

## Glossary of Terms

The following definitions are intended to assist you in understanding the language used throughout this manual. Please do not hesitate to contact the Purchasing Division for clarification if you find a term that you may not clearly understand or that is not defined in this section.

**Annual contract** – A contract which 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. User departments place orders directly with the Contractor, eliminating requisitions and processing time. These contracts are also referred to as annual requirements contracts or blanket orders.

**Award** – The presentation of a purchase agreement or contract to the selected bidder.

**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,
- any relevant criteria specifically listed in the request for bids or proposals.

**Bid** – An offer to contract with the City submitted by a bidder in response to an invitation to bid or to a multi-step bid. The complete bid document may be referred to as “the bid.”

**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 Bond** – A deposit required of bidders to protect the City if a low bidder withdraws its bid following submission or fails to enter into a contract following award. Acceptable forms of bid deposits are limited to: certified or cashier's check on a state or national bank payable to the City of Carrollton, Texas or a bid bond from a surety company authorized to do business in the State of Texas as a guarantee that the bidder will enter into a contract and execute the required

Performance and Payment Bonds after notice of award. If the solicitation requires a Bid Bond, it must be submitted with the vendor's bid response.

**Payment Bond** – A surety bond that ensures all suppliers and subcontractors of the Contractor will be paid for work and materials supplied in the course of the contract. If the solicitation requires a Payment Bond, it must be submitted by the Contractor after award and prior to commencement of work.

**Performance Bond** – A surety bond that provides assurance to the City that the awarded contractor will faithfully perform the work in accordance with the plans, specifications, and contract documents. If the solicitation requires a Performance Bond, it must be submitted by the Contractor after award and prior to commencement of work.

**Maintenance Bond** – A surety bond that guarantees the project against defective workmanship and materials during the maintenance period set forth in the bond. If the solicitation requires a Maintenance Bond, it must be submitted by the Contractor after award and prior to commencement of work.

**Capital equipment** – Assets that are used in operations with a useful life greater than one year and valued at \$5,000 or more at the time of acquisition.

**Change order** – A change order is issued to a purchase order or contract if changes in plans or specifications are necessary after the performance of the contract has 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. Change orders must not be issued unless funds are available for the increase. For Council approved bids, the original contract price may not be increased by more than twenty-five percent (25%). The contract may not be decreased by more than twenty-five percent (25%) without the consent of the contractor. Change orders involving a decrease or increase of more than \$50,000 must be approved by the City Council.

**City Council** – The elected officials of the City of Carrollton, Texas given the authority to exercise such powers and jurisdiction of all City business as conferred by the City Charter and the State of Texas Constitution and laws.

**Commodity code** – A specific group of goods or services categorized into distinct classes that have been assigned a numerical reference number within the purchasing and inventory system.

**Competitive bidding** – The process wherein a vendor openly competes with other vendors, through a formal or informal process, for the City's business.

**Component purchases** – Purchases of component parts of an item, which in normal purchasing practices would be purchased in one purchase.

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

**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 of Carrollton.

**Council bid** – Purchases of more than \$50,000 pursuant to competitive sealed bids, request for proposals, competitive sealed proposals, or an alternate procurement method authorized by Texas Government Code Chapter 2269 for which the City Council must approve the purchase.

**Delivery date** – The date by which goods or services are needed by the department or are promised by the vendor.

**Emergency** – Purchases that are made to meet a critical, unforeseen need of the City, where the City's ability to serve the public would be impaired if the purchase is not made immediately. Emergency purchases are exempt from standard purchasing procedures and must qualify for exemption as outlined in Texas Local Government Code Sec. 252.022. Emergency purchases must follow the procedure set forth in this manual.

**Encumbrance** – Commitment of appropriated funds related to unperformed contracts for goods or services.

**Expedite** – To accelerate the purchasing process through normal procedures in order to prevent work stoppage or loss of city equipment or property. Expedited procedures are used for emergency purchases.

**Field Purchase Order (“FPO”)** – The FPO in the HTE software allows user departments to place minor purchase orders directly with approved vendors for certain miscellaneous items and services. The total order must not exceed \$3,000, including shipping and handling charges.

**Free On Board (“FOB”) destination point** – Vendor pays freight charges to the destination; title to goods passed to buyer at receiving dock; freight claims must be filed and handled by the seller.

**FOB shipping point** – City must pick up goods at the seller's shipping dock or pay freight charges; freight charges may be prepaid and added to the invoice; title to goods passes to the City at the shipping dock of seller; freight claims must be filed and handled by the City.

**Goods** – Property to be purchased by the City, including equipment, supplies, materials, components, and repair parts.

**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.

**Lowest responsible bidder** – This is the vendor who offers the lowest bid which meets all the specifications, requirements, and terms and conditions of the ITB. It is expressly understood that

the lowest responsible bid includes any related costs to the City, using a total cost concept. The term “responsible” refers to the financial and practical ability of the bidder to perform the contract and is also used to refer to the experience or safety record of the vendor.

**Professional services** – Services rendered by members of a recognized profession as defined by Texas Government Code Sec. 2254.002 or who possess special skills which are mainly mental or intellectual, rather than physical or manual. Texas Local Government Code Sec. 252.022(a)(4) exempts professional services from competitive bidding requirements.

**Purchase** – An act that includes the acquisition of goods or services, including leasing personal or real property. Separate, sequential, and component purchases shall be treated as a single purchase.

**Purchase order** – A purchaser’s written document to a vendor formalizing all of the terms and conditions of a proposed transaction, such as a description of the requested item(s), delivery schedule, terms of payment, and transportation. When accepted by a vendor, the agreement specified in the purchase order becomes a contract. A purchase order grants City’s commitment to accept the goods or services and pay for them at the agreed price.

**Quote** – An informal purchasing process which solicits pricing information from several sources.

**Request for proposals (“RFP”)** – A formal written document requesting that potential vendors make an offer for goods or services to the City. The RFP method of procurement may be used for all goods and services. The RFP differs from an ITB in that the City is seeking a solution, as described in the document, not a bid or quotation meeting firm specifications. Proposals are evaluated based on criteria formulated around the most important features of a product or service, of which quality, testing, references, availability or capability may be overriding factors, and price is not the sole factor of the award. RFP submittals are kept confidential during negotiations until a contract is awarded.

**Request for qualifications (“RFQ”)** – A formal written document used when soliciting providers of professional services such as architectural, engineering, or land surveying services. The City must comply with Texas Government Code Sec. 2254.004 in the procurement of these services. The City must first select the most highly qualified provider of those services on the basis of demonstrated competence and qualifications. After a firm has been selected based on qualifications and experience, then a fair and reasonable fee shall be negotiated. If a satisfactory contract cannot be negotiated with the most highly qualified provider of architectural, engineering, or land surveying services, the City shall formally end negotiations with that firm and select the next most highly qualified firm and begin negotiations with that provider for a fair and reasonable price.

**Requisition** – The source document for all purchasing activity submitted through the City financial system. This form communicates a department’s needs to the Purchasing Division and grants authorization to enter a contractual relationship for delivery of the goods and/or services. 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.

**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 that in normal purchasing practices would be purchased at one time.

**Services** – A generic term to include all work or labor performed for the City on an independent contractor basis, including maintenance, construction, manual, clerical or professional services.

**Sole source procurement** – Purchases of goods or services that are available from only one vendor. There may be just one vendor because of patents or copyrights, or simply because the vendor is the only one that supplies the good or service. These purchases are exempt from the standard bidding requirement and must qualify as outlined in Texas Local Government Code Sec. 252.022 but must comply with the procedures outlined in this manual.

**Specifications** – A description of the physical or functional characteristics, or of the nature of a supply, service, or construction item; the requirements to be satisfied by a product, material or process indicating, if appropriate, the procedures to determine whether the requirements are satisfied. Specifications should be descriptive, but not restrictive.

**State contract purchase** – An item available through the State of Texas Procurement and Support Services Cooperative Purchasing Program. The State has publicly advertised and received qualified bids for specific items. These appear on a listing periodically published by the State. The City of Carrollton has elected to participate in the cooperative purchasing program for governmental subdivisions and other state agencies.

**Surplus** – Item(s) no longer needed by a department, regardless of its value or condition.

**Vendor** – A generic term applied to individuals and companies who provide goods and services to the City.