

City of Corinth Glossary of Procurement Terms

Addendum: a written change, addition, alteration, correction, or revision to a bid, proposal, or contract document. Commonly, the name given to the document used to revise a solicitation.

Agreement: a formal, written document between the City and vendor providing goods or services, describing the scope of work and term of the contract. All agreements must be signed by the City Manager.

Annual Contract: A contract that protects pricing for a set time period (typically one (1) year) and is awarded to a Contractor for goods and services routinely required on a recurring basis. Annual contracts may have renewal options.

Award: The acceptance of a bid, proposal, or contract to the selected bidder/proposer.

Best Value: If the sealed competitive bidding requirement applies to the contract for goods or services, the contract may be awarded to the lowest responsible bidder or to the bidder who provides the goods or services at the best value for the City. In determining the best value for the City, we may consider:

- the purchase price;
- the reputation of the bidder and of the bidder's goods or services;
- the quality of the bidder's goods or services;
- the extent to which the goods or services meet the City's needs;
- the bidder's past relationship with the City;
- the impact on the ability of the City to comply with laws and rules relating to contracting with historically underutilized businesses and non-profit organizations employing persons with disabilities;
- the total long-term cost to the City to acquire the bidder's goods or services, and
- any relevant criteria specifically listed in the request for bids or proposals.

Bid: a response by a vendor to furnish specific goods and/or services in response to a solicitation

Bid advertisement: For expenditures over \$50,000 a public notice shall be placed in a newspaper of general circulation and published at least once a week for two consecutive weeks. The notice shall contain the time and place at which bids will be publicly opened.

Bid Deposit/Cashier's Check: a guaranteed check furnished in lieu of a bid bond at the time of bid submittal.

Bonds:

Performance Bond (Government Code 2253.021): A performance bond secures the performance and fulfillment of all the terms, conditions and agreements contained in the contract and specifications. For contracts in excess of \$100,000, a performance bond must be executed in the full amount of the contract that covers the time period the project will be allowed for construction. The bond must be executed by a corporate surety in accordance with the law, the corporate surety must be licensed by the State of Texas to issue surety bonds and appear on the U.S. Treasury List of acceptable sureties.

Payment Bond (Government Code 2253.021): A payment bond protects beneficiaries who supply materials or labor to the public works project and have a direct contractual relationship with the contractor. For contracts in excess of \$50,000, a payment bond must also be executed in the full amount of the contract that covers the time period the project will be allowed for construction. The bond must be executed by a corporate surety in accordance with the law, and the corporate surety must be licensed by the State of Texas to issue surety bonds and appear on the U.S. Treasury List of acceptable sureties.

Bid Bond: A bid bond is submitted with a bid as a guarantee that the bidder will enter into the contract, perform all work as specified, and to execute performance and payment bonds if awarded the contract. A bid bond is not required by statute, but is generally used on public works contracts, and on other service contracts as needed.

Maintenance Bond: A maintenance bond guarantees defects in workmanship and/or materials for a specific time period. A maintenance bond is not required by statute, but is generally used on public works contracts, and on other service contracts as needed.

Change Order: contract changes made after performance of the project has begun, or to increase/decrease the scope or quantity of work to be performed, or the materials, equipment, or supplies to be furnished. A change order shall not exceed 25% of the original contract. The total dollar amount of change orders on a contract shall not exceed 25% of the original award amount (if the purchase is subject to the competitive bidding laws of the State of Texas). Change orders for contracts for public works or construction may not be decreased by more than 25% without the written consent of the contractor.

Commodity code: A specific group of goods or services categorized into distinct classes that have been assigned a numerical reference number

Consulting services: the service of studying or advising the City under a contract that does not involve the traditional relationship of employer and employee.

Construction: the process of constructing a building, structure, road or drainage utilities; altering, repairing, improving or demolishing any structure or building; or other improvements of any kind.

Contract: An agreement between the City and a Contractor, with binding legal and moral force, usually exchanging goods or services for money or other consideration.

Contractor: The successful vendor(s) awarded a contract by the City

Debarment: the exclusion for cause of a vendor or contractor from bidding and/or receiving a contract to do business with the City.

Emergency Purchases: in order to qualify as an emergency purchase, one of the following conditions must apply, as provided by Section 252.022 of the Texas Local Government Code, as amended:

1. a procurement made because of a 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.

Encumbrance: The commitment of appropriated funds to purchase an item or service. To encumber funds means to set aside or commit funds for a specified future expenditure.

Free on Board (F.O.B.) Destination, Freight Prepaid and Added: Title to the goods passes from the supplier to the agency at the point of destination and supplier pays the freight expense and then adds the freight expense to the agency's invoice. Supplier owns goods in transit and files claims, if any.

Goods: any tangible property other than services or real property.

Historically Underutilized Business (HUB) Program: affirmative action program to increase the participation of disadvantaged or businesses normally used; includes minority and women owned businesses.

Interlocal Agreement: An agreement made between the City and another governmental entity or a cooperative organization to perform governmental functions and services (e.g., purchasing) for each other as provided under Texas Government Code Sec. 791.025 and Texas Local Government Code Sec. 271.102.

Invitation to bid (ITB): Specifications and a formal written document requesting a firm price and delivery details for specified goods or services. Award is based on the lowest responsible bid or best value for the City.

Personal Services: Services involving the personal, intellectual, or manual labor of an individual; a service performed personally by a particular individual for the benefit of another.

Planning Services: Services primarily intended to guide governmental policy to ensure the orderly and coordinated development of land uses.

Political Subdivision: A county; an incorporated or unincorporated municipality; a public junior college; a public school district or other educational or rehabilitative district; a

metropolitan or regional transit authority; an airport authority; a river authority or compact; a regional planning commission, a council of governments, or a similar regional planning agency created under Chapter 391, Local Government Code;

Procurement/Purchase: the buying, purchasing, renting, leasing or otherwise acquiring of any goods and/or services for public purposes in accordance with the laws, rules, regulations and procedures intended to provide for the economic expenditure of public funds.

Procurement Card (P-Card): City-issued credit card used to purchase goods/services in accordance with established procedures.

Professional Services: services performed within the scope of practice (or provided in connection with the employment of a licensed person in the areas of practice) of accounting, architecture, landscape architecture, land surveying, medicine, optometry, professional engineering, real estate appraising; professional nursing, or interior design as defined under TX Govt code 2254.

Public Works Project: projects that require the construction, repair, or renovation of a structure, building, street, highway, bridge, park, water distribution or treatment facility, wastewater collection or treatment facility, drainage project, or other improvement or addition to real property.

Purchase Order: a purchaser's written document to a vendor formalizing all of the terms and conditions of a proposed transaction. It should contain the description of the requested item(s), provisions for construction, goods and/or services ordered; applicable terms as to payments, discounts, date of performance and transportation; and other factors or conditions relating to the transaction. When accepted by a vendor, the agreement specified in the purchase order becomes a contract. A purchase order grants the vendor the authority to deliver the goods or services and invoice for the same. It is the City's commitment to accept the goods or services and pay for them at the agreed price.

Purchase Requisition: System-generated and approved document submitted to purchasing to request a Purchase Order. A requisition is for communicating internal requirements and should not be used by the departments for the order and delivery of goods and/or services.

Quote or Informal Solicitation: informal solicitation request and/or response offered to the City by a vendor for furnishing specific goods and/or services at a stated price, under \$50,000.

Request for Proposal (RFP): a solicitation for goods and/or services for which the scope of work, specifications or contractual terms and conditions cannot reasonably be closely defined. Evaluation of proposal is based on stated criteria and shall state the relative importance of all evaluation factors; other factors may be considered as stated in the RFP.

Request for Statements of Qualifications (SOQ): may be a formal or informal request to solicit qualifications and experience for specific services. Responses are evaluated and the most highly qualified firm is selected. Price may not be known or considered during the evaluation process. Once the most highly qualified firm is identified, City staff negotiates a fair and reasonable price with the firm. If a successful contract cannot be negotiated with the most qualified firm, the City shall formally end negotiations with that provider, select the next qualified firm, and begin negotiations, and continue this process until successful negotiations are completed. Once negotiations have ceased with a firm, reopening negotiations with that firm is not allowed.

Responsible Bidder/Proposer: a business entity or individual who has the integrity and reliability as well as the financial and technical capacity to perform the requirements of the solicitation and subsequent contract.

Responsive Bid/Proposal: a bid or proposal that fully conforms in all material respects to the Invitation for Bids (IFB)/Request for Proposals (RFP) and all of its requirements, including all form and substance.

Sole Source Purchase: Items that are available from only one source because of patents, copyrights, secret processes or natural monopolies; purchase of films, manuscripts, or rare books; purchase of electric power, gas, water, and other utility services and the purchase of captive replacement parts or components for equipment.

Specifications: a concise, descriptive statement of a set of requirements to be satisfied by a product, material or process used in a solicitation to illustrate the goods and/or services to be purchased or otherwise acquired. Specifications should be descriptive, not restrictive.

Split Purchases: purchases to circumvent the competitive bidding requirements and City Council approval of the \$50,000 limit. Split purchases as defined in the Texas Local Government Code Section 252.001 are as follows:

Component Purchases: Purchases of the component parts of an item that in normal purchasing practices would be purchased in one purchase.

Separate Purchases: Purchases made separately of items that in normal purchasing practices would be purchased in one purchase.

Sequential Purchases: Purchases made over a period, of items that in normal purchasing practices would be purchased in one purchase.

Successful Bidder/Respondent: vendor awarded the contract through solicitation, regardless of the method used or dollar amount.

Surplus: item(s) no longer needed by a department, regardless of its value or condition.

Vendor: an actual or potential provider of goods or services.