



PROCUREMENT PROCEDURE

SUBJECT: Procurement Methods

No. P-6

Effective: August 22, 2008

Revised: June 1, 2013

Approved: Constance P. Sanchez
Constance P. Sanchez
Director of Finance

Date: 6-18-2013

I PURPOSE:

The purpose of this procedure is to identify the procurement methods used by the City of Corpus Christi (City) to purchase goods and services.

II SCOPE:

This procedure applies to all employees given the responsibility to procure goods or services for the City.

III PROCUREMENT METHODS:

The City has established the following procurement methods for purchasing goods and services:

- (1) Purchasing Division Purchase Orders (see page 3)
- (2) Supply/Service Agreements – Contract Purchase Order (see pages 4 and 5)
- (3) Decentralized Purchase Orders – Procedure P-7
- (4) Procurement Cards – Procedure P-9

IV PROCEDURES :

1. Bidding procedures are determined by dollar value, by how critical the need is, and by

market conditions.

2. Normally, the dollar value dictates the method of purchase. Expenditures expected to exceed \$50,000 require invitations/proposals to be advertised in the newspaper, as required by state law and City charter.
3. No quotes are required for purchases of \$1,000 or less. Pending available funds, the using departments may obtain supplies and services from the vendor that has the item available for immediate shipment, without having to obtain pricing from another vendor. However, departments are instructed to be price cognizant of the item they are purchasing to insure the City is obtaining **the best value** for the purchase. Additionally, departments should be utilizing a rotational system that will allow all vendors the opportunities to supply the City's needs for these incidental purchases. Vendors are encouraged to contact the using departments to be placed on the rotation list for the items they would like to supply the City. An "Incidental Purchasing Contact List" is provided by the Purchasing Division to prospective vendors for reference. This is a list of departmental personnel that issue purchase orders for the department or are involved in the procurement process of the department.
4. For purchases greater than \$1000 but less than or equal to \$2,000, two verbal quotes are required. Although no written quotes are required, **departments are required to document by note to the file the vendors contacted and to obtain a written offer from the selected vendor to insure all terms and conditions of the sale are documented.**
5. For purchases greater than \$2000 but less than or equal to \$3000, three written quotes are required. The information required on a valid open market quote include the following: the quote must be addressed to the City, the quote must be on the vendor's letterhead, the quote must have a date, the quote must have lead time (the amount of time to deliver the goods), the quote must have FOB (ownership of merchandise in transit and freight terms), the quote must have a description of the product, the quote must have a price, the quote must have a signature. Alternatively, the Fax Request for Quote Form may be used in lieu of the open market quote when requesting pricing from vendors.
6. For purchases greater than \$3000 but less than or equal to \$50,000, three written quotes are required and a Purchasing Division Buyer must give final approval of the purchase. State law requires the City to notify Nueces County HUB vendors for purchases greater than \$3,000. A Purchasing Division Buyer or department staff must check the HUB list for any HUB vendors who sell the product or provide the service the department needs. The list of HUB vendors selling that product or providing the service is included on the bidders list. After initial notification, no further special consideration is given to the HUB vendor. Their offer is evaluated on the same basis as all other offers.

All Bid Information must be listed in the comment section of the Enterprise Resource Planning System (ERPS) Purchase Order. See Procedure P-8.0 for Purchase Order Authority.

7. Items of a critical nature or unusual market conditions may warrant special procedures in order to expedite purchase orders. The Purchasing Division has discretion and authority in providing for waiver of bidding procedure for purchases less than or equal to \$50,000. The City Manager has discretion and authority for providing for waiver of bidding procedures for purchases greater than \$50,000 (Emergency Purchases). See Emergency Procedure P-3.

V INSTRUCTIONS :

1. Purchasing Division Purchase Order (PDPO): Use when a set quantity of items with a specific delivery schedule is offered. Any inventories required are maintained by the City. The Purchasing Division will administer, submit Council awards and establish all Purchasing Division Purchase Orders. Used when the following conditions exist:
 - (a) Items are purchased for a specific project or requirement.
 - (b) Items are purchased for general use and quantities can be reliably estimated.
 - (c) Items are subject to unusual price fluctuations.
 - (d) Purchasing Division administers the procurement and issues the Purchase Order.
 - (e) Using department prepares a requisition. Requisitions are available at the City Warehouse.
 1. Indicates specifications, quantities and scheduled delivery dates.
 2. Enter other data required by requisition form along with suggested sources and estimated prices.
 3. Using department authorized personnel must approve the requisition as evidenced by signature of the department head or designee at the department head signature block.
 - (f) The Purchasing Division issues competitive bid invitations or procurement method authorized by the Assistant City Manager with administrative authority over the using department. Awards are made by purchase order, which obligates the City to pay.

2.0 Supply Agreements (SA) : Use when prices are desired for a given period of time (3, 6, 12, 24 or 36 months) for an estimated quantity of items to be delivered as needed. Inventory is maintained by the vendor. The City is obligated to purchase only its actual needs and only if funds are available. These agreements, when necessary, can provide multiple sources and local stocks. The Purchasing Division will administer, submit Council awards and establish all supply agreements. Use when:

- (a) Quantity buying "off-the shelf" standard items.
- (b) Similar or like items can be grouped for volume purchases.
- (c) Quantities are not set, but can be reliably estimated.
- (d) Combining unpredictable and erratic use items over a period of time resulting in an overall quantity estimate.
- (e) There are no unusual price fluctuations.
- (f) Items are subject to repetitive and frequent purchase.
- (g) Purchasing Division administers the procurement and the department staff issues the Contract Purchase Order.

2.1 Service Agreements (SVA) Use when service is desired for a given period of time (3, 6, 12, 24 or 36 months) for a predefined level of work. The City is obligated to pay for the actual services received. These agreements, when necessary, can provide for multiple service providers for the various services needed. The Purchasing Division will administer, submit Council awards and establish all service agreements. Use when:

- (a) The service can be adequately defined
- (b) The service can be completed on regularly scheduled intervals
- (c) There are no unusual circumstances that may affect services.
- (d) Purchasing Division administers the procurement and the department staff issues the Contract Purchase Order.

2.2 Contract Purchase Orders

1. Using department(s) discuss and establish with the Purchasing Division the time period, specifications, and estimated

quantities/service levels required, resulting in a memo and requisition to the Purchasing Division.

2. The Purchasing Division issues competitive bid invitations or procurement method authorized by the Assistant City Manager with administrative authority over the using department. The solicitation document explains to prospective bidders that quantities/service levels are estimated and the City is obligated to release only its actual needs during the stated period. The City's actual needs may be less or may exceed the estimates shown in the bid invitation.

- (a) The Purchasing Division establishes the supply/service agreement through proper procurement procedures and assigns a supply/service agreement number to each supplier and contract.

- A log and master file is maintained in the Purchasing Division offices according to the supply/service agreement number with a cross-reference by solicitation file number.

- A notice is sent to all appropriate departments showing the supply/service agreement number, commodity/service description, contract price, terms and conditions, lead time, and supplier.

- All supply/service agreements are posted on the City's website for departmental reference and are available in the ERPS for utilization by the departments.

- (b) Authorized departments release from the supplier by the use of a Contract Purchase Order.

- When issuing Contract Purchase Orders, departments must anticipate their needs in sufficient time to allow for the normal processing by the contractor plus lead time needed to deliver the goods to the City.

- Contract Purchase Orders may be issued on an individual basis as needed or for a specific period of time, such as a fiscal quarter, six months, etc., to serve as a blanket release. Individual deliveries then can be authorized against the blanket release and paid for by issuing a partial receiver in the ERPS.

- 3 Decentralized Purchase Orders (DPO) - See Procedure No. P-7, for a complete list of procedures on issuing and processing departmental purchase orders.

- 4 Procurement Cards – See procedure No. P-9, for a complete list of procedures on issuing and using procurement cards.

VI FORMS :

All forms (Purchase Requisition, Continuation Form, Purchase Order Change Request and Stores Requisition,) are available at the City Warehouse.

Issuance of Requisitions, Continuation Form, Purchase Orders Change Request and other Related Forms

The proper completion of the correct forms will provide the Purchasing Division with adequate information to expedite the departments' request.

The forms and their respective purposes are as follows:

<u>Form</u>	<u>Purpose</u>
Purchase Requisition (PR)	This form is used to request the Purchasing Division to issue a Purchasing Division Purchase Order for equipment, materials, supplies, and service which are not available from the Warehouse or through an established supply / service contract. Departments are to indicate charge codes, date of requisition, department name, requestor, delivery location, unit, quantity, description and authorized approval signature from the department head or designee. The purchase is administered by the Purchasing Division.
Continuation Form (CF)	This form is used as continuation sheets for purchase requisitions.
Contract Purchase Order (CPO)	The contract purchase order is used to authorize shipment of the commodity or initiation of a service covered by a specific supply/service agreement. All pricing, terms and conditions are established by the contract prepared by the Purchasing Division. The contract purchase

order authorizes the vendor to ship in the quantities and at the time specified by the requisitioner. The contract purchase order can also be used as a blanket release for a specified period of time, i.e., quarterly, or six months. When used as a blanket, individual shipments are authorized verbally and Partial receivers are used. The contract purchase order encumbers the necessary funds to buy the item/service.

**Purchase Order
Change Request (POCR)**

This form is used to request corrections to a Purchasing Division Purchase Order issued by the Purchasing Division once the order has been encumbered and issued to the supplier. Any requested changes should be made by the use of the purchase order change request:

1. Change in address.
2. Add or delete items.
3. Change in delivery dates, quantity and/or price.
4. Change in charge code distribution.

The requisitioner can request any changes; however, changes in pricing can be authorized only by the Purchasing Division. Any changes in quantity or price will affect the amount encumbered. The Purchasing Division will issue all change orders pertaining to Purchasing Division Purchase Orders.

Stores Requisition (SR)

This Form is used to purchase items from the City Warehouse. Departments are to indicate charge codes, date of requisition, department name, phone contact, requestor, delivery location (if applicable) item ID (if known) expense account number, unit, quantity ordered, description of item and authorized approval signature from the department head or his designee. A copy of the warehouse catalog is available online on the shared drive at shared/Warehouse/Warehouse catalog.

VII DISCLOSURE OF INTEREST

Firms wishing to do business with the City must file with the Purchasing Division a Disclosure of Interest Form naming any City employee, official, or board member having ownership constituting three percent (3%) or more of that firm's ownership. The Purchasing Division must determine that the proper documents are received before issuing a Purchasing Division Purchase Order or establishing a supply/service agreement. Using departments must ensure that proper documents are received and on file with the Purchasing Division before making a Decentralized Purchase Order. Disclosure of Interest Forms are available on the City's website at the Purchasing Division's home page or can be obtained by contacting the Purchasing Division.

VIII CONSEQUENCES FOR VIOLATION OF THIS PROCEDURE :

Failure to comply with this procedure may result in delayed processing of procurement requests, result in revocation of procurement privileges and/or disciplinary action as the circumstances may dictate.

IX QUESTIONS REGARDING THIS PROCEDURE :

Questions regarding this procedure may be addressed to the Assistant Director of Financial Services or designee, who may be contacted at 826-3160.