

# PURCHASING GLOSSARY

**Advertising** – A form of public notice of an intended purchase. See “Legal Notice.”

**Agreement** – A contractual agreement between a property owner and/or lessee and the City.

**Award** – The acceptance of a bid or proposal; the presentation of a purchase agreement or contract to a bidder.

**Best Value** – A non-negotiated competitive bidding process where award must be made to the bidder who provides goods or services at the best value for the City. The City may consider criteria other than just price in awarding a contract.

**Bid** – The executed document submitted by a bidder in response to an Invitation for Bids, a Request for Quotations or a multi-step bidding procedure.

**Bid Bond** – An insurance agreement in which a third party agrees to be liable to pay a certain amount of money in the event a specific bidder fails to accept the contract as bid.

**Bid Opening** – The formal process through which bids are opened and the contents revealed for the first time to the jurisdiction, other bidders, and the public.

**Bidder** – Any person submitting a competitive bid in response to a solicitation.

**Bill** – A list of charges or costs presented by a vendor to a purchaser, usually enumerating the items furnished, their unit and total costs, and a statement of the terms of sale, an invoice.

**Buyer** – An industrial Finance designation connotating limited scope and authority as a purchaser. Commonly but improperly used in public Finance.

**Change Order/Modification** – A change in plans or specifications that is necessary after the performance of a 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. This may also include changes in the terms and conditions as defined by contract documents. The original contract price may not be increased by more than 25%. The original contract price may not be decreased by more than 25% without the consent of the contractor ([Local Government Code § 252.048\(D\)](#)).

**Check** – Draft or order on a bank, to be drawn upon a deposit of funds for the payment of a certain sum of money to a person named or to a bearer, and payable on demand.

**City Manager** – All references to the City Manager are understood to be the City Manager or designee.

**Code of Ethics** – Written guidelines within which judgments and considerations of professional behavior should be made for all elected, appointed and classified employees.

**Competitive Bidding** – The submission of prices by individuals or firms competing for a contract, privilege, or right to supply merchandise or services.

**Competitive Purchasing Process** – Ensure specifications are not proprietary, and if bid response is anticipated to be very narrow, ensure proper documentation exists as to the reasoning of narrow or proprietary specifications.

**Competitive Sealed Proposal (CSP)** – A solicitation for construction projects valued at less than \$1.5 million dollars requesting submittal of a proposal in response to the required scope of work including cost. The CSP process allows for negotiation between the highest-ranking proposer only and the City, and Best and Final Offers are solicited.

**Component Purchases** – Purchases of component parts of an item that in normal procurement practices would be purchased in one transaction.

**Conflict of Interest** – A situation where the personal interests of a contractor, public official, or employee are, or appear to be, at odds with the best interest of the city.

**Consideration** – Acts, promises, or things of value exchanged by two parties that validates a contract between them.

**Construction (Work)** – The process of building, altering, or repairing a public structure or building, or other improvements to any public real property. It does not include routine operation, routine repair or routine maintenance of existing structures, buildings or real property. A project usually requiring the services of an architect or engineer.

**Construction Manager-At-Risk** – Sole Proprietorship, partnership, corporation, or other legal entity that assumes the risk for construction, rehabilitation, alteration, or repair of a facility at the contracted price as a general contractor and provides consultation to the governmental entity regarding construction during and after the design of the facility.

**Contract** – A deliberate verbal or written agreement between two or more competent persons to perform or not to perform a specific act or acts.

**Contractor** – A bidder, offeror, or respondent who has entered into a contract with the City.

**Cooperative Purchasing** – A purchasing program authorized by [Local Government Code Chapter 271](#) that allows local governments to enter into purchasing agreements with each other for goods and services.

**Emergency** – Emergency purchases are made to meet critical, unforeseen City need. Because the City’s ability to serve the public would be impaired if purchases are not made immediately, emergency purchases are exempt from standard Finance procedures.

**Evaluation of Bid** – The process of examining a bid after opening to determine the bidder’s responsibility, responsiveness to requirements, and to ascertain other characteristics of the bid that relate to determination of the successful bidder.

**Firm Bid** – A bid that binds the bidder until a stipulated time of expiration.

**Fiscal Year** – A period of twelve (12) consecutive months selected as a basis for annual financial reporting, planning, and/or budgeting.

**Formal Advertising** – The placement of a notice in a newspaper or other publication according to legal requirements to inform the public that the government is requesting bids on a specific purchase it intends to make.

**High Technology Procurement** – The procurement of equipment, goods, or services of a highly technical nature, including: data processing equipment and software and firmware used in conjunction with data processing equipment; telecommunications equipment and radio and microwave systems; electronic distributed control systems, including energy management systems; and technical services related to those items.

**Historically Underutilized Business (HUB)** – An entity with its principal place of business in Texas that is historically underutilized as defined in Local Government Code 2161.

**Invitation for Bids** – The solicitation document used for competitive sealed bidding, the customary method used by state and local governments for the purchase of equipment, materials, supplies, and construction.

**Legal Notice** – Notice of a proposed purchase as required by law. Notice requires the formal advertisement in a local newspaper.

**Lowest (Responsive and) Responsible Bidder** – Originally, the bidder submitting the lowest initial price and capable of performing the proposed contract. Under modern Finance concepts, often construed as generally the same as “lowest responsive and responsible bidder,” or the bidder who submits the “Lowest and best bid” or the “most advantageous bid, price, and other factors considered.” For clarity and accuracy, the recommended provision for determining award is the “responsible bidder whose bid is most economical for the purpose intended, according to criteria set forth in the solicitation.”

**Lump Sum** – A single price as requested or offered on a solicitation for a group of items, without or in addition to individual item prices; a lot price.

**Micro-Purchase** - The lowest-dollar procurement method authorized under Federal grant rules. These transactions are intentionally simplified to reduce administrative burden for very small purchases, provided price reasonableness is shown and purchases are distributed fairly. Once the total expected cost of a purchase (including related items or services) exceeds the threshold, the transaction becomes a **small purchase** and must follow competitive quote requirements.

**Performance Bond** – A contract of guaranty executed subsequent to award by a successful bidder to protect the government from loss due to contractor inability to complete the contract as agreed.

**Procurement Process** – The process used to define, establish, and finalize a purchase that will satisfy the department’s needs. This includes defining the need, selecting the procurement method, the solicitation issuance, receipt of proposals/bids, evaluation and award, inspection and acceptance, payment, contract administration, and end of contract cycle.

**Professional Services** – Professional services means services: (A) within the scope of the practice, as defined by state law of finance; architecture; landscape architect; land surveying; medicine, optometry; professional engineering; real estate appraisal; or professional nursing; or (B) provided in connection with the professional employment or practice of a person who is licensed or registered as a certified public accountant; an architect; landscape architect; a land surveyor; a physician, including surgeon; an optometrist; a professional engineer; a state certified or state licensed real estate appraiser; or a registered nurse.

**Proposal** – The executed document submitted by an offeror in response to a Request for Proposal (and the basis for subsequent negotiation).

**Purchase Description** – The words used in a solicitation to describe the supplies, services, or construction to be purchased and includes specification attached to, or made part of, the solicitation.

**Purchase Order (PO)** – A purchaser’s document to formalize a purchase transaction with a vendor. The purchase order should contain statements as to the quantity, description, and price of the goods or services ordered; applicable terms as to payment, discounts, date of performance and transportation; and other factors or suitable references pertinent to the purchase and its execution by the vendor. Acceptance of a purchase order constitutes a contract.

**Quotation** – A statement of price, terms of sale, and description of goods or services offered by a prospective seller to a prospective purchaser, usually for purchases below the amount requiring formal bidding.

**Request for Bids (RFB)** – Procurement process used when the requirements are clearly defined, negotiations are not permitted and price is the determining factor for selection, if responsiveness and responsibility are met.

**Request for Proposal (RFP)** – A solicitation requesting submittal of a proposal in response to the required statement of objectives, and usually includes some form of a cost proposal. The RFP process allows for negotiations between the proposer(s) and the City, and Best and Final Offers are solicited.

**Requisition** – A formal request, which has been entered and approved in the City’s financial system that is utilized to begin the procurement process.

**Sealed Bid** – A bid which has been submitted in a sealed envelope to prevent its contents being revealed or known before the deadline for the submission of all bids; usually required by law or rule on major procurements, to enhance fair competition.

**Sequential Purchases** – Purchases, made over a period of time, of items that in normal procurement practices would be made in one transaction.

**Services** – The furnishing of labor, time, or effort by a contractor, not involving the delivery of a specific end product other than reports which are merely incidental to the required performance.

**Simplified Acquisition Threshold** – The dollar amount below which a City may purchase property or services using small purchase methods. The simplified acquisition threshold is set by the Federal Acquisition Regulation at CFR Subpart 2.1 and in accordance with 41 U.S.C. 1908.

**Solicitation** – The process of notifying prospective bidders that the city wishes to receive bids for furnishing goods or services. The process consists of public advertising, mailing Invitations for Bids, and some contact of bidders by telephone.

**Specification** – A description of what the purchaser seeks to buy, and consequently, what a bidder must be responsive to in order to be considered for award of a contract. A specification may be a description of the physical or functional characteristics, or the nature of, a supply or service. It may include a description of any requirements for inspecting, testing, or preparing a supply or service item for delivery.

**Supplier** – An actual or potential contractor; a vendor.

**Vendor** – A business entity or individual that has a desire to provide goods or services to the City. A vendor may be referred to as a bidder, offeror, or respondent.

