



Purchasing Policies and Procedures

Revised October 21, 2017

**TEXAS MUNICIPAL LEAGUE
INTERGOVERNMENTAL RISK POOL
PURCHASING POLICY AND PROCEDURES**

Purpose: Provide a policy and procedures to establish criteria and levels of authority for entering into professional contracts and purchasing equipment, capital outlay items, services, materials, and supplies.

Authority: Approval to expend the Pool's assets has been delegated to the Executive Director and to his/her designated representatives.

Objective: Establish purchasing procedures that assure acquisition of materials, commodities, equipment, and/or certain designated services at the quantity and quality required and in the most competitive and economical manner.

Equal Opportunity Policy: Underutilized businesses, such as minority and women-owned businesses, shall have an equal opportunity to compete for contracts for provision of professional services, purchase of equipment and supplies, and provision of other goods and services required by the Pool.

To ensure fair and equal access to the competitive bidding process, when the Pool solicits quotes or proposals, (unless the item or service is being purchased under a state contract or approved governmental purchasing cooperative) the Pool shall check the Texas Comptroller of Public Accounts' Historically Underutilized Business Program database and include at least one of the businesses as one of the three vendors that it contacts.

Coordinated Purchases: The goal of the Purchasing Office is to obtain the maximum benefit from every dollar spent. The Purchasing Agent is responsible for the centralized purchasing of goods, materials, equipment, supplies, and certain specified services for the Pool.

Relations with Vendors:

1. Vendor Contact – To insure purchases are coordinated and within the budget, designated purchases are to be coordinated through the Purchasing Agent. Vendor contact with employees in user departments shall be through or in coordination with the Purchasing Agent. Exceptions to this requirement are noted in the *Exceptions to the Competitive Bidding or Competitive Proposal Requirements* section of this policy.
2. The Purchasing Agent shall not purchase supplies or services for the private use of employees.

Relations with Other Departments:

1. Whenever it is in the best interest of the Pool, supplies and services shall be purchased through annual supply contracts.
2. All questions concerning any aspect of a purchase coordinated through the Purchasing Office shall be addressed to the Purchasing Agent.

Types of Purchases: There are four categories of purchases:

1. **Professional Services Contracts** – Includes accounting, medical, legal, claims administration, underwriting, medical claims review, banking, money/investment management, auditing, actuarial studies, and other professional and technical services.
2. **Recurring Expenditures** – Includes expenditures for such services as electricity, telecommunications, utilities, rent, maintenance contracts, and other services provided on a continuous basis and vital to daily operations of the Pool.

Every “Recurring Expenditure” must be managed and monitored on a monthly basis to assure expenditures are within amounts provided in the annual budget.

3. **Operating Expenditures** – Includes purchase of services, materials, and supplies. Purchases must be acquired through formal competitive bidding. Certain items, such as office materials and supplies, may be bid as needed on an annual supply contract basis, or on a quarterly basis.

Items purchased under the Small Equipment Purchases line item with a value of \$500 or less are included in this category.

4. **Capital Outlay** – Includes items that have a value of over \$500 and have a life expectancy of three years or more. Items included are vehicles, computer equipment, furniture, desks, copy machines, FAX machines, telephone systems, and other similar equipment.

Exceptions to the Competitive Bidding or Competitive Proposal Requirements of State Law:

This policy does not apply to expenditures for:

1. Procurement necessary to preserve or protect the health and safety of the Pool’s employees;
2. Procurement made because of a calamity or disaster;
3. Procurement of personal or professional services, including, but not restricted to contracting for legal, adjuster, claim and/or claim file management-related

services, case management and /or pre-authorization services, and conference facility expenses;

4. Purchase of land or a right-of-way;
5. Procurement of items available from only one source, including:
 - a. items involving patents, copyrights, secret processes, or natural monopolies;
 - b. software, films, manuscripts, or books;
 - c. electricity, gas, water, and other utilities; and
 - d. captive replacement parts or components for equipment;
 - e. expert witnesses;
6. Expenditures covered under other Pool policies, such as Board travel and claim settlements under \$500,000.
7. Personal property sold:
 - a. at an auction by a state licensed auctioneer; or
 - b. in conjunction with a political subdivision of the State of Texas, a state agency of the State of Texas, or an entity of the federal government.

Also, procurements made under Subchapters D and F of Chapter 271 of the Local Government Code are exempt from the competitive bidding requirement as “goods or services purchased under this subchapter satisfies any state law requiring the local government to seek competitive bids for the purchase of the goods or services”.

In accordance with this provision, the Pool’s Purchasing Agent is designated as the individual authorized to act under the direction of, and on behalf of, the Pool in all matters relating to the governmental cooperative purchasing programs.

Purchase Authority Limits: These limits constitute approval to purchase only. Purchasing procedures shall still be followed. All items must be purchased within the approved budget. All purchases require at least two signatures.

1. **Department Heads** – authorized to approve purchases up to and including \$1,000 without having to receive approval from a higher authority. Such purchases must be within the approved budget. Purchases shall be at the most economical terms. Department Heads are prohibited from breaking up a purchase over \$1,000 into

smaller individual purchases, so that the amount of the individual purchases falls within the \$1,000 approval limit.

2. **Division Managers** – authorized to approve purchases of \$5,000 and below.
3. **Purchasing Agent** – authorized to approve purchases up to \$1,000. Except purchases identified as “exempt”, all purchases over \$500 must be made through a competitive bid process, solicited through a Request for Proposal, or solicited through a Request for Quote. All personal and professional service contracts over \$25,000 must be approved by the Executive Director.

Proposals for all non-exempt services shall be obtained periodically. The request for proposal shall be issued with enough advance time to assure that the Pool obtains advantageous prices.

4. **Chief Financial Officer** – authorized to approve purchases of commodities, equipment, and services included in the budget up to \$25,000.
5. **Executive Director** – authorized to make all purchases and to enter into all other contracts on behalf of the Pool.

If the contract amount is above the amount in the budget, or if the scope of service is significantly changed from that which was approved in the budget or by prior Board action, the Executive Director must receive Board approval before the contract is executed. Contracts over \$100,000 must be approved by Board action, with the following exceptions:

- a. Contracts involving claims related matters;
- b. Personal and professional service contracts of \$250,000 or less when it is advantageous for the Pool to enter into a personal or professional service contract instead of using funds budgeted for personnel or other expenses. In these situations, the personal or professional service must be for the same purpose and scope that funds were provided for in the original budget and the total amount of the contract, with contract amendments, cannot exceed \$250,000.
- c. Purchases or contracts made under the State of Texas purchasing programs or from Board approved governmental purchasing cooperatives whereby the amount of the purchase is at or below the amount approved in the budget for that expenditure or contract.

Purchasing Procedure: The five basic methods of making purchases are:

1. **Authorized Purchases** – Purchases having a cost of \$500 or less. Method used for authorizing purchases for monthly bills, subscriptions, payment on contracts, and emergency purchases (purchases for products or services needed in 24 hours or less), but not for Small Equipment Purchases. Authorizations to pay for these types of purchases are made through the **Payment Authorization** process.

All other purchases of \$500 or below are made through the submission of a Purchasing Requisition process, as identified below in the **Purchase Order** method.

2. **Purchase Order** – Method used for operating expenditures (see types of purchases) as well as for all other purchases over \$500.
 - a. Requisitions will be submitted by the Department Head or his/her designee. The requisition shall describe the type of item to be purchased, quantity, and desired receipt date. Name brands of items shall be indicated for descriptive purposes only and not as a recommendation of what should be purchased.
 - b. The completed requisition will be submitted to the Purchasing Agent for verification of budget availability and authorization. The requestor will be advised if funds are insufficient and that additional funds must be made available or the purchase request will be denied.
 - c. All Purchase Requisitions will be processed and approved by the Purchasing Agent before items are ordered.
 - d. Upon receiving a Purchase Requisition and verifying budget availability, the Purchasing Agent will obtain price quotes for items requisitioned and make proper extension calculations.
 - (1) Orders between \$501 and \$1,000: Purchasing Agent must obtain three telephone or written quotations and document the prices quoted. Orders under \$500 do not require the receipt of quotations.
 - (2) Orders between \$1,001 and \$50,000: Purchasing Agent must seek written quotations from at least three suppliers.
 - (3) Orders over \$50,000: Formal, sealed bids or proposals shall be solicited. The item or service requested must be advertised at least twice, the first advertisement being a minimum of 14 days before the bid/proposal closing date. For formal bids and proposals, the award shall be made to the vendor offering the best overall value to

TMLIRP based on the criteria set forth in the Invitation for Bid or Request for Proposal.

- b. Once the proper competitive solicitation process has been completed, a Purchase Order will be prepared and submitted for approval to the appropriate authorities.
- c. Purchase Orders will be pre-numbered and controlled by the Purchasing Agent. An executed Purchase Order shall constitute TMLIRP's commitment for the expenditure of funds for the specific item(s) indicated on the Purchase Order.

Once an item on a Purchase Order is received, the PO Requisitioner shall "receive" the item in Business Application and file the packing slip for record keeping.

- 3. **Annual Supply Contract Purchases** – TMLIRP purchases certain items (office supplies, paper, etc.) throughout the year. To receive discount prices and provide a coordinated and organized purchase of routine and commonly used items, similar items can be combined and bid as an annual supply contract.

Under the Annual Supply Contract method the following procedure will be used:

- a. The Purchasing Agent will estimate the quantity of the items required for one year and write specifications for that commodity.
- b. The Purchasing Agent will review the specifications with appropriate Department Heads and receive written confirmation from each Department Head that he/she concurs with the specifications.
- b. The Purchasing Agent will review the specifications with the Chief Financial Officer and/or the Executive Director for approval.
- c. Once the bids are received and analyzed, a recommendation will be made to the Executive Director for award. The Executive Director will award the contract to the vendor with the lowest and best bid meeting specifications. The Executive Director shall reserve the right to reject any and all bids, as appropriate.

Intent of Annual Supply Contract:

An awarded annual supply contract establishes a fixed price for a period of approximately one year for a commodity, or commodities.

The Terms and Conditions shall state:

“The contract does not commit TMLIRP to purchase the quantities indicated. The quantities are estimates and are based on historical data and projected needs. The purpose of the contract is to establish prices for the commodities indicated, should TMLIRP need to purchase these items. Since the quantities are estimates, TMLIRP may purchase more than the estimated quantity, or not purchase the estimated quantity. The needs of TMLIRP shall govern the amount purchased.”

Purchasing from an Annual Supply Contract:

The procedure for ordering supplies from an annual supply contract is outlined below:

- a. A supplier-generated form will be filled out with items requested. This form will be forwarded to the department manager for approval. If approved, the form will be provided to the supplier for fulfillment or entered online via the supplier’s website.
- b. The original forms will be forwarded to Purchasing. The Purchasing Agent will use this documentation to reconcile Annual Supply Contract invoices.

Exceptions to the Annual Supply Contract ordering procedure:

- a. Paper will be purchased using the Purchase Order procedure.
 - b. When ordering office supplies, three types of items shall not be ordered from the office supply form, but shall be ordered through the Purchase Order procedure. These items are:
 - (1) Electrical products such as space heaters, fans, calculators, recording devices, etc.
 - (2) Items having a list price of \$50 or more.
 - (3) The multiple purchase of a single item with a total cost exceeding \$300.
4. **Request for Proposals** – Specifications for professional contracts shall be in the form of Requests for Proposals. Requests for Proposals may also be used for other items when deemed appropriate. Proposals shall be requested from a number of sources and the contract for the requested service shall be awarded to the proposal which offers the best overall value to TMLIRP based on the criteria set forth in the Request for Proposal:
- a. Proposals shall be solicited from an adequate number of qualified sources to permit reasonable competition.

- b. The Request for Proposal shall identify significant evaluation factors, including price or cost where required, and each factor's relative importance.
 - c. TMLIRP shall provide mechanisms for technical evaluation of the proposals received, factors for determining responsible efforts, and the process of selection for awarding the contract.
 - d. The award may be made to the responsible offerer whose proposal will be most advantageous to TMLIRP, price and other factors considered. Unsuccessful offerers will be notified promptly.
5. **Credit Cards** – A TMLIRP credit card is only provided to an employee based on a need to purchase business-related goods and services. The credit card shall be used for travel expenses, car maintenance, small IT software purchases, legal document filing fees, and emergency purchases (items needed in less than 24 hours). Emergency purchases include such items as: replacement of small broken items while in the field, and copies of documents while in the field. The card can also be used for registering for an approved conference. Approval from the employee's Department Head and/or the Executive Director must be obtained before these types of charges are made. Office supplies, small equipment or capital purchases are generally to be made through annual supply contracts and/or purchase orders. Exceptions to this policy will be coordinated through the Purchasing Office.

Change Orders

If changes in plans or specifications are necessary after the execution of a contract or it is necessary to decrease or increase the quantity of the work to be performed or of services, materials, equipment, or supplies to be furnished, the Executive Director may approve change orders making such changes with the following limitations:

1. The change set out in the change order must directly relate to the scope of the work of the original contract;
2. The total cost of all change orders to the original contract may not increase or decrease the original contract price by more than twenty-five percent (25%);
3. The total cost of all change orders to the original contract may not increase or decrease the original contract price by more than \$50,000; and
4. The total contract price may not be increased because of the changes unless additional money for the increased cost are included within the funds budgeted for that purpose or funds otherwise appropriated for that project.

Electronic receipt of formal solicitation responses:

1. A line will be added to bid/proposal notices stating that vendors may submit responses electronically to purchasing@tmlirp.org. This is a confidential address for bid/proposal submittal only.
2. The subject line of the vendor's transmittal shall be the solicitation number and title as specified on page one of the bid/proposal document.
3. Electronic bids/proposals shall be any combination of the following formats: Microsoft Word, Microsoft Excel, Microsoft PowerPoint, or Adobe Acrobat. Multiple documents should be submitted in one message.
4. Electronic bids/proposals shall be in accordance with the deadline set forth in the solicitation document. Any bids/proposals received after the deadline will not be considered.
5. To ensure that the responses remain confidential and are not opened until the established closing date, only the Purchasing Agent or Chief Financial Officer will be able to access the electronic bid/proposal mailbox. Messages in the purchasing mailbox will not be opened for any reason until the deadline of the bid/proposal.
6. At the appointed bid/proposal closing date and time, the Purchasing Agent will print the bids/proposals received through the purchasing mailbox as well as the email to which the documents are attached. The time of the email will serve as the receipt timestamp.
7. Electronic bid/proposal submissions will be read aloud with the hard document responses at the public opening.

