identical bids are received and one is from a local vendor, the city must choose that vendor. If two local vendors are tied, the city council must cast lots if the contract is over \$25,000. The same procedure will be used by the requisitioning department for purchases below \$25,000.
- e. Ensure to the maximum extent economically feasible that the entity purchase products that may be recycled when they have served their intended use and to encourage the use of products made of recycled materials.

All purchases exceeding \$10,000 must be formally bid. The requesting department must submit specifications to the purchasing division, which will formally request bids from vendors.

For purchases exceeding \$25,000 notice of the time and place, when and where such contract shall be let shall be published in a newspaper of general circulation in the City of Stephenville once a week for two (2) consecutive weeks prior to the time for making such purchase or letting of such contract. The time of the first publication must be at least fourteen (14) days prior to the bid opening date.

Bids for goods or services must be awarded to the lowest most responsible bidder or the bidder whose product is the best value for the city. Awards must meet criteria outlined in LOCAL GOVERNMENT CODE 252.043.

“Lowest most responsible bidder” means a vendor who has proven capable of performing a contract and/or appears financially and technically capable of adequately performing this contract. The bidder’s safety record may be considered in the evaluation of the bid. If the safety record is to be considered, the evaluation should state whether or not the bidder has an acceptable record, and if not, what identifiable factors were not satisfactory.

The recommendation and evaluation of the bid should include whether the vendor has submitted a responsive bid or proposal (One meeting all the criteria of the Invitation to Bid or the Request for Proposal, within the designated timeline)

The contract must be awarded to the lowest most responsible bidder if the bid applies to the contract for construction of certain public works as indicated in 252.043 LOCAL GOVERNMENT CODE.

This does not apply to a contract for professional services as outlined in 2254.002 GOVERNMENT CODE.

### **THE REQUISITION PROCESS**

Requisitioning is formally requesting that a purchase be made and the issuance of a purchase order. It is the first step after the need for a good or a service is recognized. It includes a system of authorization and safeguards so that improper or illegal purchasing is difficult both to initiate and to conceal.

The requisition (Request to Purchase for purchases from \$5,001 to \$10,000 and Telephone Bid Sheet for purchases from \$1,000 to \$5,000) should tell the purchasing officer what to buy, where bids were requested and where to deliver it. Requisition forms are required for all purchases over \$1,000.

The requisition form must be signed by the Division Director before it is forwarded to the purchasing department to receive a purchase order.

The requisition form originates in the using department. Preparation must be done far enough ahead of the date that the goods/services are needed to allow purchasing and the vendor to do their jobs properly, including:

- Obtaining bids or price quotations.
- Processing bids, placing purchase orders or concluding contracts.
- Allowing delivery of goods or services.

The Purchasing Department will bid out requests of \$10,000 or greater. Please use the Request to Purchase form along with the prepared specifications and other information, i.e., date needed, where needed, a contact and list of vendors to send bid or proposal to.

## **SECTION 4: SPECIFICATIONS AND STANDARDS**

### **SPECIFICATIONS**

A specification is a concise description of a good or service the entity seeks to buy and the requirements the vendor must meet in order to be considered for the award. A specification may include requirements for testing, inspection or preparing an item for delivery, or preparing or installing it for use. The specification is the total description of the purchase.

The purpose of a specification is to provide purchasing personnel with clear guides to purchasing and to provide vendors with firm criteria of minimum product or service acceptability. A good specification has four characteristics:

- It sets the minimum acceptability of the good or service.
- It should promote competitive bidding.
- It should contain provisions for reasonable test and inspections for acceptability of the good or service.
- It should provide for an equitable award to the lowest bidder or the bidder whose contract would be the best value to the City of Stephenville, provided certain evaluation criteria were included when awarding the bid on a “best value” statement.
- Notice to bidders must include information that contract will be awarded on lowest bidder or best value.

Specifications may be prepared by the purchasing office, the using department, or any outside agency. The final acceptance of the specifications rests with the purchasing office. This is to ensure proper quality control and to avoid the proliferation of conflicting specifications in different departments of the city.

Sample specification may be obtained from any of the following:

- Other local governments
- State government: General Services Commission Specifications  
P.O. Box 13047  
Austin, TX 78711-3047
- The federal government.
- Trade associations and vendors.
- Public or private standards and specifications writing associations.
- Professional associations for procurement managers:  
National Purchasing Institute  
National Institute for Governmental Purchasing

## STANDARDS

Standards are used in the writing of specifications, as well as in drawing plans for construction and manufacture. They are necessary to provide a universally recognized reference to measure quality, quantity, size and so forth.

A standard by definition is “something set up and established by authority as a rule for the measure of quantity, weight, extent, value or quality.” A standard may be expressed in weight, length, composition, purity, diameter or a combination of these and other measures and descriptions.

Standards are established by authority. Therefore, they must be set up by a recognized body of authority in the particular field of use. Standards setting organizations may be governmental organizations, such as the National Bureau of Standards, which acts as the official setter of standards in the United States.

## BID SPECIFICATIONS

1. Prepared by the Department Head and turned into the Purchasing Manager for review and finalization.
2. As simple, clear and accurate as possible; but not so vague that a discrepancy would allow a bidder to evade any of the provisions and thereby take advantage of the City.
3. Identified, when possible, with some brand(s) of specification(s) already on the market.
4. Capable of being verified to assure that the city is receiving the goods or services as outlined in the specifications.
5. Non-exclusive to any dealer or vendor.

Deadlines for bid specifications are as follows:

Handwritten bid specifications must be turned into the Purchasing Division no later than two (2) weeks before the agenda staff meeting.<sup>1</sup>

1. Completed bid specifications must be turned into the Purchasing Division for review by the Friday before the agenda staff meeting.
2. The Purchasing Division must deliver all completed bids and specifications to the City Secretary no later than the Tuesday before the agenda staff meeting.

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<sup>1</sup> Agenda Staff Meeting takes place at 8.00am on the Wednesday preceding the Tuesday night City Council meeting

## **SECTION 5: POLICY FOR GOODS AND SERVICES**

### **FORMAL BID POLICY FOR GOODS OR SERVICES**

For goods or services that cost over \$10,000.00 the following procedures and policies shall be followed:

1. Prepare a clear and accurate set of specifications.
2. All bids shall contain an "invitational bid" number to be used as a reference.
3. Bids shall be received and accepted no later than the specified time and place on the invitation for bid.
4. Bids may be received by electronic transmission. Addressed to the Purchasing Manager, bids will go Purchasing Manager will print off bid, seal it in an envelope and apply a date stamp.
5. The bid opening information will be formally recorded on a bid tabulation to document all bids received.
6. The lowest bidder, or the bidder whose bid product has the best value for the city, meeting minimum specifications shall be determined. The City reserves the right to reject the low bid; however, any reasons for not awarding to the lowest bidder, or the bidder whose bid is determined to be the best value, shall be documented and become a matter of public information.
7. After the Division Director's authorization, the successful bidder shall be notified and given a purchase order number for future reference.
8. A follow up letter, along with a copy of the bid tabulation, will be mailed to all unsuccessful bidders.
9. The city may participate in cooperative purchasing with the state and other governmental agencies.

10. Bid Protest – Any bidder or contractor who is aggrieved in connection with a bid invitation or award of a contract may protest to the city's Purchasing Manager. The protest should be submitted in writing within 14 days after the aggrieved bidder knows or should have known of the facts giving rise to the protest. The Purchasing Manager, or his/her designee, has the authority to settle or resolve the protest. If a protest is not resolved by mutual agreement, the Purchasing Manager, or his/her designee, will promptly issue a decision in writing. The decision will:

- State the reason(s) for the action taken.
- Inform the aggrieved bidder or contractor of the right to review by a panel comprised of the City Attorney, the Director of Finance, and the Purchasing Manager.
- The protest hearing will be recorded to ensure the accuracy of the subject matters discussed during the hearing.
- A copy of the panel's recommendation will be furnished as soon as possible to the aggrieved bidder and any other intervening party.
- The decision of the protest panel is final.

## **SECTION 6: PURCHASING LAW**

### **COMPETITIVE BIDDING REQUIREMENTS**

Formal sealed bids are used for those bids exceeding a set dollar level, specified by statute. The bid consists of the items offered by the vendor in response to the specifications, along with details governing the offer. Bidding for the various local governments is controlled by the appropriate purchasing statute. All statutes contain the following general requirements:

- The bids are to be advertised based on the specifications and conditions of purchase provided by the government.
- Bids are received until a certain future date and hour set out in the specifications. After that date and time, no further bids are accepted.
- Bids are opened and read aloud at the specified date and hour, and submitted to the governing body. Bids are to be awarded to the lowest most responsible bidder or the bidder whose bid is determined to be the “best value” to the local government. The exception is public work or structures in connection with a public work contract.

Before a municipality may enter into a contract that requires an expenditure of more than \$25,000 from one or more municipal funds, the municipality must:

1. Provide ample opportunity for competitive sealed bidding or competitive sealed proposals; or
2. Use the reverse auction procedure, as defined by section 2155.062(d) GOVERNMENT CODE; or
3. Use a method described by Subchapter H, chapter 271 or;
4. Participate in the General Services Commission State Purchasing program, Subchapter D chapter 271.081 LOCAL GOVERNMENT CODE or;
5. Participate in a cooperative purchasing program with another local government or a local cooperative organization Subchapter F 271.102 LOCAL GOVERNMENT CODE.

Such bids shall be based on plans and specifications prepared for that purpose. Competitive bidding need not be applied to contracts for personal or professional services.

The City Council shall have the right to reject any and all bids.

## **EMERGENCY PURCHASES, SOLE SOURCE AND OTHER BID EXEMPTIONS**

1. A procurement made because of public calamity that requires the immediate appropriation of money to relieve the necessity of the municipality's residents or to preserve the property of the municipality.
2. A procurement necessary to preserve or protect the public health or safety of the municipality's residents.
3. A procurement necessary because of unforeseen damage to public machinery, equipment or other property.
4. A procurement for personal, professional, or planning services.
5. A procurement for work that is performed and paid for by the day as the work progresses.
6. A purchase of land or a right of way.
7. A procurement of items that are available from only one source, including:
  - a. items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies;
  - b. films manuscripts or books,
  - c. gas, water and other utility services;
  - d. captive replacement parts or components for equipment;
  - e. books, papers, and other library materials for a public library that are available from exclusive distribution right to the materials; and management services provided by nonprofit organization to a municipal museum, park, zoo or other facility to which the organizational has provided significant financial or other benefits.
8. A purchase of rare books, papers and other library materials for a public library.
9. Paving drainage, street widening and other public improvements or related matters, if at least one-third of the cost is to be paid by or through special assessments levied on property that will benefit from the improvements.
10. A public improvement project, already in progress authorized by the voters of the municipality for which there is a deficiency of funds for completing the project in accordance with the plans and purposes authorized by the voters.
11. A payment under a contract by which a developer participates in the construction of a public improvement as provided by Subchapter C, chapter 212.
12. Personal property sold at an auction by a state licensed auctioneer, at a going out of business sale held in compliance with Subchapter F, Chapter 17, Business & Commerce Code, by a political subdivision of this state, a state agency of this state or an entity of the federal government or under an interlocal contract for cooperative purchasing administered by a regional planning commission.
13. Services performed by blind or severely disable persons.
14. Goods purchased by a municipality for subsequent retail sale by the municipality or, Electricity
15. This does not apply to bonds or warrants issued under Subchapter A, chapter 421.

### **TIE BIDS**

If the municipality receives two or more bids from responsible bidders that are identical in nature and amount, as the lowest and best bids, the governing body may select only one bidder. If only one of the bidders submitting identical bids is a resident of the municipality or district, the municipality or district must select that bidder. If two or more of the bidders submitting identical bids are residents of the municipality or district, the municipality or district must select one of those bidders by the casting of lots.

The casting of lots must be done in a manner prescribed by the mayor of the municipality or the governing body of the district and must be conducted in the presence of the governing body of the municipality or district. All qualified bidders or their legal representatives may be present at the casting of lots. LOCAL GOVERNMENT CODE 271.901

### **BID SPLITTING**

A municipal officer or employee commits an offense if the officer or employee intentionally or knowingly makes or authorizes separate, sequential, or component purchases to avoid the competitive bidding requirements of Section 252.021 of the LOCAL GOVERNMENT CODE. An offense under this subsection is a class B misdemeanor.

A municipal officer or employee commits an offense if the officer or employee commits an offense if the officer or employee intentionally or knowingly violates Section 252.021, other than by conduct described by Subsection (a), bids and proposals for construction services, selecting contractor for construction services, or (b) use the reverse auction procedure.

### **INSURANCE**

Before the city of Stephenville (population less than 75,000) may enter into a contract for insurance that requires an expenditure of more than \$5,000 the city must comply with the competitive sealed bidding procedure. Section 252.021 LOCAL GOVERNMENT CODE.

This chapter does not prevent the city from selecting a licensed insurance broker as the sole broker of record to obtain proposals and coverage for excess or surplus insurance. The broker may be retained only on a fee basis and may not receive any other remuneration from any other source. Section 252.024 LOCAL GOVERNMENT CODE.

## **COMPETITIVE BIDDING IN RELATION TO HISTORICALLY UNDERUTILIZED BUSINESS<sup>2</sup>**

The City of Stephenville, making an expenditure of more than \$3000 but less than \$25,000, shall contact at least two historically underutilized businesses on a rotating basis, based on information provided by the General Services Commission pursuant to Chapter 2161, GOVERNMENT CODE. If the list fails to identify a historically underutilized business in Erath County, the City of Stephenville is exempt from this section. 252.0215 LOCAL GOVERNMENT CODE

### **COMPETITIVE SEALED PROPOSALS**

The City of Stephenville may use the competitive sealed proposal procedure for the procurement of high technology equipment, goods or services, telecommunications, radio and microwave systems, electronic distributed control systems, including building energy management systems. 252.042 LOCAL GOVERNMENT CODE.

### **PURCHASE OF AUTOMATED INFORMATION SYSTEMS**

The City of Stephenville may participate in the catalog purchasing procedure for automated information systems from "Qualified Information Systems Vendors" under section 271.082 LOCAL GOVERNMENT CODE as defined by chapter 2157 in the GOVERNMENT CODE.

Local Government may purchase products or services directly from the vendors on the terms in the catalog, and may negotiate additional contract terms and conditions so long as the purchase or lease is based on the best value available and is in the best interest of the City of Stephenville. Best value determinations include the following factors:

1. Installation cost and hardware costs
2. Life cycle cost of the system or equipment
3. Estimated costs of training and estimated increase of productivity
4. Estimated software and maintenance cost
5. Compliance with statewide standards adopted by the Department of Information Resources G 2157.063

A catalog purchase or lease that exceeds \$2000.00 or a greater amount prescribed by commission rule shall, when possible, be based on an evaluation of at least three catalog proposals made to the city by Qualified Information Systems Vendors. If at least three proposals are not evaluated before a purchase or lease that exceeds the threshold amount is made, the city shall document the reasons for that fact before making the purchase or lease under Section 2157.0611

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<sup>2</sup> Historically Underutilized Business (HUB) information is available online at [www.gsc.state.tx.us](http://www.gsc.state.tx.us).

## **NOTICE REQUIREMENT**

Notice of the time and place at which the sealed bid or sealed proposal will be opened and read must be published at least once a week for two consecutive weeks in a newspaper published in the municipality. The date of the first publication must be before the 14<sup>th</sup> day before the date set to publicly open the bids.

If the contract is for the purchase of machinery for the construction or maintenance of road, or streets, the notice for bids and the order for purchase must include a general specification or description of the machinery desired.

If the governing body of the municipality intends to issue time warrants for the payment of any part of the contract, the notice must include a statement of:

- The governing body's intention
- The maximum amount of the proposed time warrant indebtedness
- The rate of interest the time warrants will bear, and
- The maximum maturity date of the time warrants

Sealed proposals requirements are the same as for sealed bids. Chapter 252.041 LOCAL GOVERNMENT CODE

## **ELECTRONIC BIDS OR PROPOSALS**

A municipality may receive bids or proposals under this chapter through electronic transmission if the governing body of the municipality adopts rules to ensure the identification, security, and confidentiality of electronic bids or proposals remain effectively unopened until the proper time.

Notwithstanding any other provision of this chapter, an electronic bid or proposal is not required to be sealed. A provision of this chapter that applies to a sealed bid or proposal applies to bid or proposal received through electronic transmission in accordance with the rules adapted under Subsection (a)252.0415 LOCAL GOVERNMENT CODE

## **AWARD OF BIDS**

If the competitive sealed bidding requirement applies to the contract for goods or services, the contract must be awarded to the lowest responsible bidder or to the bidder who provides goods or services at the best value for the municipality.

In determining the best value for the city, the city may consider:

1. The purchase price;
2. The reputation of the bidder and of the bidders goods and services;
3. The quality of the bidder's goods and services;
4. The extent to which the goods or services meet the municipality needs;
5. The bidder's past relationship with the city;
6. The impact on the ability of the municipality to comply with laws and rules relating to contracting with HUB and non-profit organizations employing persons with disabilities;

7. The total long-term cost to the city to acquire the bidders goods or services; and
8. Any relevant criteria specifically listed in the request.

Before awarding a contract under this section, a city must indicate in the bid specifications and requirements that the contract may be awarded either to the lowest responsible bidder or the bidder who provides goods or services at the best value for the city.

The contract must be awarded to the lowest responsible bidder if the competitive sealed bidding requirement applies to the contract for construction of:

1. Highways, roads, streets, bridges, utilities, water supply projects, water plants, wastewater plants or related types of projects associated with civil engineering construction.
2. Buildings or structures that are incidental to projects that are primarily civil engineering construction. Alternatively, as provided in section 252.043 LOCAL GOVERNMENT CODE

Trade secrets and confidential information in competitive sealed bids are not open for public inspection. 252.049 LOCAL GOVERNMENT CODE

### **AWARD OF CONTRACT FOR PROPOSALS**

Sealed proposal contracts must be awarded to the responsible offeror whose proposal is determined to be the most advantageous to the municipality considering the relative importance of price and other evaluation factors included in the request for proposals, with the exception of professional services. 252.043(h) LOCAL GOVERNMENT CODE

### **CONFIDENTIALITY OF SEALED BIDS AND PROPOSALS**

Trade secrets and confidential information in competitive bids are not open for public inspection.

Proposals shall be opened in a manner that avoids disclosure of the contents to competing offerors and keeps the proposals secret during negotiations. All proposals are open for public inspection after the contract is awarded, but trade secrets and confidential information in the proposals are not for public inspection. LOCAL GOVERNMENT CODE 252.049.

### **SAFETY RECORD**

In determining who is a responsible bidder, the governing body may take into account the safety record of the bidder of the firm, corporation, partnership or institution represented by the bidder, or of anyone acting for such a firm, corporation, partnership, or institution.

1. The governing body has adapted a written definition and criteria for accurately determining the safety record of a bidder;
2. The governing body has given notice to prospective bidders in the bid specifications that the safety record of a bidder may be considered in determining the responsibility of the bidder; and

3. The determinations are not arbitrary and capricious. Section 252.0435 LOCAL GOVERNMENT CODE

### **LOCAL VENDOR PREFERENCE**

A municipality with a population of 200,000 or less and a county with a population of 400,000 or less may award the bid to the lowest bidder or the bidder whose principal place of business is in the local government and whose bid is within five (5) per cent of the lowest bid price received from a bidder who is not a resident of the local government and if the governing body of the local government determines in writing that the local bidder offers the local government the best combination of contract price and additional economic development opportunities for the local government created by the contract award. Including the employment of residents of the local government and increased tax revenues to the local government. Section 271.905 LOCAL GOVERNMENT CODE. As amended by HB 664 (May 06, 2005) Subchapter Z, Chapter 271, Local Government Code, is amended by adding Section 271.9051.

### **AWARD TO NONRESIDENT BIDDER**

A governmental entity may not award a governmental contract to a nonresident bidder unless the nonresident underbids the bid submitted by a responsible resident bidder by an amount that is not less than the amount by which a resident bidder would be required to underbid the nonresident bidder to obtain a comparable contract in the state in which the nonresident's principal place of business is located. GOVERNMENT CODE 2252.002. The GSC annually shall publish in the Texas Register:

1. A list showing each state that regulates the award of a governmental contract to a bidder whose principal place of business is not located in that state; and
2. The citation to and a summary of each state's most recent law or regulation relating to the evaluation of a bid from and award of a contract to a bidder whose principal place of business is not located in that state.

The governmental agency shall use the information published under this section to evaluate the bid of a nonresident bidder. A governmental entity may rely on information published under this section to meet the requirements of Section 2252.002.003

### **Reciprocity**

To reciprocate is to respond in like kind. Texas GOVERNMENT CODE, Title 10, Subtitle D, Section 2252 (<http://capitol.tle.state.tx.us/statutes/codes/GV000267.html>) requires that bids from bidders who reside in states that grant resident bidder preference for that state's purchases must be reciprocated in the same manner when bidding against a Texas bidder. In other words, the State of Texas will respond in like kind or reciprocate to preferences made by other states.

The methodology for bid evaluation of bidders who reside in a state that has resident preference law, is to reciprocate by adding a residency penalty to the bid for evaluation purposes only. This

penalty is equal to the percentage a Texas bidder would have to underbid a resident bidder in a preference state to receive an award in the preference state.

Example: Another state gives its in-state bidders a 10% advantage on a certain commodity. In effect this would penalize a Texas bidder 10% when bidding in the same state. Consequently, we would add the same 10% penalty to any of those states' bidders when bidding in the state of Texas for the same commodity or service.

The General Services Commission publishes a list of other state bidder preference laws or regulations regarding the award of contracts for general construction, improvements, services, or public works projects or purchases of supplies, materials, or equipment to nonresident bidders, together with a citation to and summary of the most recent law or regulation of each state relating to the evaluation of bids from and award of contracts to nonresident bidders.

### **REVERSE AUCTION**

A local government may use the reverse auction procedure as defined by Section 2155.062 GOVERNMENT CODE in purchasing goods and services in place of any other method of purchasing.

- (a) In purchasing goods or services, the commission may use, but is not limited to:
  - (1) Contract purchase procedure;
  - (2) Multiple award contract procedure, including other schedules developed under Subchapter I;
  - (3) Open market purchase procedure; or reverse auction procedure.
- (b) Chapter 2156 provides additional information on purchase methods.
- (c) Chapter 2157 provides additional information on purchase of automated information systems.
- (d) In this section "reverse auction procedure" means:
  - (1) Real-time bidding process usually lasting less than one hour and taking place at a previously scheduled time and Internet location, in which multiple suppliers anonymous to each other, submit bids to provide the designated goods or services; or
  - (2) A bidding process usually lasting less than two weeks and taking place during a multiple suppliers anonymous to each other, submit bids to provide the designated goods or services. 2155.062 GOVERNMENT CODE.

## CONTRACTORS BONDS

- (a) Governmental entity that makes a public work contract with a prime contractor shall require the contractor, before beginning the work, to execute to the governmental entity:
  - (1) A performance bond if the contract is in excess of \$100,000; and
  - (2) A payment bond if the contract is in excess of \$25,000.
  
- (b) The performance bond is:
  - (1) Solely for the protection of the state or governmental entity awarding the public work contract;
  - (2) In the amount of the contract;
  - (3) Conditioned on the faithful performance of the work in accordance with the plans, specifications and contract documents.
  
- (c) The payment bond is:
  - (1) Solely for the protection and use of payment bond beneficiaries who have a direct contractual relationship with the prime contractor or a subcontractor to supply public work labor or material; and
  - (2) In the amount of the contract.
  
- (d) A bond required by this section must be executed by a corporate surety in accordance with Section 1, Chapter 87, Acts of the 56<sup>th</sup> Legislature, Regular Session 1959 (article 7.19-1. Vernon's Texas Insurance Code).

If the contract is for public works and is required to be submitted to competitive bidding, the successful bidder must execute a good and sufficient payment bond and performance bond. 271.059 LOCAL GOVERNMENT CODE

Payment and or performance bonds are to be received after the award of the contract, but before the contractor begins the work.

## CHANGE ORDERS

If changes in plans or specifications are necessary after the performance of the contract is begun or if it is necessary to decrease or increase the quantity of work to be performed or of materials, equipment, or supplies to be furnished, the governing body of the municipality may approve change orders making the changes. The total contract price may not be increased unless there is additional money appropriated for that purpose from available funds or is appropriated for that purpose from available funds or is provided for by the authorization of the issuance of time warrants. If a change order involves a decrease or increase of \$25,000 or less, the governing body may grant general authority to an administrative official to approve the change orders.

The original contract price may not be increased by more than 25 %. The contract price may not be decreased by more than 25% without the consent of the contractor. 252.048 LOCAL GOVERNMENT CODE.

## STATE CONTRACT PURCHASES

The City of Stephenville may participate in the purchasing program of the General Services Commission established in LOCAL GOVERNMENT CODE 271.082, including the use of the reverse auction procedure as defined by Section 2155.062(d) GOVERNMENT CODE. The city may purchase an item under a state contract or under a reverse auction procedure as defined by Section 2155.062(d), GOVERNMENT CODE, sponsored by the commission satisfies any state law requiring the local government to seek competitive bids for the purchase of the item.<sup>3</sup>

## HGAC

The purpose of the Interlocal Cooperation Act of 1971 was to promote cooperative activities among local governments. The Houston Galveston Area Council of Governments is a cooperative purchasing cooperation operating under this Act. Amended by the 77<sup>th</sup> Legislature, regular session to permit cooperative purchasing by local governments in any state.

## SALE OF PRISON MADE GOODS

If the office of the Texas Department of Corrections offers an article or product, the political subdivision may purchase the article or product only from that office. An agency of the state or political subdivision may not evade the intent of this subdivision by requesting an article or product that varies slightly from standards for article or products produced under section 497.027 GOVERNMENT CODE.

## LEASE PURCHASE OR INSTALLMENT PURCHASE OF REAL PROPERTY

This section applies only to a lease-purchase or installment purchase of real property financed by the issuance of certificates of participation.

The City of Stephenville may not make an agreement under which the municipality is a lessee in a lease-purchase of real property or is a purchaser in an installment purchase of real property unless the city has first obtained appraisal by a qualified appraiser who is not an employee of the city. The purchase price may not exceed the fair market value of the real property as shown by the appraisal.252.050 LOCAL GOVERNMENT CODE

## GOVERNMENTAL ENTITY RECYCLING

### **Title 5 Chapter 361.425**

- (a) State agency, state court or judicial agency, a university system or institution of higher education, a county, municipality, school district, or special district shall:
- (1) In cooperation with the State Purchasing and General Services commission or the department establish a program for the separation and collection of all recyclable materials generated by the entity's operations, including, at a minimum, **aluminum, high grade office paper, and corrugated cardboard;**

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<sup>3</sup> To check is an item is on sate contract visit [www.gsc.state.tx.us](http://www.gsc.state.tx.us) and click on cooperative purchasing

- (2) Provide procedures for collecting and storing recyclable materials, containers for recyclable materials, and procedures for making contractual or other arrangements with buyers of recyclable materials;
  - (3) Evaluate the amount of recyclable materials recycled and modify the recycling program as necessary to ensure that all recyclable materials are effectively and practicably recycled; and
  - (4) Establish educational and incentive programs to encourage maximum employee participation.
- (b) The department by order shall exempt a school district or a city with a population of less than 5,000 from compliance with this section if the department finds that compliance would work a hardship on the district or the city. The department shall adopt rules for administering this subsection.

### **GOVERNMENTAL ENTITY PREFERENCE FOR RECYCLED PRODUCTS**

#### **Title 5 Section 361.426**

- (a) A state agency, state court, or judicial agency not subject to the state purchasing and general services act, a county, municipality, school district, junior or community college district, or special district shall give preference in purchasing to products made of recycled materials if the products meet applicable specifications as to quantity and quality.
- (b) A entity subject to this section regularly shall review and revise its procurement procedures and specifications for the purchase of goods, supplies, equipment, and materials in order to:
  - (1) Eliminate procedures and specifications that explicitly discriminate against products made of recycled materials,
  - (2) Encourage the use of products made of recycled materials, and
  - (3) Ensure to the maximum extent economically feasible that the entity purchase products that may be recycled when they have served their intended use.
- (c) In developing new procedures and specifications, the entity shall encourage the use of recycled products and products that may be recycled or reused.
- (d) The department by order shall exempt a school district or a city with a population of less than 5,000 from compliance with this section if the department finds that compliance would work a hardship on the district or the city.

### **PROFESSIONAL SERVICES**

GOVERNMENT CODE 2254: A governmental entity may not select a provider of professional services or a group or association of providers or award a contract for the services on the basis of competitive bids submitted for the contract or for the services, but shall make the selection and award;

- (1) On the basis of demonstrated competence and qualifications to perform the services; and
- (2) For a fair and reasonable price.

The professional fees under the contract:

- (1) Must be consistent with, and not higher than, the recommended practices and fees published by the applicable professional associations; and
- (2) May not exceed any maximum provided by law.

PROFESSIONAL SERVICES means services:

Within the scope of the practice, as defined by state law, of

- (i) accounting
- (ii) architecture
- (iii) landscape architecture
- (iv) land surveying
- (v) medicine
- (vi) optometry
- (vii) professional engineering
- (viii) real estate appraising or
- (ix) professional nursing; or

Provided in connection with the professional employment or practice of a person who is licensed or registered as

- (i) a certified public accountant
- (ii) an architect
- (iii) a landscape architect
- (iv) a land surveyor
- (v) a physician, including a surgeon
- (vi) an optometrist
- (vii) a professional engineer
- (viii) a state certified or state licensed real estate appraiser; or
- (ix) a registered nurse

Additional information on services included in the professional services can be obtained on the Attorney General's official website at <http://www.oag.state.tx.us/> and following the link to the opinion page.

**TEXAS ADMINISTRATIVE CODE INSURANCE**  
**REQUIRED NOTICES OF COVERAGE**

Reporting Requirements for Building or Construction Projects for Governmental entities

A certificate of coverage – a copy of a certificate of insurance, a certificate of authority to self-insure issued by the commission, or a workers' compensation coverage agreement showing statutory workers compensation insurance coverage for the person's or entity's employees (including those subject to a coverage agreement) providing services on a project, for the duration of the project.

A governmental entity that enters into a building or construction contract on a project shall:

- (1) Include in the bid specifications, all the provisions of paragraph (7) of this subsection, using the language required by paragraph (7) of this subsection.
- (2) As part of the contract, using the language required by paragraph (7) of this subsection, require the contractor to perform as required in subsection (d) of this section;
- (3) Obtain from the contractor a certificate of coverage for each person providing services on the project, prior to that person beginning work on the project.
- (4) Obtain from the contractor a new certificate of coverage showing extension of coverage; and
- (5) Comply with all requirements of Title 28, part 2 Chapter 110 Subchapter B, Rule 110.110.

**Paragraph 7-** Persons providing services on the project (“subcontractor” in 406.096 of the Act) – with the exception of persons excluded under subsections (h) and (i) of this section, includes all persons or entities performing all or part of the services the contractor has undertaken to perform on the project, regardless of whether that person contracted directly with the contractor and regardless of whether that person has employees. This includes but is not limited to, **independent contractors, subcontractors, leasing companies, motor carriers, owner-operators, employees of any such entity, or** employees of any entity furnishing persons to perform services on the project. “Services” includes but is not limited to providing, hauling, or delivering equipment or materials, or providing labor, transportation, or other service related to a project. “ Services” does not include activities unrelated to the project, such as food/beverage vendors, office supply deliveries, and delivery of portable toilets.

### CONFLICT OF INTEREST

Regulation of Conflicts of interest of officers of municipalities, counties and certain other local governments.

Definitions in this chapter:

- (1) “Local public official” means a member of the governing body or another officer, whether elected, appointed, paid, or unpaid, of any district (including a school district), county, municipality, precinct, central appraisal district, transit authority or district, or other local governmental entity who exercises responsibilities beyond those that are advisory in nature.
- (2) “Business Entity” means a sole proprietorship, partnership, firm, corporation, holding company, joint-stock company, receivership, trust, or any other entity recognized by law.
- (3) A person has a substantial interest in a business entity if:
  - (a) The person owns 10 percent or more of the voting stock or shares of the business entity or owns either 10 percent or more or \$15,000 or more of the fair market value of the business entity; or

- (b) Funds received by the person from the business entity exceed 10 percent of the person's gross income for the previous year.
- (4) A person has a substantial interest in real property if the interest is an equitable or legal ownership with a fair market value of \$2,500 or more.
- (5) A local public official is considered to have a substantial interest under this section if a person related to the official in the first degree by consanguinity or affinity, as determined under Chapter 573, GOVERNMENT CODE, has a substantial interest under this section. LOCAL GOVERNMENT CODE 171.004.

### **AFFIDAVIT AND ABSTENTION FROM VOTING REQUIRED**

- (a) If a local public official has a substantial interest in a business entity or in real property, the official shall file, before a vote or decision on any matter involving the entity or the real property, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter if;
  - (1) In the case of a substantial interest in a business entity the action on the matter will have a special economic effect on the business entity that is distinguishable from the effect on the public; or
  - (2) In the case of a substantial interest in real property, it is reasonably foreseeable that an action on the matter will have a special economic effect on the value of the property, distinguishable from its effect on the public.
- (b) The affidavit must be filed with the official record keeper of the governmental entity.
- (c) If the local public official is required to file and does file an affidavit under Subsection (a), the official is not required to abstain from further participation in the matter requiring the affidavit if a majority of the members of the governmental entity of which the official is a member is composed of persons who are likewise required to file and who do file affidavits of similar interest on the same official action.

The official is considered to have a substantial interest if a person related to the official in the first degree of consanguinity or affinity has a substantial interest under this section.

### **PROHIBITED ACT; PENALTY**

- (a) A local public official commits an offense if the official knowingly;
  - (1) Violates Section 171.004;
  - (2) Acts as surety for a business entity that has work, business, or a contract with the governmental entity; or
  - (3) Acts as surety on any official bond required of an officer of the governmental entity.
- (b) An offense under this section is a Class A misdemeanor.

**DISPOSITION OF ABANDONED OR UNCLAIMED PROPERTY**  
**CODE OF CRIMINAL PROCEDURE CHAPTER 18.17**

All unclaimed or abandoned personal property of every kind, other than contraband subject to forfeiture under Chapter 59 of this code and whiskey, wine and beer, seized by any peace officer in the State of Texas which is not held as evidence to be used in any pending case and has not been ordered destroyed or returned to the person entitled to possession of the same by a magistrate, which shall remain unclaimed for a period of 30 days shall be delivered for disposition to a person designated by the municipality or the purchasing agent of the county in which the property was seized. If a peace officer of a municipality seizes the property, the peace officer shall deliver the property to a person designated by the municipality. If any other peace officer seizes the property, the peace officer shall deliver the property to the purchasing agent of the county. If the county has no purchasing agent, then such property shall be disposed of by the sheriff of the county.

**DISPOSITION OF CITY PROPERTY**  
**City of Stephenville Code of Ordinances 31.38 Purchasing**

It shall be the duty of the Purchasing Manager to give opportunity for competition on purchases and sales, except when the nature of the purchase or sale is such that competition is impossible or impracticable. All purchases in excess of \$1,000, except purchases of real estate, or rights or easements therein, shall be by contract to the lowest responsible bidder; and all sales in excess of \$950, except sales of real estate, or rights or easements therein, shall be made to the highest bidder after public notice and the receipt of sealed bids, unless the City Council, by ordinance, determines that it is impossible or impracticable to purchase or sell in such manner. All sealed bids received shall be opened in public and thereafter shall be subject to public inspection. The Purchasing Manager may reject all bids and readvertise for new bids. The Purchasing Manager may require successful bidders to furnish security conditioned upon the faithful performance of their contract or conditioned upon the payment of the wages and compensation of all laborers employed on work for which a contract is made by the contractor, subcontractor, agent or any other person, or conditioned for both.

## SECTION 7: DEFINITIONS OF COMMONLY USED PURCHASING TERMS

### Definition of Commonly Used Purchasing Terms

- 1) Advertising – The solicitation of competitive sealed bids through advertising.
- 2) Advise of shipment – A notice sent to the buyer advising that actual shipment has been made and usually contains details of packing, routing, etc.
- 3) Arrival notice – A notice sent by the carrier to the consignee of the arrival of a shipment.
- 4) As is – An expression, in a sales agreement implying that the buyer is taking delivery of goods without warranty or guarantee and must trust to his own examination.
- 5) Addendum – A supplementary device designed to be fastened to, or mounted on, as document in order to vary or add to the function of the original document.
- 6) Back order – The undelivered part of a previous order which the seller agrees to ship later.
- 7) Blanket purchase – A term usually referring to a manner of supplying credit by charging goods and services to a purchaser's account, payment for which is to be made at some future date.
- 8) Breach of warranty – A condition where the material or service purchased fails to meet buyer specifications.
- 9) Buyer's market – A competitive market condition where supply exceeds demand
- 10) Capital Outlay – The purchase and/or construction of land, buildings, structures, facilities of all types, machinery, and equipment. It includes expenditures which result in an acquisition or addition to a fixed asset. An expenditure must meet the following requirements: (1) Have an estimated life of more than one year. (2) Have a unit cost of more than \$1,000 and (3) represent a betterment to a capital item already purchased not just repairs to keep it in operation.
- 11) Cash in advance – Same as “cash with order”.
- 12) Cash on delivery – Payment due upon delivery of goods.
- 13) Cash discount – A discount from the purchase price allowed to the buyer if he pays within a specified period.
- 14) Cash purchase – Purchase paid for in cash.
- 15) Certificate of compliance – Supplier's written assurance that goods or services delivered fulfill requirements.

- 16) Common carrier – A person or corporation licensed by an authorized state, federal, or other governmental agency, engaged in the business of transporting personal property from one place to another for compensation. A common carrier is bound for all who tender their goods and the price for transportation.
- 17) Concealed damage – Damage to the contents which is not apparent externally.
- 18) Conditional sale – A sale made with the understanding that the title will not pass to the buyer until some prerequisite condition has been met.
- 19) Consignment– Goods shipped for future sale of other purpose, title, remaining with the shipper (consignor), for which receiver (consignee) upon his acceptance is accountable.
- 20) Construction – The process of building, altering, repairing, or improving any public structure or building, or other public improvements of any kind to any public real property. It does not include the routine operation, routine repair or routine maintenance on existing buildings or real property.
- 21) Contract – A verbal or written legally binding promise between two parties. An accepted purchase order.
- 22) Contract Date – The date when a contract is accepted by all parties thereto.
- 23) Contractor – Any one of the parties to contract. One who contracts to perform work or furnish materials in accordance with a contract.
- 24) Delivery – The transfer of possession. Shipping – Submission of the bill of lading or title to the goods by the cashier to the recipient.
- 25) Depreciation – A decrease in value because of use, deterioration, inadequacy or obsolescence.
- 26) Disposal – The act of getting rid of scrap, excess, obsolete or surplus property.
- 27) Emergency order – Purchase of materials or services urgently needed because of public calamity, or to preserve the public health or safety of the municipality's residents.
- 28) Escalation – The amount of adjustment permitted by Escalator Clause (a contract generally permitting a change upward, in case certain events transpire.)
- 29) Escrow – An agreement under which a grantor, promisor, or obligator places a sum of money or the instrument upon which he is bound with a third person, called escrow holder, until the performance of a condition or the happening of an event stated in the agreement permits the escrow holder to make delivery of the money or instrument to the grantee, promisee or obligee.

- 30) Estimate – An approximate calculation of the charges or cost to the buyer for whom the estimator proposes to supply goods or services, particularly repair work.
- 31) Expedite – “Follow up”, or trace to assure prompt delivery of goods ordered by buyer generally according to the contract terms.
- 32) Fair Market Value – The value of an item as determined by negotiation between buyers and sellers and which value would be acceptable as a basis of a purchase and sale.
- 33) Competitive Bid – A process used to secure the best price and letting available vendors compete with each other to provide goods and/or services, normally done by sealed bids.
- 34) Competitive Proposals – A process similar to competitive bid, used in the procurement of high technology products or services only.
- 35) F.O.B. – Free on board.
- 36) Follow-up – To review a transaction to determine its status in a purchasing transaction, synonyms with "expedite".
- 37) Guaranty – A pledge of assurance that something is as represented and will be replaced or repaired if it does not meet specifications.
- 38) Inquiry – An invitation to a supplier to submit prices and conditions for furnishing goods or services.
- 39) Invoice – Seller's itemized bill stating prices and quantities of goods and/or services delivered and sent to buyer for payment.
- 40) Invitation for Bids – Solicitation for prospective suppliers by a purchaser requesting their competitive price quotations.
- 41) Jobber– A middleman or dealer who purchases goods or commodities from manufacturers or importers and sells them to retailers.
- 42) Labels – Under Interstate Commerce Commission regulations, certain classes of items required specified warning labels fixed to the goods being shipped.
- 43) Lead Time – The reasonable amount of time after the date ordered that it would take the supplier to prepare the goods for delivery.
- 44) Lease – A contract conveying from one person to another, real estate or property for a term in return for a specified rent or other compensation.

- 45) Letter of Intent – A preliminary quasi-contractual arrangement by letter customarily used in circumstances where the items, quantities, price and delivery dates are known, but where the principal contract provisions may require additional time-consuming negotiations used to enter into interim agreements, pending a definitive contract production, or delivery of the supplies or materials.
- 46) List Price – The price published in a catalog or other means of publication.
- 47) Lump Sum – Selling price of a group or “lot” of goods itemized as to quantity or value.
- 48) Net Price – Price after all discounts, rebates, etc., have been allowed.
- 49) Obsolete – Item whose original use or service is now outdated or no longer serves its original service in a productive manner.
- 50) Option – The right acquired for consideration to buy or sell something at a fixed price within specified time.
- 51) Packing List – A document which itemizes in detail the contents of a particular package of shipment.
- 52) Partial Payment – The payment authorized in a contract upon delivery of one or more complete units called for under the contract or upon completion of one or more distinct items or service called thereunder.
- 53) Penalty Clause – A clause in a contract specifying the sum of money to be paid if the contractor defaults on the terms of his contract. Particularly in respect to time. Courts have generally disallowed penalty clauses in public contracts but have allowed liquidated damages clause that meets legal criteria for mutual agreement and reasonable amount.
- 54) Per Diem (Latin) – By the day.
- 55) Point of Origin – The station at which a shipment is received by a transportation line from the shipper.
- 56) Prepaid – Term denoting that transportation charges have been or are to be paid at the point of shipment.
- 57) Price Protection – Sales agreement granting purchaser a discount established by the seller generally prior to shipment date.
- 58) Public Works – All constructions and improvements ordinarily of a fixed nature designed for public use, protection or enjoyment.
- 59) Refused Shipment – Freight which the consignee refuses to accept.

- 60) Salvage – Useless, deteriorated material unprofitably restorable, yet valued at more than its scrap price. To save from complete waste material still useable or having scrap value.
- 61) Scrap – Article or parts removed in manufacture, rejected, discarded or which is useful only as material for processing.
- 62) Seconds – Useable products, which are rejected because of imperfections or flaws.
- 63) Seller's Market – A competitive market condition, in favor of sellers, existing when supply and demand create a relatively high price level.
- 64) Services – The rendering by a contractor of its time and effort rather than the furnishing of a specific tangible product.
- 65) Specifications – A statement containing a detailed description or enumeration of particulars as of the terms of a contract, details of building construction, etc.
- 66) Statement of Account – A detailed listing, usually prepared by the seller, of transactions between seller and buyer for a stated period of time, usually a month, concluding with the open or unpaid balance.
- 67) Supplies – Goods which are consumable in nature.
- 68) Surplus – Item which has no known use in the operating, manufacturing or repairing function of the city within the next 12 to 24 month period.
- 69) Tally – The results of enumeration and listing of the items in a shipment by quantity and description.
- 70) Trademark – Exclusive legal identification symbol of a supplier which may be registered with the U.S. Patent Office.
- 71) Vender – A “seller,” one who sells something
- 72) Vendor – One who sells something; A “vender.”
- 73) Voucher – A written certification, usually the documentary statement of a transaction denoting payment due to the payee.
- 74) Warranty – The representation that something is true. Not to be confused with “guarantee;” Contractual responsibility for the deficient performance or nonperformance of another party.
- 75) Weight, Gross – The weight of an article together with the weight of its container and the material used for packing.

- 76) Weight, Net – The actual weight of the contents of a container or of the cargo of a vehicle it is the total weight less than the tare weight.
- 77) Weight, Tare – The weight of an empty container and the other material used for packing its contents.
- 78) Worn-out – Item which has served its useful life and which can no longer be justifiably repaired.
- 79) Zones (Parcel Post) – The United States and its possessions are divided into eight (8) zones for the application of parcel post charges. The rate from a point to any of the points located in one of the zones being the same.

*APPENDIX A- FORMS*

**TELEPHONE BID SHEET**  
**Purchases from \$1,000 to \$5,000**

**Date:** \_\_\_\_\_ **Purchase Order #:** \_\_\_\_\_

**Dept:** \_\_\_\_\_ **Account #:** \_\_\_\_\_

**Item Description:** \_\_\_\_\_

<b>Bidders Name:</b>	<b>Phone Number:</b>	<b>Amount of Bid:</b>
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____

**Purchased from:** \_\_\_\_\_

**Justification:** \_\_\_\_\_

\_\_\_\_\_  
DEPARTMENT HEAD SIGNATURE

PO No: \_\_\_\_\_

**REQUEST TO PURCHASE**

DEPT \_\_\_\_\_ ACCOUNT \_\_\_\_\_ DATE \_\_\_\_\_

ITEM	QUANTITY	DESCRIPTION	EST. COST

VENDOR (Name, Address and Phone)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
**Requested by**

\_\_\_\_\_  
**Department Director**

**BID EXEMPT FORM**

To accompany RTP in the absence of bids

P.O NUMBER \_\_\_\_\_

COMPETITIVE BIDDING AND PROPOSALS ARE REQUIRED BY STATUTE FOR PURCHASES OVER CERTAIN DOLLAR LIMITS, EXCEPTIONS BEING SOLE SOURCE PURCHASES OR EMERGENCY PURCHASES. (CHAPTERS 252 AND 262 LOCAL GOVERNMENT PROCUREMENT)

**REASON FOR EXEMPTION FROM COMPETITIVE BIDS:**

**SOLE SOURCE:** *If the requisitioning party determines that the item is a sole source purchase, they must attach a statement to the requisition that they have contacted a sufficient number of vendors to determine that only one practical source of supply exists, or state the reasons why only one source of supply exists. (Texas Comptroller of Public Account-Model Purchasing Manual for Texas Cities and Counties)*

- \_\_\_\_\_ There is no competitive product. The good/service is a one-of-a kind or patented product, a copyrighted publication available from only one source, or a unique item such as an artwork.
- \_\_\_\_\_ The product is only available from a regulated or natural monopoly, Example, utilities, gravel from only pit in the area or some similar situation
- \_\_\_\_\_ The product is a component of an existing system which is only available from one supplier. The replacement of a component or a repair part may only be available from the original supplier.
- \_\_\_\_\_ The item is produced by non-profit corporations using handicapped workers. Products made by blind or otherwise handicapped workers.
- \_\_\_\_\_ The item is produced by prison workers. The state benefits from the sale of these items.
- \_\_\_\_\_ The item is purchased from a cooperative purchasing program which has completed all necessary bidding requirements
- \_\_\_\_\_ The procurement is for personal, professional or planning services as set out in Government Code Chapter 2254

**EMERGENCY :** *The purchase must qualify as an emergency purchase under the definition in Procedure 140-30-0, or as defined in the Local Government Code Chapters 252,262, or 271. The designation of emergency purchase indicates a situation of such urgency that the normal purchasing procedure must be modified in the interest of speed and therefore no competitive bids are required.*

- \_\_\_\_\_ The case of a public calamity, the prompt purchase of items is required to provide for the needs of the public or to preserve the property of the political subdivision.
- \_\_\_\_\_ The item is necessary to preserve or protect the public health or safety of residents of the political subdivision.
- \_\_\_\_\_ The item is necessary to preserve or protect the public health or safety of residents of the political subdivision.
- \_\_\_\_\_ The item is made necessary by unforeseen damage to public property. Internal repair, unable to predetermine cost.

\_\_\_\_\_  
DIVISION DIRECTOR (signature)

\_\_\_\_\_  
Date

**APPENDIX B – DESCRIPTION OF ACCOUNTS**

I. PERSONAL SERVICES (100)

Personal services is the first of the major assigned characters of expenditures and includes the following: the remunerations paid full and part-time employees of the City and employed benefit costs such as the City's contributions to retirement, insurance, social security, workmen's compensation, and so forth. It does not include payments for the service to professional people not in the regular employ of the City.

Personal Charges

- 111 Salaries--This includes gross salaries and wages paid to full-time employees of the City.
- 113 Hourly Wages--This includes the remunerations paid part-time and seasonal City employees; and also member of the City Council.

Fringe Benefits

- 121 Retirement--This includes the City's matching of contribution to the pension or retirement plan for full time employees.
- 122 Social Security--The City's matching contribution to the Federal Social Security Plan. The rate is set by the Federal Social Security Act . Contact the Accounting Department for the current rate.
- 123 Workmen's Compensation--The funds allotted by the City for Workmen's Compensation Insurance on qualified employees.
- 125 Group Insurance--The funds allotted by the City for health and life insurance premiums on qualified full-time employees.

II. CONTRACTUAL & MISCELLANEOUS SERVICES

Contractual Services is the second of the major assigned characters of expenditures and includes payments for services rendered the City by firms or individuals. It does not include payments for material objects such as parts or supplies.

Communications & Transportation

- 211 Postage and Express Charges--The mailing costs incurred by the City and also all express and freight charges which are not assignable to the cost of a purchased article.
- 212 Communications--The cost of telephone, telegraph and teletype used by the City.
- 213 Printing & Binding--The outside printing of forms, reports, brochures, etc.
- 214 Advertising & Public Notice--The legal and other advertising of the City.

- 215 Education & Schooling--The expenses incurred by City employees while on the performance of official duties. Among these are cost of rooms, meals, transportation, registration fees and tuition fees.
- 216 Car Allowance--The payments made to employees for the use of privately owned vehicles.

Insurance

- 224 Other Insurance--Property and liability insurance.

Rentals

- 231 Rentals--The fees paid for the rental of machinery, equipment, land and office space which is not economically feasible to purchase.

Miscellaneous

- 251 Utilities--The expenses for gas and electricity for City facilities such as buildings, swimming pools, playground areas, water and sewer treatment plants, street lights, traffic light, etc.
- 252 Subscriptions & Memberships--Subscriptions to publications and memberships in professional organizations.
- 253 Outside Professional Services--The expense incurred by the City in its retaining of outside professional personnel for special services. It includes auditors, surveyors, consulting engineers, legal fees, services by election officials and Board of Equalization members.
- 254 Special Services--Miscellaneous items provided for the City by others. It includes flowers for funerals, Christmas gifts for personnel City dinner, etc.
- 255 Damage Claims, Awards & Indemnities--Damage claims not covered by City insurance.
- 256 Laundry & Cleaning--The maintenance of City owned uniforms and wearing apparel, linens, etc.
- 258 State Fees--The administrative cost fee for employees under Social Security as required by the municipal court which are paid to the State Comptroller.
- 260 Pest & Germ Control--The compensation paid for certain outside services, such as pest control by extermination companies.
- 261 Other Contractual Services--Contractual services not otherwise specified such as janitorial service, yard and ground work by individuals, etc.

III. GENERAL SERVICES (300)

General Services and commodities is the third major assigned character of expenditures, and includes expendable items such as supplies and small tools not of a capital nature.

- 311 Agricultural & Horticultural Supplies--Supplies used in the preservation and beautification of parks and public grounds such as bulbs, seeds, trees, plants, fertilizers, etc. It does not include garden tools.
- 312 Chemical, Laboratory & Medical Supplies--Includes laboratory and chemical supplies used for water purification, sewage treatment, testing and diagnostic and functional purposes. Medical supplies for ambulance service are also included.
- 313 Books, Educational and Recreational Supplies--Books and other educational supplies and materials for arts and crafts class and recreational supplies having a unit cost of less than \$25.00. It does not include registration fees and tuition which are included in 215.
- 314 Office Supplies--Includes all supplies necessary for the operation of an office such as pens, pencils, stationary, rubber bands, stamps, clips, etc.
- 316 Wearing Apparel & Alterations--All wearing apparel furnished by the City to employees and related alterations.
- 317 Photographic, Photocopy & Duplicating Supplies--Includes film used by any City department in the process of their work. This also includes paper and supplies for the duplicating machines.
- 318 Small Tools & Equipment--Tools and equipment that are subject to loss and/or have an expected life of less than one year. Tools and equipment costing more than \$100.00 and having a life span over one year are charged to 512. It includes hand tools and small equipment used by the janitor, automotive mechanic, electrician, laborers, policeman, etc.

Operation & Maintenance

- 321 Janitorial & Sanitation Supplies--Includes supplies such as soap, disinfectants, deodorizers, floor oils, paper towels, rags, etc.
- 322 Street & Sign Marking Materials--Includes materials for painting signs and street markings.
- 323 Gas, Oil & Lubricants--Includes all types of fuel such as gasoline, kerosene, diesel, oil and lubricant for the City's motor vehicles, machinery and other equipment.
- 324 Welding Supplies--Includes materials for welding purposes.

- 332 Other Supplies--Other non-specified supplies.
- 333 Computer Supplies--Paper, ribbons, etc. used as supplies for the computer.
- 334 Dog Pound--Includes food and all supplies purchased for the animal detained at the City Animal Pound.

IV. MACHINERY & EQUIPMENT MAINTENANCE (400)

Machinery and equipment maintenance is the fourth major assigned character of expenditures and includes all repair and maintenance costs incurred by the City.

Machinery & Equipment

- 411 Motor Vehicles--Includes expenditures for the repair and maintenance of City vehicles such as pick-ups, dump trucks, police cars, etc.
- 412 Machinery Maintenance--Includes the repair cost and maintenance of the City's heavy machinery such as: graders, dozers, loaders, tractors, sweepers, rollers, air compressors and fogging machines.
- 413 Office Equipment Maintenance--Includes the cost for repairs and maintenance of all office equipment of all office furniture and equipment, such as computer maintenance, etc.
- 414 Other Equipment Maintenance--Includes repair and maintenance costs for City equipment such as the roto-rooter, air hammer, lawn mowers, shop equipment, installation & maintenance of short wave radio units, maintenance of small tools and traffic signal repairs.
- 415 Playground Equipment Maintenance--Maintenance of park equipment such as benches, picnic tables, chairs, trash containers, etc.
- 416 Park Equipment Maintenance--Maintenance of park equipment such as benches, picnic tables, chairs, trash containers, etc.

Other Improvements

- 421 Buildings and Structures--Maintenance of City owned buildings and structures.
- 422 Rights-of-Way--Maintenance of City streets, alleys, roadways, sidewalks, steps, bridges, storm sewers, etc.
- 423 Water Lines & Facilities--Maintenance of all water lines and facilities. Includes replacing existing lines, old meter repairs and repairs to water plant pumps and equipment.
- 424 Sanitary Sewer Lines & Facilities--Maintenance of all sanitary sewer lines and facilities. Includes repairs to lift station pumps.

- 425 Miscellaneous Repair & Maintenance--Maintenance costs for facilities not mentioned such as swimming pool maintenance.
- 426 Light Systems--Maintenance on the light systems at the City Park.
- 427 Park Improvement Maintenance--Maintenance of park facilities such as fencing, ball field and bike trail maintenance.

V. CAPITAL OUTLAY

Capital Outlay is the fifth of the major assigned characters of expenditures and includes the purchase and/or construction of land, buildings, structures, facilities of all types, machinery and equipment. It also includes expenditures which result in an acquisition or addition to a fixed asset. In order to qualify as a capital outlay, an expenditure must meet the following requirements: (1) have an estimated life of more than one year, (2) have a unit cost of more than \$100.00 and (3) represent a betterment to a capital item already purchased, not just repairs to keep it in operation.

Machinery & Equipment

- 511 Motor Vehicles--Purchase of automobiles, trucks, fire trucks, ambulance, etc.
- 512 Machinery & Equipment--All types of heavy machinery and equipment such as graders, dozers, trailers, rollers, tractors, sweepers, air compressors, etc.
- 513 Office Equipment & Furniture--Includes typewriters, adding machines, calculators, desks, chairs, filing cabinets, accounting and billing machines, duplicating machines, etc. that are used in office work.
- 514 Other Equipment--Includes lawnmowers, shop equipment, radio units, parking meters, traffic signals, etc.
- 515 Playground Equipment--Includes all playground equipment such as slides, merry-go rounds, see-saws, etc.
- 516 Park Equipment--Includes equipment for the Park such as benches, tables, containers, grills, etc.

Other Capital Items

- 521 Building Construction--Includes all charges for the construction of buildings and the addition to the same.
- 522 Rights-of-Way--Costs for street, sidewalk, and storm sewer construction.
- 525 Other Construction--Costs for construction not listed prior.

527 Park Improvement--Includes hike and bike trails, ball fields, tennis courts, etc.

Land

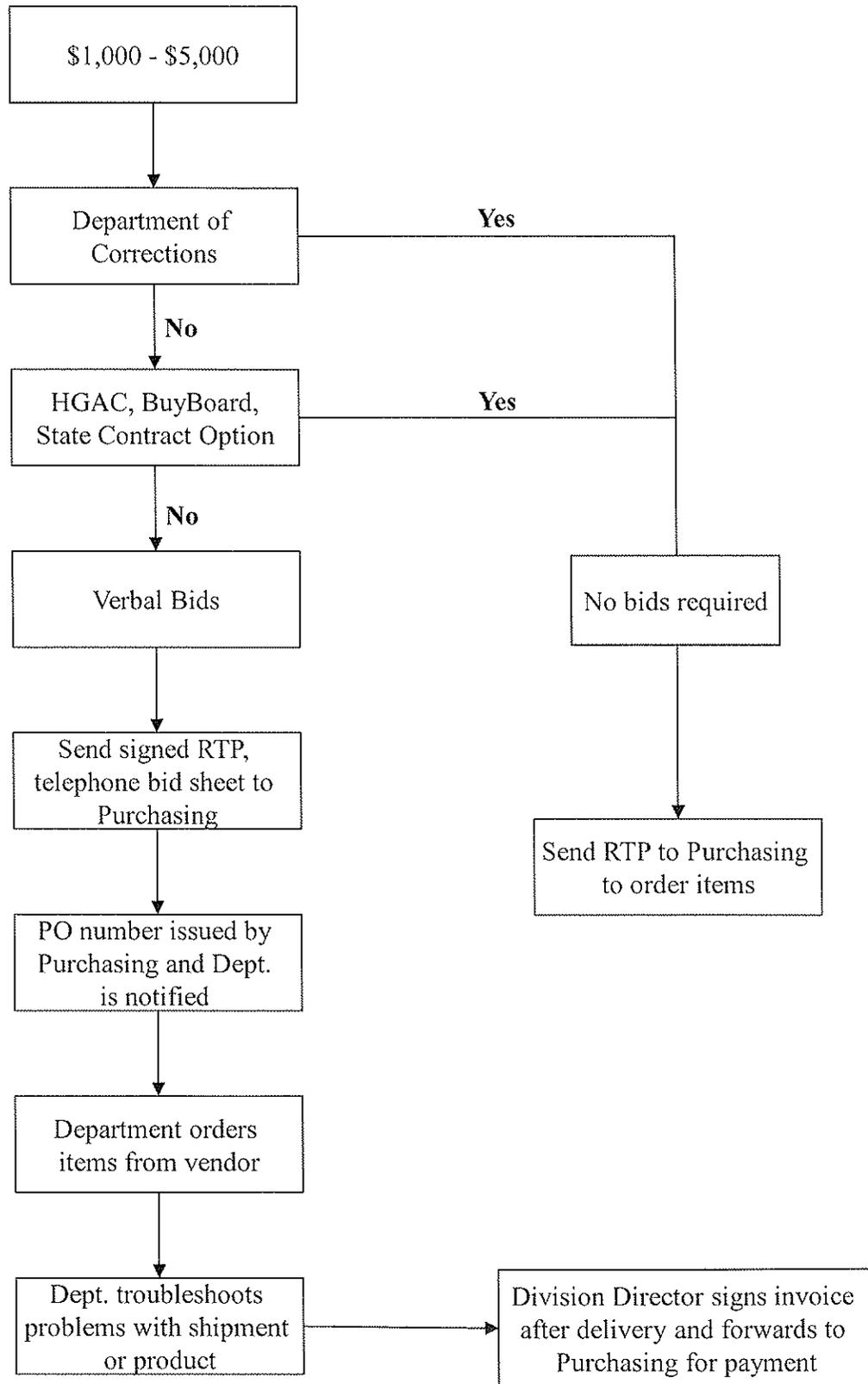
531 Land Acquisition--Includes all land purchased by the City.

532 Land Improvements--Includes paving, sidewalks, sewer grading, fencing and other items customarily paid for by the property owner of a tract of land. It does not include buildings.

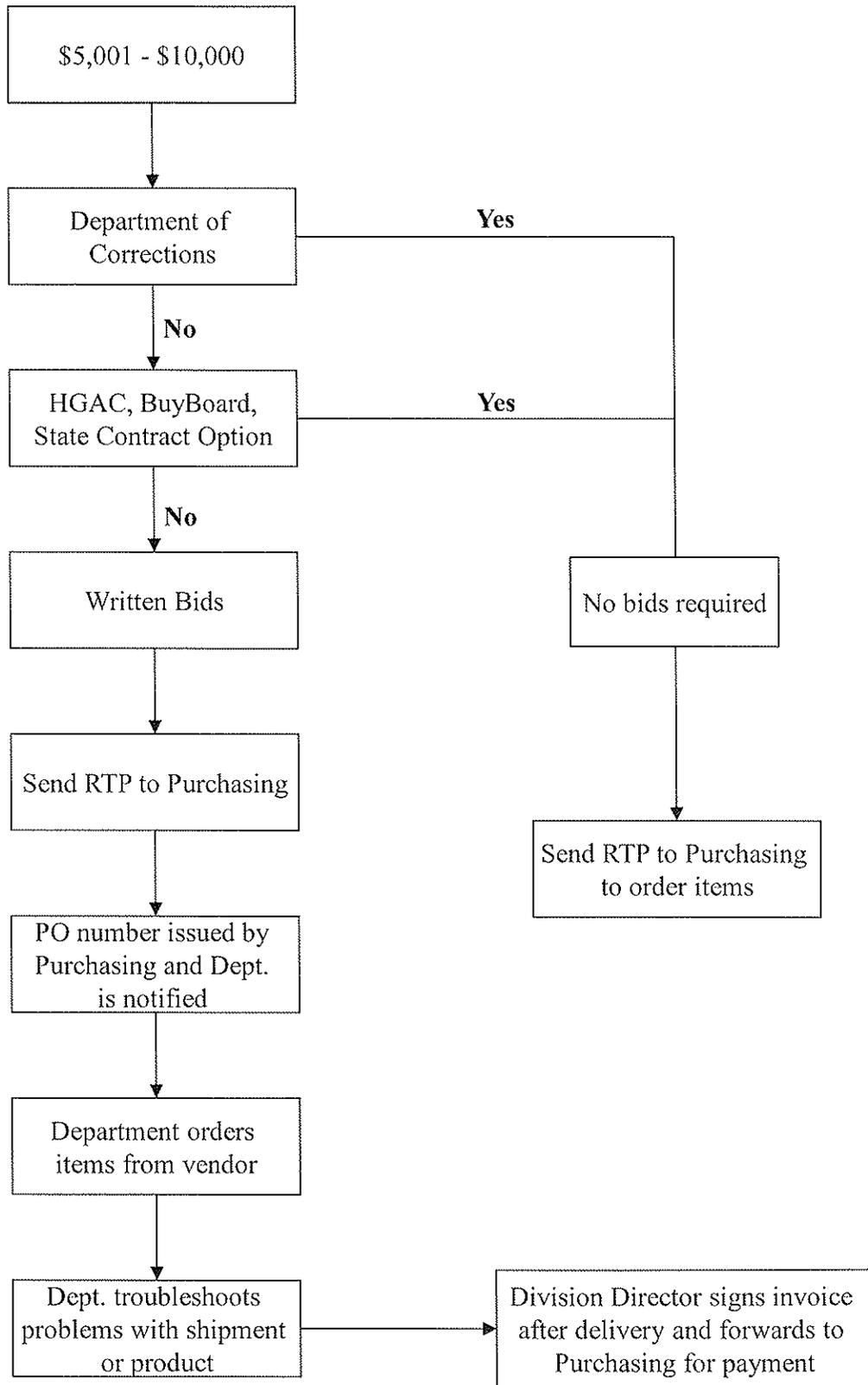
*APPENDIX C – FLOW CHARTS*

# Purchasing Decision Flowchart

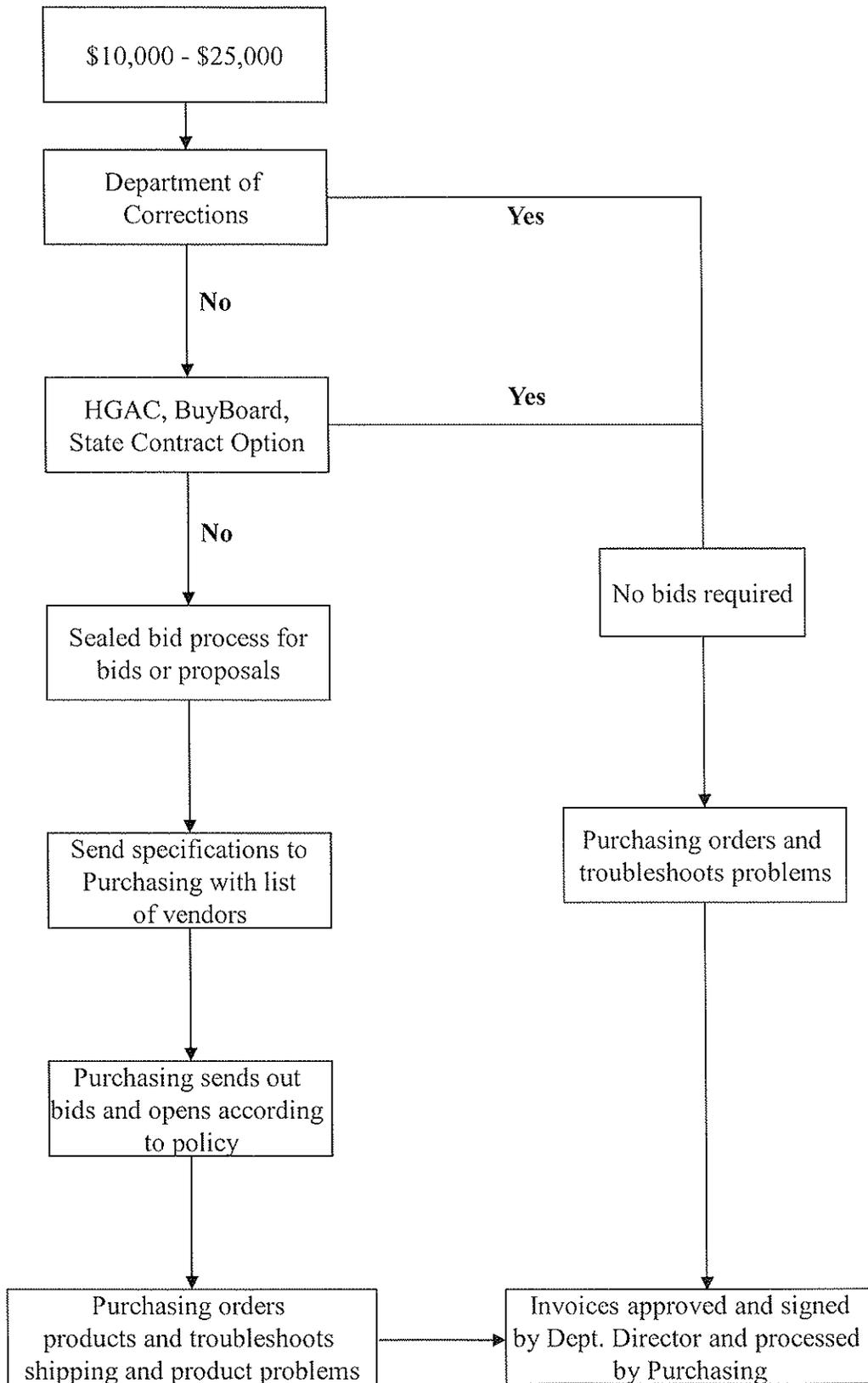
No bids required for under \$1,000



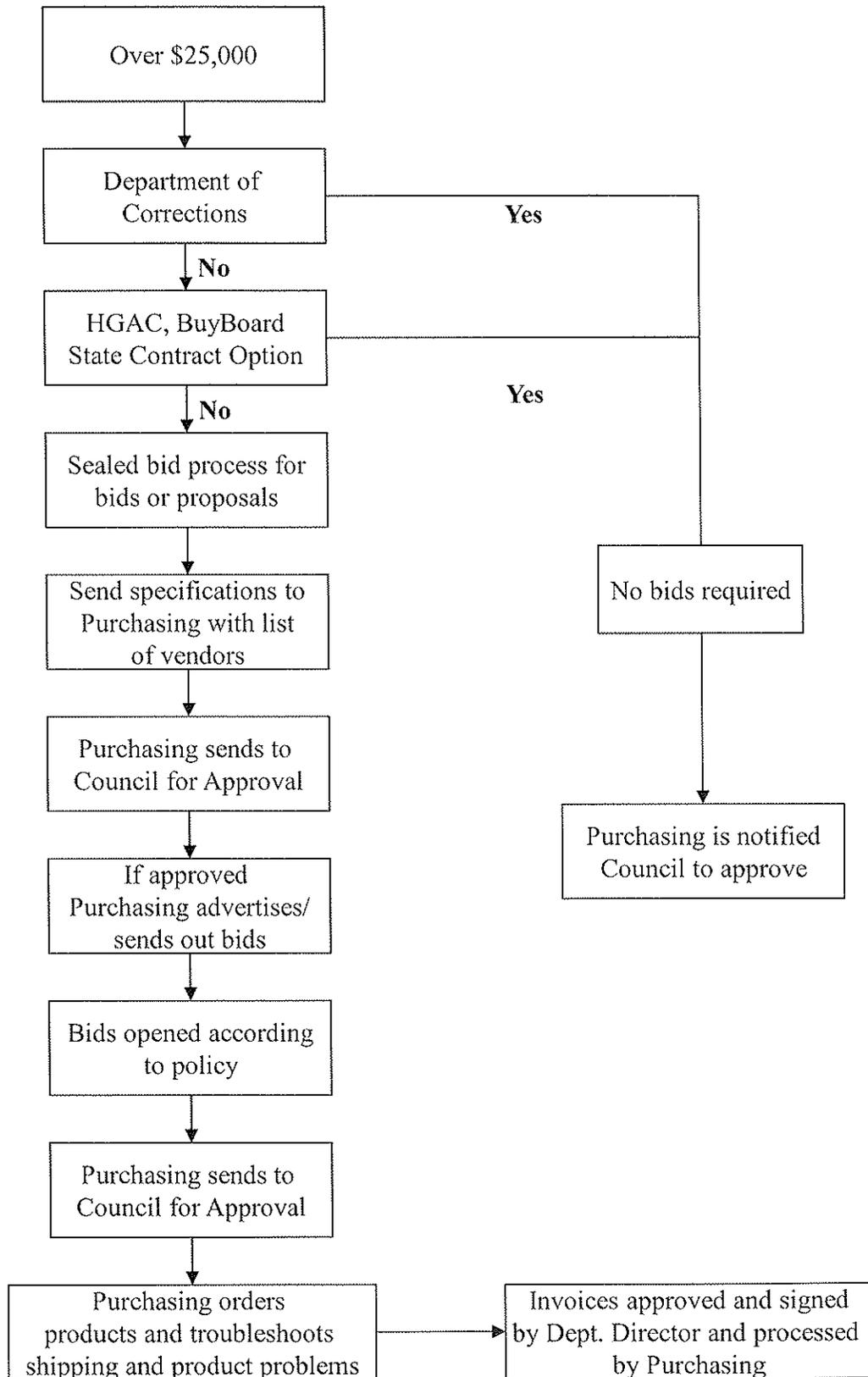
# Purchasing Decision Flowchart



# Purchasing Decision Flowchart



# Purchasing Decision Flowchart



# Purchasing Decision Flowchart

## High Technology Items

