

# **GCWA POLICY AND PROCEDURES FOR PROCUREMENT AND PURCHASES OF GOODS AND SERVICES**

## **I. PURPOSE**

The purpose of this document is to provide **GCWA staff and Vendors** with a written policy for the procurement and purchases of materials, supplies, equipment, construction services, and consulting services. GCWA is committed to insuring that all purchases are in compliance with State laws. The Board of Directors, by adoption of this policy, hereby empowers the General Manager to carry out this policy and make necessary interpretations as the need arises.

## **II. PROCUREMENT AND PURCHASING PROCEDURES**

### **A. Signature Authority**

Employees initiating any purchase shall complete the appropriate form and then forward for approvals in the following manner:

- All purchases up to \$3,000 can be signed by the first line supervisors, professional staff, and authorized administrative staff.
- All purchases up to \$5,000 can be signed by the Department Manager.
- All Purchase Requisitions between \$5,000 and \$25,000 must be approved by the Assistant General Manager or General Manager.
- The General Manager has signature authority for all purchases between \$5,000 and \$75,000.

### **B. Purchase Requisitions**

Purchase Requisitions are required for all purchases. The Purchase Requisition should contain the following information:

- GCWA Account Number, Project Name, and Project number.
- Vendor Number (If an established vendor)
- Vendor Address/Phone Number/Fax Number (See Vendor Requirements in Section III, below)
- Date
- Quantity of Item needed (can be attached as written quote or worksheet\_
- Parts or Catalog Number
- Description of Item and/or service being requested
- Price of material or estimate of price
- Specify delivery physical address
- Signatures
- All professional service contracts, after signatures, shall be attached to the original purchase requisition.

**C. Requirements for Bidding for Purchases less than \$25,000**

**1. Purchases less than \$2,500**

No documented quotes are required; however, competitive pricing through “Purchasing Cooperatives” or other discount retailers or distributors must be checked first and documented before purchasing outside of purchasing cooperatives.

**2. Purchases greater than \$2,500 but less than \$15,000**

Not less than two (2) written quotes must be received if the materials, services or equipment cannot be purchased through a purchasing cooperative. Pricing and contact information from all solicited vendors must be attached to the purchase requisition.

**3. Purchases greater than \$15,000 but less than \$25,000**

- Not less than three (3) written quotes must be received and must be attached to the purchase requisition when submitted to the Business Office.
- The following information will be required when using a “No Response” as one of the three bids: Company name, contact person and telephone number of the non-responding company.
- Documentation must be provided if product or vendor is a sole source (see below for more information on sole source purchasing).

**D. Purchases of \$25,000 and Greater**

- Except where expressly exempted by law, purchases must be accomplished through the formal request for bid or the request for proposal process with detailed written specifications as required by State law (see details below). The development of the written specifications will be required and may require expert assistance. Purchasing cooperatives or interlocal agreements may be utilized to satisfy the competitive bid process. The individual departments are ultimately responsible for written specifications. Employees are further prohibited from making “separate, sequential, or component” purchases for an item to avoid competitive bidding procedures. Any department conducting a formal bid, RFP, or RFQ shall notify the Business Manager to insure compliance with State law (e.g. newspaper advertisements, written specifications).
- All purchases of \$75,000 or greater must be submitted to Board of Directors for approval. This includes any purchases or contracts exempt from the bidding procedure. The requesting Department will make an award recommendation and will be responsible for all disclosure and briefing information to the General Manager and Board of Directors. It is the responsibility of the requesting Department to present the request to Board after the approval of supporting documentation by the General Manager. No purchase requisition will be issued prior to Board approval. Board approval date must be noted on purchase requisition.
- Formal Bid Procedure – In order to ensure ordering processing of Formal Bids, abide by the following procedures:

- a. The primary person responsible for the solicitation will provide the bid name, opening date, and time of the bid opening to the designated Administrative Support person in the Authority's main office. The Administrative Support person will place the advertisement on the GCWA web site as well as twice in two consecutive weeks in the Galveston Daily News and, either The Facts in Brazoria County or a Fort Bend County newspaper, depending on location of the project; the first publication must be not later than the 14<sup>th</sup> day before the date of the opening of sealed bids. The administration support personnel will be on the lookout for bid responses, logging the time and date of receipt of each, and holding (unopened) until the formal bid opening. Bid openings are open to the public and interested persons. At time of bid opening, bids will be publicly opened, read aloud, and made available for public inspection. All bids must be received at the GCWA main office.
- b. Vendor lists registering all vendors are maintained by the Business office. All vendor's 'required documentation' (Section III above) must be forwarded to the Business office prior to issuance of any purchase order.
- c. Competitive Bidding and Proposals – Invitations for Bid, Request for Competitive Sealed Proposals, Request for Proposals (RFP), and Request for Qualifications (RFQ) are means for notifying the vendors that the government has specific requirements for goods/service and that they are being offered an opportunity to fulfill those requirements. Specific competitive bidding requirements on public works contracts can be found in Chapter 271 of the Texas Local Government Code.

**E. Sole Source Purchases**

Competitive are not required for contracts for services or property for which there is only one source or for which it is otherwise impracticable to obtain completion. (Tex. Water Code 49.278(a)(4)).

1. The following are available from only one source and are exempt from bidding:
  - a. Items that are available from a single source because of patents, or copyrights;
  - b. Natural gas and water/sanitary services;
  - c. Unique replacement parts or components for fleet, equipment; pumps, motors, valves, high technology, etc.
2. Any items not listed above that are considered sole source will need to be supported by the following:
  - a. Statement on how the determination was made that the item(s) requested is/are only available from one source.
  - b. Statement on company letterhead from vendor attesting to the fact that the item(s) being requested is/are only available from that vendor.
  - c. Information concerning previous attempts to obtain competitive bids on the item(s) requested.
  - d. Names of those contacted in an effort to find other sources.
3. Sole source determination will need to be approved by the Business Manager before purchase is made.

**F. Emergency Purchases**

These purchases are exempt from competitive bidding only after formal declaration by the General Manager that an emergency exists. Board approval must be obtained as soon as practical thereafter.

1. Items and/or services purchased in case of public calamity to relieve the needs of the Authorities customers.
2. Items and/or services to preserve or protect the public health or safety.
3. Items and/or services necessary because of unforeseen damage to public or private property.

**G. Other Exemptions from Competitive Bidding**

These items are exempt from competitive bidding as stipulated in the Texas Water Code Section 49.278. . The General Manager is authorized to exercise the options below, however any use of funds over \$75,000 must be approved by the Board.

1. Equipment, materials, or machinery purchased by the Authority at an auction that is open to the public;
2. Contracts for consulting services or for a utility service operator;
3. Contracts for services or property for which there is only one source or for which it is otherwise impracticable to obtain competition;
4. High technology procurements as provided by Sections 252.021(a) and 252.042, Local Government Code;
5. Contracts for the purchase of electricity for use by the Authority;
6. Contracts for services related to compliance with a state or federal construction storm water requirement, including acquisition of permits, construction, repair, and removal of temporary erosion control devices, cleaning of silt and debris from streets and storm sewers, monitoring of construction sites, and preparation and filing of all required reports;
7. Land or right of way;
8. State of Texas Catalog Purchases; and
9. Interlocal Cooperative Purchasing Contracts (e.g., Texas DIR Direct, H-GACBuy, Buyboard) or any other governmental agency, as provided by the Texas Government Code, Chap 791, Texas Interlocal Cooperation Act.
10. The board is not required to advertise or seek competitive bids for the repair of Authority facilities if the scope or extent of the repair work cannot be readily ascertained or if the nature of the repair work does not readily lend itself to competitive bidding.
11. The board may use the reverse auction procedure, as defined by Section 2155.062(d), Government Code, for purchasing.

12. The board is not required to advertise or seek competitive bids for security or surveillance systems or components of or additions to district facilities relating to security or surveillance, including systems used for the prevention of terrorist or criminal acts and incidents or acts of war. The Board, by adoption of this policy, finds that doing so would compromise the safety and security of district facilities or residents.

#### **H. Competitive Proposals**

Competitive proposals are similar to competitive bids, but are limited by Texas statutes. They are generally used for procurements of high-technology products or services and in some cases for procuring insurance. The Professional Services Procurement Act (Texas Gov. Code Sec. 2254.001) prohibits using competitive bids to procure those services provided by accountants, architects, land surveyors, real estate appraisers, and professional engineers.

1. Specifications are written using performance standards rather than the description of the good or service.
2. Vendors submit proposals of their own design for a system to satisfy the requirement set forth in the proposal. Proposals may incorporate entirely different hardware or services to accomplish the same performance.
3. After proposals are received, the Authority may enter into negotiations with as many vendors as have submitted feasible proposals in order to arrive at the best possible proposal for each vendor, except as provided by the Professional Services Procurement Act.

#### **I. Cooperative Purchasing**

Cooperative purchasing is one of the ways that local governments can save time and money in their purchasing programs. It occurs when two or more entities (state, federal or local governments) coordinate some or all of their purchasing needs so that they can join in purchases to the mutual benefit of all the entities concerned (e.g. fuel, radio equipment, vehicles). A local government cooperative purchasing agreement must be approved by the Board before purchases can be made. The Business Manager will maintain a list of agencies the Authority has interlocal cooperative purchasing agreements.

Additionally, the provisions of the Texas Water Code pertaining to bids and the Local Government Code notwithstanding, the Authority may purchase property from any governmental entity by negotiated contract without the necessity of securing appraisals or advertising for bids. (Tex. Water Code §49.068)

#### **J. Purchase Orders**

When a Purchase Requisition is received by the Accounting office, a Purchase Order number will be assigned by Accounting to the Requisition; and will be given to requestor and vendor.

**K. Blanket Purchase Orders**

Blanket purchase orders will be established for buying material and services on a continuous basis from specified vendors. No single purchase on a blanket purchase order shall exceed spending limit authority established herein.

**L. Delivery/Receipt Tickets**

All delivery tickets, receipt, or any other proof of purchase will be returned to the Business Office with an employee's signature who initiated the purchase, the signature of the person who received the item or service, and the Purchase Order number.

**III. VENDOR REQUIREMENTS**

All vendors are required to have W-9 and Conflict of Interest Questionnaire Form (CIQ) on file. Any employee requesting a purchase needs to make sure the vendor has a W-9 and CIQ on file with the Accounting office.

If the vendor does not have a W-9 or CIQ on file, it is the requestor's responsibility to obtain one from the vendor. Blank forms are available for download from the GCWA web site. If the vendor will be on GCWA property to perform repairs/maintenance, a certificate of insurance will also be required. (See contractors/professional services insurance requirements, below.)

Vendor's insurance requirements vary; see Section V below. However, all Certificates of Insurance must now comply with Chapter 1811 of the Texas Insurance Code, including those requirements of SB 425 that became effective September 1, 2011.

**IV. ACCOUNTS PAYABLE (APPROVAL OF INVOICES)**

The Invoice Payment Form shall include the following information for approval:

- GCWA Account Number, Project Name, and Project number.
- Vendor Name/Number
- Date of invoice
- Quantity of Items
- Location
- Cause and description of Item and/or service
- Price of material
- Signed delivery/receipt tickets must be attached

Signatory approval limits needed to process payments are same as established herein for purchases.

The Assistant General Manger or General Manager will approve any invoice over \$5,000 as well as all legal, or consulting, related expenditures.

**V. INSURANCE REQUIREMENTS FOR PURCHASE OF SUPPLIES, MATERIALS, AND EQUIPMENT.**

Purchases of supplies, materials, or equipment where the vendor does not otherwise install, or otherwise handle the purchased item after delivery are exempt from providing proof of liability insurance to the Authority.

Vendors and Suppliers that handle, or otherwise install any supplies, materials, or equipment must have a current Certification of Insurance on file with the Business Manager. Common carriers are exempt from this requirement. Minimum insurance requirements for vendors and suppliers are:

- Commercial General Liability                      \$500,000
- Automotive/Truck Liability                              \$500,000
- Workers Comp    (as required by Chapter 406 of the Texas Labor Code)

**VI. BIDDING AND PURCHASING PROCEDURES FOR CONSTRUCTION AND CONSULTANT CONTRACTS (Not intended to be all inclusive – see applicable State Laws)**

**A. Insurance**

The Authority may impose any reasonable insurance requirement on any contractor, vendor or consultant, depending on the nature of the contract and the work to be performed. The following are guidelines to set forth the insurance requirements the Authority generally requires.

For purposes of this policy document, a contractor or consultant is defined as an individual, company, or corporation who provides services involving use of manpower. Hereafter the word ‘Contractor’ includes services performed by contractors and consultants.

The Contractor, at his own expense shall purchase, maintain, and keep in force such insurance as will protect him from claims set forth below which may arise out of or result from the Contractor’s operations under the Contract, whether such operations be by himself or by any Subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable.

Before commencing any of the work, the Contractor shall furnish and maintain a valid, “Certificates of Insurance” acceptable to GCWA substantiating the fact that Contractor has taken out the specified insurance for the period covered by the Agreement with an insurance carrier acceptable to GCWA. The Contractor shall require all sub-contractors to carry limits equal to or greater than stated in this agreement.

Certificate of Insurance specifications: The Insurance carrier shall be licensed or admitted to do business in the State of Texas in which the work is to be performed. The policies noted in theses insurance requirements shall not be cancelled, or renewed, or materially changed in a manner that adversely affect GCWA or any additional insured

until thirty (30) days prior written notice has been provided to GCWA by the Contractor or by Contractor's insurance agent/broker.

Nothing contained shall be construed as limiting in any way the extent to which the Contractor or his sub-contractor may be held responsible for payment of damages resulting from his or his sub-contractor's operations.

All property and liability insurance, including Comprehensive General, Public, and Automotive, shall be written by an insurer licensed to conduct business in the State of Texas. GCWA, its officers, agents and employees shall be named as an additional Insured.

Limits of Insurance shall be at a minimum:

(1) Commercial General Liability, (Including Contractual, Completed Operations, and Products Liability) – in the amount of \$1,000,000 combined single limit per occurrence for bodily injury, personal injury and property damage. GCWA and their authorized officers, and employees shall be named as Additional Insured as respect to liability arising out of activities performed by or on behalf of Contractor; products and completed operations of Contractor, premises owned, occupied or used by Contractor.

(2) Automobile Liability Insurance – in the amount of \$1,000,000 combined single limit per accident, for bodily injury and property damage. The policy shall provide coverage for owned, hired, and non-owned coverage. If an automobile is to be utilized in the execution of this agreement, and the vendor / Contractor does not own a vehicle, then proof of hired and non-owned coverage is sufficient. Automobile Liability Limits above minimum state required limits *may be waived* if vehicle use is limited to the Authority Facility entrance parking lots and not used elsewhere on Authority premises.

(3) Worker's Compensation Insurance – The Contractor shall provide and maintain Worker's Compensation Insurance which complies in all aspects and amounts with all applicable State and Local Statutes and Ordinances and Employers Liability converge in the amount of Bodily Injury By Accident - \$1,000,000 per accident; Bodily Injury by Disease - \$1,000,0'00 policy limit; Bodily Injury by Disease - \$1,000,000 per employee. The insured shall agree to waiver all rights of subrogation against GCWA, it officers, officials, employees and volunteers for losses arising from work performed by the Contractor for GCWA. Texas Labor Code Sec. 409.096 provides certain exceptions that allows for a company to 'self-insure'.

(4) Professional Liability: Only applies to a Professional Engineer or Registered Architect or Registered Surveyor performing work on behalf of GCWA, shall carry professional liability coverage in the amount of five times the total Agreement fees per claim / aggregate or a \$1,000,000 per claim/aggregate, whichever is higher. Coverage shall continue for a minimum of two years after assignment under this Contract is completed. The deductible on the policy for Professional Liability shall not exceed \$25,000 unless specifically approved by the GCWA General Manager. The General Manager may reduce coverage requirements for small projects.

The Contractor shall cause his insurance company or insurance agent to fill in all information required (including names of insurance agencies, contractor, and insurance companies, and policy numbers, effective dates and expiration dates, and provide proof



that GCWA is an additional insured) and to date and sign and do all other things necessary to complete and make into a valid certificate of insurance. The Certificate of Insurance shall be filed with GCWA prior to commencing any of the work and within the time otherwise specified. None of the provisions in the Certificate of Insurance shall be altered or modified in any respect except as herein expressly authorized.

The certificate(s) shall state: "Additional insured (all policies, except Workers Compensation & Professional Liability) in favor of Gulf Coast Water Authority and waiver of subrogation (all policies) in favor of Gulf Coast Water Authority".

In no case shall the use of Sub-contractors in any way alter the position of the Contractor or his sureties with relation to this Agreement. When a Sub-Contractor is used, the responsibility for every portion of the work shall still remain with the Contractor.

**B. Indemnification**

The Contractor shall indemnify and defend the Gulf Coast Water Authority, their officers, representatives, and employees, against and hold them harmless from any and all liability for damage to the extent that it is caused by or results from an act of negligence, intentional tort, intellectual property infringement, or failure to pay a subcontractor or supplier committed by the Contractor or the Contractor's agent, consultant under contract, or another entity over which the Contractor exercises control, except to the extent that such claims arise due to the negligence or willful misconduct by the Authority, its employees, officers or agents.

Further, the Contractor shall comply with the requirements of all applicable laws, rules, and regulations in connection with the services of Contractor and shall exonerate, indemnify, defend, and hold harmless the Authority, its officers, agents and all employees from any and all liability, loss or damage arising out of noncompliance with such laws, rules and regulations, without limitation.

**C. Taxes**

The Contractor shall assume full responsibility for payments of Federal, State and Local taxes or contributions imposed or required under the Social Security, Worker's Compensation, and Income Tax Laws with respect to Contractor's employees.

**D. Required Action by Board on certain Contracts**

Contracts exceeding \$75,000 or, contracts for non-budgeted items and services for technical, scientific, legal, fiscal, or other professional services must be approved by the Board. The terms and conditions of such a contract, including the terms for payment must be identified at the time of Board approval. (Texas Water Code Sec. 49.067 and HB 902, 83<sup>rd</sup> legislative session)

**E. Contracts with other Governmental Agencies**

The Authority may purchase property from any governmental entity by negotiated contract without the necessity of securing appraisals or advertising for bids. (Texas Water Code Sec. 49.068)

**F. Conflicts of Interest in Contracts**

The provisions of Chapter 171 of the Local Government Code, shall apply to the award of district contracts. (Texas Water Code Sec. 49.214)

**G. Contract Award**

Texas Water Code Sec. 49.273(c) expressly provides that a contract may be let and awarded in any manner, in the board's judgment, will be most advantageous to the district and result in the best and most economical completion of the district's proposed plants, improvements, facilities, works, equipment, and appliances.

**H. 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 the work to be performed or of the materials, equipment, or supplies to be furnished, the board hereby authorizes the General Manager to approve a change order that involves an increase or decrease of \$50,000 or less. The aggregate of the change orders may not increase the original contract price by more than 25 percent. Additional change orders may be issued only as a result of unanticipated conditions encountered during construction, repair, or renovation or changes in regulatory criteria or to facilitate project coordination with other political entities. (Texas Water Code 49.273(i) and HB 2704; 83<sup>rd</sup> session)

**I. Not Required to Competitively Bid**

The Authority is not required to advertise or seek competitive bids for the repair of district facilities if the scope or extent of the repair work cannot be readily ascertained or if the nature of the repair work does not readily lend itself to competitive bidding. (Texas Water Code 49.273(j))

The Authority is not required to advertise or seek competitive bids for security or surveillance systems or components of or additions to district facilities relating to security or surveillance, including systems used for the prevention of terrorist or criminal acts and incidents or acts of war, as public notice of security equipment specifications would compromise the safety and security of district facilities. (Texas Water Code 49.273 (l))

**J. Prevailing Wage Rates**

The Authority must adopt the adopted wage rates of one of the municipalities within the Authority's service area, or Galveston County's adopted wage rate. (Texas Water Code Sec. 49.279)