



Type of Competitive Procurement

Competitive Procurement Options

When purchasing goods or services, it's important to adhere to the three competitive procurement options: small purchases, Invitation for Bid (IFB) and Request for Proposal (RFP).

Small Purchases: simply put, informal procurement methods are used to obtain goods or services. The federal small purchase threshold is \$150,000, but you should check your local and state authorities for lower thresholds or more restrictive requirements.

Competition is still required for this type of solicitation. It's a good practice to obtain at least three sources that are eligible, willing and able to provide the product, goods or services. Bidders may be contacted by phone, in person or via written solicitation sent by post, email or fax. The award and response to all bidders should be given in writing and become a part of your procurement records.

Micro-Purchases, with a threshold of \$3500, are also allowable and may occur if the school district considers the price to be reasonable and equitable amongst qualified vendors. Competition is still recommended. Use the "3 bids and a buy" rule of thumb: get competitive pricing from at least three eligible vendors (responsible and responsive) for all solicitations. Specifications, conditions and contract provisions for the award must be included and communicated to all responding vendors. Be sure to provide this information in writing and make it a part of your procurement records. This process is helpful for purchasing local products.

Invitation for Bid (IFB): this is a competitive, formal, sealed bid method to obtain a price quote. Public announcement of the solicitation and opening of the bid meeting are very important to ensure that procurement is open, fair and competitive. This levels the playing field for all vendors. NO negotiation is used with sealed, competitive bidding. A fixed price contract is awarded to the responsible respondent whose bid meets all the terms and conditions of the solicitation and is the lowest in price.

IFB's are used for bids that contain complete specifications or descriptions of the products and services required. Geographic preference may be used if applicable but not as a specification. The responsive bids differ only in price and the award is made based upon the lowest price.

Request for Proposal (RFP): a competitive solicitation consisting of a technical proposal that explains the products, goods or services needed, as well as any other requirements for meeting the objectives of the solicitation. RFP's include factors that the district will use to evaluate the proposals from responders. Price is not the only basis for the award but should be the primary consideration for awarding a contract. Other factors included should be prioritized by importance for fulfilling the contract. For example, price, service and deliveries, geographic preference for local products, overall qualifications and marketing assistance.

The RFP should:

- State the needs clearly

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- Include thorough specifications that are not overly restrictive
- Specify terms and conditions of the contract
- Specify information that must be included in the proposal for meeting the services requested
- State the award will be made based upon the information and price provided
- Specify factors that will be used for evaluation and the weight each bears (how the technical and cost factors will be considered in determining the score)
- Deadline for submission

Submissions should be evaluated by a committee of multi-disciplinary personnel, including members from the Food and Nutrition Services staff. Members should have experience working with procurement of goods or services for other departments and are knowledgeable about the technical aspects of each factor in the RFP. Each committee member should rank the RFP proposals separately during evaluation.

Noncompetitive Proposal: an alternate method of procurement that may be used in an emergency situation or if a product or service is available from a single source. It may only be used when the award of a contract is not feasible under small purchases, IFB or RFP and after solicitations from a number of sources proves inadequate competition.

Purchasing Solicitations

Three types of solicitations may be used for purchasing products, goods and services to meet competitive procurement needs. These eliminate guesswork and allows respondents more opportunity to sharpen their pencils as they consider all factors they will use to determine the best price to submit.

Line Item: individual items are solicited. The vendor bids on each item listed on the solicitation.

This type of solicitation may provide the best price for an individual item but may limit the number of responding vendors and their ability to meet minimums for distribution, cost more in the long run.

Examples: Produce, milk, broad line distributors with products from multiple manufacturers

Market Basket/Product Groupings: grouping various food items, or a *lot*, that are similar. The vendor must submit a solicitation response for the entire group of products and the award will be made for all or none to the most responsive vendor.

This type of solicitation allows for more vendors to respond, as well as larger volumes with better pricing. This type of solicitation may allow for an opportunity to purchase specialty items but may also limit the number of suppliers if they are unable to provide all items in the lot. A lot also may not have enough volume to warrant competition.

Examples: frozen foods, dairy items, spices and condiments, milk, small equipment, chemicals

Prime Vendor or All-or-Nothing (Mainline): the prime vendor is usually the broad line distributor. Pricing for all items in the estimated quantities stated on the solicitation are determined. All of the estimated prices are totaled for a bid price per responder. The vendor with lowest total price submitted is awarded the contract.

This allows for the district to deal with only one vendor who receives orders, receives the products and delivers them, all under one invoice. While this allows for calculating the total lowest bid price, it may also

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limit the number of responders and availability of specific brands, as well as increase the cost for some items since they are mixed in with all products.

Examples: Dry goods, paper products, frozen and refrigerated items

Types of Contracts

Contract awards are legally binding agreements that include terms and conditions outlining what, when or how goods or services to be delivered or performed.

Fixed Price/Fixed Fee: a firm, fixed stated price that protects against escalating costs and provides maximum incentives for vendor efficiency. This is used in an IFB and may contain an economic price adjustment aligned with an appropriate market index. This index must be auditable and publically published.

Cost Reimbursable: provides reimbursement for costs incurred under the contract and requires certain conditions must be met. Usually used by food service management companies, this requires an accounting system that accurately determines costs, as well as oversight by the district for review of the cost records. Costs can only be paid from the nonprofit school nutrition account.

Cost Plus Fixed Fee: this contract is frequently used for perishable products like milk and produce. It provides for reimbursement when vendors cannot commit to a fixed price for an extended period of time due to market condition fluctuations.