

## **SPO 100 Part 1 – Competitive Sealed Bidding**

Good Afternoon, my name is Kevin Takaesu and I'm a purchasing specialist for the State Procurement Office and welcome to the procurement training on competitive sealed bids. I do want to remind all of you that this session will be recorded. Also that the laws that govern this procurement process is HRS 103D-302. That's the statute. And the Hawaii administrative rules pertaining to competitive sealed bidding is HARS 3-122 chapter 5. This training session will take approximately 2 hours give or take anywhere from 10 to 20 minutes. I have about 77 slides for this part 1. I will stop at price adjustments and many of the slides are examples or samples which makes this presentation sort of like a reference guide or manual for competitive sealed bid training. That's the reason why I wanted a single slide shot for each page. Because for one, you can see it clearly. Two, if you noticed in my slides, I do reference HRS or administrative rules. In that way you could tab that and use that as a reference guide for future competitive sealed bid solicitations. So I understand that the handouts that you've gotten have two slides per page. We're going to repost it on the training site after the session. So you will be able to download the handout from our SPO site. Let me get started here.

This is the method of source selections under 103D and today's training can be found on 3-122 subchapter 5- competitive sealed bidding. Now SPO here, we offer classes of all the subchapters except for subchapter 4.5 and subchapter 6.5 because they're very small chapters. Only a couple of pages. Agencies should have no problem understanding and executing without a training class. So I'll briefly talk about it here and if you do have a questions on it feel free to call us and we will be happy to explain further. Alright, subchapter 4.5 this is limited to only those that apply to federal grants. So some federal grants require in the application process. They need to name the individual or non-profit organization that will carry out the subject scope of work. So before you name them in the application, you need to conduct a request for information. That's a RFI. One, you need to post a public notice that RFI will be conducted. The RFI should include or identify the purpose. It should identify the target population or client and it needs to describe the good, service or construction, and also the evaluation criteria. The selection of the RFI. So when they select, it shall be based on the established criteria. So this again applies to only in a process of writing for grants. Okay so if you're not writing one for grants this section really doesn't apply. Do also want to mention that 4.5, it's more of a quicker way than to conduct a IFB in that sense. In order to list their names in the application. This is more of an expedited way. You still can if you want to. Just before you name that person in the application process of the grant. You could do a small purchase depending on the price. You could do an IFB or RFP but that does take a lot longer time to award than if you went through the subchapter 4.5 by having a request for information done. So request for information is a lot quicker. So if you do have questions on that, you can give me a call or anyone at the State Procurement Office.

The next chapter that I'm just going to mention here is chapter 6.5. Now chapter 6.5 within the HARS 3-122 is called the multi-step IFB. Basically it's a combination of invitation for bids, which is a competitive sealed bid and a request for proposal or RFP. It's a combination. So the first phase is qualify the vendor via the IFB process. So it's a qualification process that the company goes through as far as evaluating their proposal. It would be scored like a IFB. The beginning part is conducted like a IFB to qualify the vendor. So once you have a qualify list of vendors, you can move on to the second phase in which those qualified vendors would submit their bid price and the award will be based on the lowest bid offer. If anyone's interested in the multi-step IFB, they can read the HARS 3-122 subchapter 6.5. Again, if you have questions on this, you can email or another specialist in the procurement office. Let me move on here.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

This is an outline of which I will briefly cover in parts 1 and 2. In part 2, I will briefly cover the electronic procurement system or better known as HePS. But we are transitioning to HlePRO. That's our newer eProcurement system. There are HlePRO classes which you will need to take these are workshops number 300. You need to take this class before you can sign up for the HlePRO classes. This is a prerequisite. This electronic procurement system is not a method of procurement. It's just a mechanism. You still would have to know the rules. You still would need to know the statues, process and write-up as far as putting together a competitive sealed bid. But electronic procurement is just a process that you would use. I will explain further but also when you take the class, Mara Smith does tremendous job explaining these processes.

Okay now starts the part of explaining what a competitive sealed bid is and what makes up the competitive sealed bid or invitation for bid, IFB. So let's talk about competitive sealed bidding on a process. Invitation for bid is a process in which goods or services are identified for fulfilling an agency's need in a timely manner and at the lowest responsive and responsible offer. It's not just the lowest price but the vendor has to be responsive through the IFB and they have to be responsible as far as the vendor in providing that product, service, or construction. So IFB is awarded by price. That is they're responsible, they're responsive to the solicitation. In IFB, it's usually only for a single submittal. You don't mix up the various commodities. For example, if you're purchasing vehicles, you would not be mixing that commodity with another commodity such as computers. It just doesn't make sense. You would confuse the purchaser as well as the vendor.

The next couple slides is a major component of an IFB. That is specifications. I will also cover this later when I talk about as far as the sequence of putting the IFB, you start off with the cover page and then move onto the offer form pages then we would have the specifications and conclude with the special provisions. So I will talk about specification later just on the sequence. Here just want to mention that specifications is very important. It can determine the outcome of your solicitation. If you have bad or faulty specifications, you would end up either cancelling the bid because what is offered is not what you intended to purchase or you would end up with a protest or you would accept the commodity or service that is not really what you wanted in the first place. So the specifications is really important and critical. The specifications really identify specific requirements the product or service must have in order to get the end result you want. Example, if you want to purchase a pick-up truck and you can only name the model or make. You have to identify what type of truck it is. Is it a 4 by 4? 4 wheel drive or is it a 4 by 2? It's important to identify the size of a truck. Is it a half ton truck which is like your Ford 150s or is it a three quarter ton truck and that's like your Ford 250 or is it a one ton truck and so on. So one of the major objectives when creating specifications is to also encourage competition in the market place. I cannot stress that more is to encourage competition and market place. Please remember good specifications shall seek to promote overall competition; you shall not be unduly restrictive and it provides a fair and equal opportunity for every supplier. So spec writing again, I mentioned it is extremely important. And you need to really do your homework when creating good specifications.

Okay, types of specifications, besides specifications, you can see here, design, performance, brand name brand name or equal specification, or qualify or pre-approved product specifications. Alright, design specifications that is when it's a set of requirements for the product details and characteristics that the item must have and how is made. Design specifications are frequently used in constructions or infrastructure projects and highly technical specialized public works project. An example, like designing a skateboard park. The designer may want so many in that skate parks, so many bowls inclines, declines,

## **SPO 100 Part 1 – Competitive Sealed Bidding**

curves, or turns. Again, that's design specifications. Now performance specifications describes the capabilities of the product that must be met. So again, it describes the capabilities. For example, let's say copy machines. The machine that you may need to acquire would need to be capable of making let's say for example, 300 copies per minute. That's performance specifications. It may need to be capable of scanning documents. You may need to allow here for tolerance. Therefore, you can give a range of performance. You don't want to make the performance specifications restrictive where other machines would not meet the specifications. So give a range what would be acceptable. Again for example, going back to 300 copies per minute. Maybe the minimum you want is 300 copies and you wanted 300-400. So give a range. Brand name specifications is restrictive. And that needs chief procurement officer's approval. It's important to know only this brand name product would satisfy the state's need. It's not practical to use less restrictive specifications. Again, brand name specification is restrictive. For example, I was talking earlier about the truck, the half-ton truck the restrictive specs would say it has to be a Ford 150. That's restrictive. That's not allowing for competition from Toyota, Nissan, and GMC. So it's restrictive in that sense. Restrictive specs. Again, very important. It does restrict competition, therefore you need CPO's approval. Moving down to brand name or equal specifications. This sites one or more brand names or model numbers or other designations that identify the specific product as having the desired characteristics. This allows vendors to submit an item that is equal to or one specified in the IFB. For example, let's say you're buying a half ton truck. You may identify Ford 150 or Ram 150 or your brand name but also include or equal. In your identification of specs, you say hey this is the example of the type of vehicle we require and that's Ford 150 or equal. Or equal would mean that Dodge can submit their Ram 1500. Toyota they could submit their Tundra. So anyway, that equal will give the vendors a chance to submit their product. Qualified or Pre-approved product list that list a goods or services or constructions which prior to opening of the bid are examined and tested in order to meet the applicable specifications requirements. So any acceptance of any non-name item must be done through the addendum prior to bid opening. Agencies must agree to examine and test to determine if submitted the non-name submittal item meets the applicable specifications. Basically, for qualified or pre-approved product list, let's say the agency wants to purchase multi-fold towels and in that specifications, it calls for a specific brand Georgia Pacific 1500 or equal and you allow the vendors to submit their brand name as long as it meets the specifications. So they want to submit their XYZ brand. They're able to do it as long as it's prior to the opening of the bid. So in your solicitation, you would need to spell it out. Where and when to submit these and your agency in that sense would examine it. They would test it and make a determination that it meets the applicable specifications requirements. So when the agency determines that, they will put out an addendum. Again, prior to bid opening, they put out addendum mentioning which product made the pre-approved product list.

Here is procurement circular 2008-09. We talked about restrictive specs. This circular is a reminder to promote overall competition and avoid restrictive specifications. At this time the circular came out, there were complaints from contractors that specifications were restrictive without justification. This memo came to remind everyone to not make solicitations restrictive unless specifically needed and it does need the approval of chief procurement officer. Restrictive specs request would be submitted to the State Procurement Office under executive branch on a SPO form 14. We do review the restrictive specs from other agencies that come in and I believe so far in 2013 it was zero. In 2012, we got three requests. In 2011, we had four requests with half of them being disapproved. You really need to justify why it needs to be restrictive. So you could see not many are given and not many are received. It's rare that these come in restrictive specs.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

Here's an example of a restrictive spec. And you will see why later. Here it says Chevrolet the model number, GMC-general motors, Savana 2500 only. So only GM manufacture. We know there's more than one dealer for General Motors that can supply GMC Savana. So it's not a sole source. But it's restrictive by saying only this. It could be restrictive by identifying where it's a 5.4 liter, it's rated 300 horsepower or greater. So my question is why does it have to be so specific in that sense? You could mention that it's a 5.4 liter minimum and leave out the horsepower. The reason I mentioned that is because I had discussions with a mechanic before where once you start putting the 5.4 liter minimum with a 300 horsepower RPM of 3500, that starts to become a signature of that vehicle's engine. And other vehicles will not have the specifications. They have a different spec. So when you do that, it can be construed as restrictive. When you look further down, you might look at factory heavy duty cooling system or cooling recovery. So that could be restrictive. Maybe not every model has that. It just could be that only GMC has it. There's times when these will be needed. Maybe it's for 4 by 4 where it goes off road and you do need those type of heavy duty equipment and engine so yes, you can list that but again, you should consider what kind of vehicle you're purchasing. Is it necessary for that vehicle? Because again, you start putting in all these specifications, vendors will call you or email you and ask you why. You may have a difficult time justifying why. Because basically you would be restricting them from bidding. And really no one wants that. Anyway, going down to next page here. Here if you look here, it's starting to get really specific. It looks like this van will be transported to various destinations via aircraft. So when you start looking at aircraft tie-down rings, front and rear. You need other specifications designating to be airlifted. That's probably the reason why this is restrictive because it's only with the measurement able to fit in the cargo bay. I just want to mention that agencies can request for restrictive specs via SPO form 14. Just keep in mind that the products being submitted must be evident that only that identified brand name will satisfy the state's need and it's not practical to use a less restrictive specifications. So you really have to justify it.

And here's a request that came in that was approved. This is a brand name specifications read-on. It's necessary because Sirento wave division multiplex equipment is utilized extensively within the state. Use of another vendor equipment will pose problem with network capability. They go through this whole justifications. Just wanted to mention this equipment was previously purchased via the sole source. That came into our office and it was approved it continued on. The software is unique but is no longer a sole source because it is now available from at least 7 different sources. Sirento networks and authorized partners. So it started off as a sole source but throughout the years it became where it's compete-able. But they still want the same product name, the brand name because it's necessary to utilize that or otherwise it could cause considerable problems. So it's unique in that sense. Therefore, if you look they give the reasons why and they approve it. I do want to mention and here is the reason why it's approved. It's for the solicitation process only HRS section 103D-310 C which is a responsibility of the vendor to have and those that have done procurement. That's basically the HCE or Hawaiian Compliance Express. I will talk about that later. But it's basically that Hawaiian Compliance Express is where the vendor would have to be responsive and responsible for making sure they paid their taxes, have insurance and comply with other statutes governed by the state. In item number 6, if you look on top here. Doesn't the personnel who is knowledgeable that conduct and manage the solicitation. And have taken the appropriate SPO training and has delegated the procurement authority. That goes back to what I had mentioned earlier that in order to participate, in order to submit the request just be conduct. You do need delegation and training and here's where you would put those individuals in and with the appropriate names and numbers there.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

Here's an example of specifications you can read the title for liquid chromatograph. You can read this specifications. You have a good idea on what is required to have for this liquid chromatograph. But make sure you indicate in your IFB what you're expecting is it a pre-approved items and substitutes if it meets specification. If you're going to allow for a substitute, then you need to provide information in your IFB on where and when and who to contact for that. So here's an example of what I'm talking about. In the special provisions the wording for accepting equal. In this example, the IFB is calling for pre-approved products. It should be noted that the state intends to purchase high quality products and not to limit competition. So make sure you give detailed instructions on where and when to submit the products for evaluation. Also acceptable products determined by the agency. So they need to know where and when and how to submit their products before determination if that would be an acceptable item. Again, as I mentioned earlier about brand name or equal in making pre-approved list, if they do make the list then that would be listed on an addendum and that's issued done prior to the opening of the bid.

So the next page would be an example in your IFB where you're going to put in for like a substitute you would include a form like this where a vendor would fill out and if they a substitute to offer and submit to you as directed in your IFB. You can copy that and it's very simple. It gives the vendor easier way of saying I understand what's going on and here's a form. This is to who and the state can test it and we can inform them later. The next couple slides, we will talk about contracts. It only makes sense that after you obtain a bid, you need to enter into a contract for purchasing the item or services.

So here's a list of type of contracts. I won't cover all these contracts but what pertains to competitive sealed bids or IFBs. So what pertains to competitive sealed bids is just a fixed price contract because it's the only type of contract that can be used by competitive sealed bidding or IFB. There are other types of contracts you can see listed here, such as cost reimbursement and cost-incentive contracts that you can read in 3-122 subchapter 16. But just keep in mind, you do need the approval from the CPO.

Again, talking about the common type of contracts. That is the firm fixed price contract and it should be used whenever the prices which are fair and reasonable to the agency can be established at the outset. Again an example would be like buying vehicles or lab refrigerators, computers and that is because that's a fixed price. They bid on a price. There's no adjustments to it. You buy a vehicle and that's the price you're going to get it for, delivered it to your location. That's what your specs called for. Now fixed price with adjustments, this means that adjustments allowed maybe upward or it could be downward or it could be both. It may be based on changes in labor agreement range. Changes due to rapid and substantial price fluctuations in the market place, which can be related to accepted index and general price changes in manufacturer's price. So if it meets that kind of criteria, then you would need to put that price adjustment clause or provision in your solicitation. You need to have that. If you don't put that then the vendor will not be able to adjust their prices. So you need to know really the commodities that you're purchasing. An example here, fencing material, a lot of times, could be steel, steel posting to the wiring mesh and the prices fluctuate depends on again the price of steel goes up that's traded on the market. For whatever reason, the vendor here has no control over what the manufacturer's price may adjust because they do periodically raise price and may even lower price. So you would want to make it fair for the vendor in order for them to adjust. Another type of example would be AC maintenance. You might have a clause that they may be able to increase the labor rate. Same thing for security guards, janitorial service, because it might be where you might have contract for one year. But you have three more extension years. Let's say they're doing a good job you may want to keep that vendor but for the duration of the term, which may be 4 or 5 years they may need to adjust or increase their labor rate for

## **SPO 100 Part 1 – Competitive Sealed Bidding**

their personnel. Okay so anyway, two types we talked about here are firm fixed price where price are not adjusted and firm price with a price adjustment.

I'm not going to read the screen but definite quantity contract is when you know exactly how much you need. Example again, we're talking about purchasing the number of vehicles, the number of desks or chairs that you need to purchase for your office or library where it's definite quantity that you would know. The price is based on the definite quantity. Here the second bullet would be indefinite quantity contract or we call it requirement type of contract where you don't know what the total amount would be purchased. So when the exact amount is not known, for let's say a 12 month period, where you have to give an estimate. And the estimate may be based prior sales report. So estimate numbers from your agency. For those of you who are familiar with our price list. Those type of contracts are indefinite type of contract because the quantity of purchase by each agency is not known. We may be able to look at prior purchases from the agencies but we wouldn't know what the future one is. So we give an estimate based on our sales reports.

Multiple award contracts, we usually say multiple award contracts in a form of a price or let's say vendor list that's based on indefinite quantity contract. Now the objective of a multi-term contract is to encourage effective competition or otherwise promotes economy in a procurement of goods and services. So a multi-term contract would be like the high start-up costs that would dictate, such as a student bus transportation contract. The high start-up costs..... Let's say buses or other equipment. So it makes more sense to have a multi-term contract where initial term would be more than the 12 month period. It would be more. It might be for 2 years or 3 years. But the important thing to remember about this is that the source of funding it has to be able to cover for the initial first year. Okay. Just because you have a multi-term contract, that does not mean that it's being funded for the full 24 or 36 months. It's funded for the first 12 months and when you have the funds available you will cover for the remaining part of the multi-term contract. Example of a multi award contract, I just remembered was that even though you mention a vendor and price list as being an example, I remember doing a contract with an agency for helicopter services and the services needed where one vendor was chosen for the service but because not always the vendor would be available then a secondary vendor was chosen in need where that first vendor if not able to provide the service would be basically awarded that as well. So it was a multi award contract and that was one of our helicopter services that I did many years back.

Alright now we come to the point of IFB considerations. So before you construct your IFB, consider these various points. Bid security ... It's what we can do to protect us from the vendors not fulfilling their responsibility. So bid security is a form of risk insurance based in the construction form. It's common in the construction field. By submitting a bid bond along with a construction bid A contract is provide legal guarantee that they will sign a contract if it is awarded to them So even within the bid security, you might require a bid bond and that's basically designed to protect the State, let's say, where the company would need to make sure that they follow the bid requirements, specifications, and they do not basically not follow through on the bid. They need to go through it and sign it. That is to prevent from vendors that provide frivolous bids or they waste the time of the State because they didn't intend to be awarded. Let's say a bid bond may be required. We can go on here If it's done, you can read the bottom part of the paragraph, the amount shall be equal to at least 5% of the base bid.

Other bid considerations. Just want to mention here you guys can read this but bid security is required for construction bids over \$50,000. It's in the statute. It's required for federal contracts that require bid

## **SPO 100 Part 1 – Competitive Sealed Bidding**

security. Bid security is optional for goods and services. If it is required, for goods and services, it would be indicated in the bid and the vendor fails to provide the bid security then that grounds for rejection because they would not be responsive to the requirements of the bid.

Here we're talking about contract performance and payment bonds. A contract performance bond basically protects the State against the losses of money if the contractor defaults on a contract. If they default then they give up the performance bond. Now for construction performance and payment bonds shall each be equal to 100% of the contract price. For Act 173, in 2012, it states that performance bond it would be in the amount equal to 100% price specified in the contract or in a manner satisfactory to the purchasing agency. A contract payment bond what that is that it guarantees that the contractor, general contractor pays their sub-contractors to do the work. So it is the way of protecting the sub-contractors from general contractors that do not pay on the timely basis or do not pay them for their work. That's a payment bond.

Here's an example of department requesting for a performance bond. As I mentioned, low bidders that are awarded often do a poor job in this case and often abandon a contract and department is left with incurring additional costs to re bid. So that's basis of it of that request and that was done in 2008. However, since then the HOPA can approve this. So head of the purchasing agency the agency do not have to send it to SPO. They can send it to their administrative or their director the HOPA because the procurement delegation 2010-01 that was put out by Aaron Fujioka have delegated the authority for performance and payment bond. So if you look up that procurement delegation it's on our website quick way of getting is typing it in the search field. Procurement delegation and this will pop out. Quick and easy. So again, this is just the form for example. But it's not required by the SPO where you would submit it to us as far as the executive agencies. That was delegated out to the HOPA to make that determination.

Alright other IFB considerations and that is to have a pre-bid meeting or conference and what this is just like setting up a meeting to discuss what it is that you want to purchase and to give the vendors a chance to ask questions. I would recommend for IFB services that you feel a meeting is necessary to explain to the potential bidders, the specifications required, and possibly do a site inspection at the same time or shortly after so that the offeror knows exactly what is expected of them. Again, it's just setting up a meeting where the vendors and the agency can meet to go over questions, specifications, scope of work as well as view the property and location of where the service is provided so they can give more accurate bid. So to me, that is very helpful for certain type of contracts. Example would be let's say for janitorial services. They need to see where the buildings are at, where the parking lot is in comparison. They may need to see where various things are stored. Anyway, another example of having a pre bid conference or pre bid meeting would be air conditioning maintenance services they may need to look at the chillers or condition of it maybe landscape irrigation also is another example where they need to see the condition of the grass before you start off with the condition of irrigation system. Anyway after the meeting, the vendor should be clear of what is expected so able to offer competitive price. In a sense, you want to make sure that by putting out this extra time on the front end, you will eliminate the time spent on the back end as far as when you're making evaluation awarding. Again, it is optional. It's not mandatory. However for construction bids, it is mandatory. Here in reading, pre-bid meeting is mandatory for construction projects and construction bids including design building for IFBs over \$400,000 or more and that's the statute that list that. It is mandatory to have a pre-bid conference but I do want to point out it is not mandatory for the contractor to attend in order to bid. A few years

## **SPO 100 Part 1 – Competitive Sealed Bidding**

back at AG's office made the determination or ruling on it where they do not have to attend. It is mandatory where the agencies conduct a pre-bid conference. So that's mandatory. But it is not mandatory for all vendors to attend in order to bid. I guess there were grounds that was brought up where just because they didn't go to the pre-bid conference that doesn't mean that they wouldn't know how the bid was set up or they didn't have a good idea of what the specifications are called for. So to disqualify them is not fair.

Anyway moving on here this is an example of language within the bid where they announces pre-bid conference and site inspection. You would like the offer to call in and register so you would know who would be showing up. If you notice that the vendors are not registering, it is best to contact them to see why they're not. You would like to see as much representation as possible at these conferences to promote competition. Also remember any discussions at the pre-bid conference does not change any part of the solicitation. These are discussions so therefore, any changes or clarifications that you need to make because of what was brought up in order to make it official, to make changes or clarifications that has to be done via written addendum to be efficient. Just because it was talked about in the pre-bid conference. It does not make a change to the solicitation the changes needed through the discussions. If the changes needed to for clarifications. In order to official again, it needs to be done via written addendum.

Alright IFB consideration continuing on. Notice of intent to offer. This is optional. As you can see the IFBs, ... What I wanted to mention is in the IFBs that I've done in the past we did not have a notice of intent to offer. The SPO did not make that requirement but I know that other agencies do put it out. So that's why it is optional. Notice of intent to offer. Sometimes you may want to know who is interested in bidding on your IFB I would say this is used more with construction. If you're dealing with construction, you may need to take workshop that's I believe workshop 130 for construction projects that DAGS put out. Public works division. So I believe it's 2.5 hours. So if you do construction projects or you will do construction projects I believe it's mandatory to take this 130 class. Example again, it would be notice intent to submit an offer is coming in the next several slides here.

Alright here's a form of intent to submit an offer please make sure it's clear on where it is to be returned. In the past I did received notice of intent to offer from the companies that we did not do the solicitations so we forwarded to our public works and hopefully that was who it was intended for but again, it needs to be clear on who, when, and where to send it that should be covered in your solicitation.

Alright getting the word out for your solicitations. Here the rules says you need to publicize your IFB. At a minimum you would use a State wide and County wide public notice and shall be publicize on a purchasing agency's website or provider internet site. The bottom line is it needs to be posted. It is optional where you could use in addition to that, a newspaper publication. Just keep in mind it is quite expensive but you do have additional coverage.

Alright now we're moving on to putting together the IFB. That's the cover page where you would identify the legal add date and that's the date that you're posting on the website and even the date that's going to be published on the newspaper if you still choose to but you would identify what office is putting it out, the location and the time when the bid is due. Specifying the date and time of the opening and the contact person and also the phone number and email.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

Here's a table of contents that was used in the past. I believe it helps keeping your IFB organized. It's not mandatory. Here's something that for IFBs is useful.

This is very important. This is where you would have your offer form page. This form again is very important because it binds the offer to abide by the special conditions of the IFB it also binds them to the general conditions from the AG's office binds them to the specifications of the bid. So this must be signed in ink and submit it with the bid. If not, if it's not signed, this offer form, and it is not in ink then the bid can be rejected unless it's a company by other document with the original signature indicating that the offer intends to bid kind of like a corporate resolution indicating who can sign, original signature of those persons, and they sign it saying they will be binding to this agreement also you need to check the most current AG 008- attorney general 008, that's the general conditions periodically. I've checked and they just recently updated it. They updated in October in 2013. So please don't just use this offer form that I'm showing you here because it has the older date and so what you need to do is you need to adjust these dates based on the AG 008 and again it was amended in October 2013 you can get this AG 008 from our State Procurement website or from the form central.

Here's a second part of an offer form page where the vendors would fill out their corporate legal name but also the other information that's required and that's the GET license number, federal ID number, payments are to be made. I do want to make sure that you understand that payment address must correspond to what they have with accounting FAMIS system. That payment address is important. I've seen some come in where they put like an electronic account from a bank. They will not accept that. So that needs to be payment address where the State would cut a check and they would mail it for that purchase. It is very important that they put the name and title of the company, the legal name of the company and that has to correspond with HCE - the Hawaii Compliance Express. Those two need to be identical.

Alright for the rest of the offer forms you basically design it for the type of commodities or services. So you design it where you would make sure that you would have a description of what is being purchased okay there's enough space for unit price per item for package if any quantity is being purchased. So these are very important and you will see why later. Just keep in mind these various points when you design your offer form page and that page is basically for the vendor to make an offer for your product.

Here's an example of purchasing a laboratory freezer or refrigerator where you can see it gives a description of the product, the unit price, and the amount that's where you see the X 2. And where it would be extended but that unit price is very very important. So you make sure that there's enough space and it's legible.

Same thing here where it describes... This is an offer form for helicopter services so they may have listed the locations of the warehouse where it's needed. If we require a delivery location for the product being purchased. So you can see here it's not cluttered, it's not squeezed in. You want to make sure that enough spacing, enough information is there so it will save vendors time from calling you up and asking you what really is or where to submit this information.

Here's an example of janitorial services I believe you get the gist of the information needed the unit bid price, the number of periods, let's say how many times they need to provide certain services and the total bid price and what will be evaluated.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

Here's an example of what needs to put in. If it's for services and that is the wage certificate for service providers now this is a self-certified form. Remember self-certified so the vendor fills it out and it is basically attesting that they will follow they will abide by the statute 103-55. One before any offer enters into a contract to perform services in excess of \$25,000. For any government agency, the offer, which is the vendor shall certify that the service performed will be performed under the following conditions and that is where the service would be rendered by employees paid at wages or salaries no less than the wage paid to public officers or employees for similar work and they also will be compliant with labor laws and all applicable laws of the federal and the state government relating to worker's compensations, unemployment compensations, payment of wages and safety. So basically they will self-certify that they will abide by these laws and that's where it comes in handy with the Hawaii Compliance Express because that is making sure that they are compliant with those laws.

Alright as I mentioned earlier, specifications I'm on slide 52. I do want to mention there is a workshop that's given by Wendy Ebisui, she did a fabulous job on providing specifications workshop so I highly suggest that you also take that because I do not cover specifications in great detail as she did in specific for her workshop. But I do want to mention again specifications because it follows the IFB sequence from cover page to offer form page and now the next sequence after the offer form page is the specifications. Again, developing specification is most important and it's also very difficult if you do not put in the time to research. You can do research via internet, email, or you can go to the library.

These are just various attributes that I've looked up and basically that your specification that you draw up may needs to .... these various attributes can address in them. So read that and if it makes sense for you specific item please put that in there. I do want to mention, let's say, you may need to get specifications, you can get it through NIGP, and that's the National Institute of Government Purchasing and that is developing and supporting and promoting public procurement practices that's their mission. You may be able to also attend.. get specifications through the American Society for Testing Materials-ASTM, which is a trusted source for technical standards, materials, products and system of services and you can also get the, again information through the various websites. I do want to mention that you may have to pay to be a member of either ASTM or any other let's say, member of construction. There is a construction membership for providing specifications. I do not specific listing on them but I did a little research and there is several sites that you can go through to get specifications for construction, you may need to join their organization. But I do want to mention that membership fees and dues is exempt from procurement. That's according HRS 103D-102. You will find in there the fees and dues of organizations are exempt so if your agency needs to belong to ASTM to get specifications the membership fees and dues is exempt from procurement if your agency wants to utilize them and pay for the membership, that's fine. Again, it is exempt from procurement.

Here is continuing with the continued attributes. I'm not going to cover that except again mentioned that it is covered in workshop 122 for spec. lining.

Okay.... Here is an example of specifications for janitorial services. I believe this is really good one. It gives an example of what a service contract looks like. You can see that the agency did their homework and tried to create a job description as if they were training an employee, let's say. It identifies the scope of work, the work schedule, and also the description of the work. This just continues on.

Here's some general specifications for purchasing vehicles SPO used to purchase a bunch of vehicles for the various agencies. These general specifications are from our last vehicle purchase in 2009, let's say.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

However, this solicitation was cancelled by the agency because at that time it needed the governor's approval and the state ran into some financial difficulty so these needed to be approved. I do want to mention that specifications were drafted where as far as the specifications for vehicle purchase for energy efficient vehicles, I would like you to review HRS 103D-412, which is basically updating the purchasing guidelines put out by DBEDT in order to purchase energy efficient vehicles and I have an example of that later.

Here is a second page of general specs for purchasing vehicles. You can see here there's not a lot of detail in a sense where it would just be restrictive. Again if you look just by the fact that if you look at the transmission, it's automatic. The dealers know what that means. You don't have to put in five-speed automatic with reverse and all this. I mean it comes with the car when they're produced.

I was mentioning earlier about 103D-412 and that's light duty motor vehicles and that is to promote energy efficiencies in the vehicles and so these are required as far as purchasing but it's not required but it's not applicable to vehicles over 8,500 GVW so the weight of 8,500 pounds would not apply. So vehicles with that weight would not pertain to this light duty motor vehicles. But basically what this statute here mentions is that this is the sequence of purchasing. So if you look at a vehicle, does it have electric or plug-in hybrid capacity and this is the sequence of purchasing and if it's not then you would go to the next, is it a hydrogen or fuel cell vehicle if not, the other alternative fuel vehicles and so on. Okay so the intent here is to purchase the most fuel efficient type of vehicles. And later, also mentioned into this statute here under D, the agencies may apply to the chief procurement officers for exemptions from this requirements because if they feel that such as purchasing a certain vehicle, SUV or a truck, even though it's under that weight of 8500, it does not meet the needs of the agency they can apply for an exemption.

Relating to private guards. I was asked to put this in the solicitations under IFB because if you're procuring guards you need to be aware of this act, that was introduced and approved or signed into law in 2010, even though it's effective in July 1, 2013 where it is required that security guards register and is licensed that they include training and instructions and continuing educations for guards and individuals acting in guards capacity. It also directs the board of private detectives in guards to make rules. New registrations in licensing will be effective July 1, 2013 and it will sunset on July 1, 2016. So if you want to acquire services for security guard, please check this Act 2008 SLH 2010.

Other examples of a special conditions. So far, you have compiled a cover page, you have looked at the table of contents. We looked at the offer form pages. We talked about specifications and now we're coming to special conditions that follow: special conditions, special provisions we call it. Alright, so we're coming to the ending part of the IFB package. I just want to mention here that here you can see where it talks about the introduction which is simply the SOW, the scope... what are you trying to procure? Number 2, what identifies the authority to purchase? It's pursuant to the law that governs the IFB. Number 3, who is the procurement officer? Okay... who the point of contact is and when does the contract start? How many months? How many extensions? It talks about the term of the contract. I do want to mention as far as ....it may sound simplified, but just remember those extensions, even though you just put that there it does depend on both the agency and the vendor mutually agreeing to the extension I just wanted to mention that.

Anyway, these are again, what we would put in special provisions. You'd like to have here the offer qualifications. Let's say for bigger contracts, such as air conditioning or elevator maintenance or so on.

## **SPO 100 Part 1 – Competitive Sealed Bidding**

You want to make sure that the offeror has a warehouse, so facility, phone numbers, or the contact person.. I've put out something in the past where someone submitted a bid where they claim that the Matson container was their warehouse facility and I said no. Where is your phone here? Where is your contact person? How would we be able to get in touch or meet you at the warehouse to see if they got the pickup products here and there. So that didn't qualify as a warehouse to me.

I do want to mention that if you look, these numbers here are not line up. They do not line up. Why? Because I take in some of these provisions from various IFBs that we've did in the past. So I felt that you might want to put some of these in your IFB if it pertains...if it doesn't then do not put it in. You don't have to put it in. So that's why the numbers are out of sequence.

Here, it talks about the responsibility of the offeror. The offeror must be compliant with the laws-the 310C which we covered in the previous slides HCE-Hawaiian Compliant Express is a website which is on our State Procurement Office website and as to where you can register for all certificates. So the vendor can register on HCE instead of going to the tax office. They don't have to go to labor department or DCCA to get their COGS, or certificate of good standing, like how we used to do in the past prior to coming up with the Hawaiian Compliant Express again, the vendors have to go to this various site in order to get certified. But now through technology and website, they can apply and there is a minimum fee of \$12 per year.

Here it mentions about timely submissions of certificate at SPO we normally give vendors 10 days to submit. If they need more time, they could submit the request in writing. Therefore, we would wait on whether we would extend it or we would say hey these services need to be done by a certain date therefore, we cannot allow extensions and therefore would have to go to the next award or the next vendor who supplied the lowest responsive and responsible price to make an award. But in the past, we used to give 10 days. This also talks about pre-bid meeting, inquiries, or pre-bid conferences as I mentioned earlier if you do have one, please put that in there- pre-bid conferences. But it is optional as it shown here.

For 11, it talks about offer preparation authorized signature on the first page of the offer form page shall be in original ink, as I mentioned earlier on the offer form. Depending on the type of job, you may want the vendor to make copies as well and the reason for that is when you have a bid opening vendors are allowed to attend bid opening. They may line up, wait for the day and time that there's a bid opening and if it's a popular bid, a lot of people may want to see what the result is. So you have a meeting in room you bring out all the bids because it's public. Once it's open, it's public information. So the vendors can request for copies, or pricing who's the lowest at that time from the vendors and so if you don't provide copies early, what they may ask is: can you make copy for us from your Xerox machine and you could spend some time doing that. So what we've done was in a solicitation we say that when you submit a bid to provide so many copies so that when there's bid opening, we could just pass those out. So it wouldn't be wasting people's time.

It's optional. It mentions offeror's experience and that would be to prevent against vendors, let's say they cut corners, don't follow the contract, from bidding on your...you don't want them bidding on your contract so.. you would like to review their... offeror's experiences. Method of award talks about ...the IFBs are made to the responsive and responsible offers submitting the lowest price on the form on the offer form. That's the method of award. This is an IFB and we're awarding based on the lowest responsive and responsible offer I do want to mention here about liability insurance at one time it

## **SPO 100 Part 1 – Competitive Sealed Bidding**

wasn't mandatory. But it is mandatory via the executive departments for all IFBs and RFPs. You can look at the comptroller's memorandum 2010-06 for general liability. Basically what it says for IFBs/RFPs... is required that no less than \$1,000,000 per occurrence to be covered and \$2,000,000 aggregate. The aggregate is the maximum amount that would be paid off to the claim during the policy term. I do want to mention that the risk management office DAGS does put out a training webinar for liability insurances. Okay, it's workshop 150 and it is mandatory for levels 2 that...if you look at our metrics for delegation level 2 would be for the staff that does the actually procuring either writing the IFBs and seeing it from basically cradle to grave. When it starts to when it ends. So it's very important that those individuals that are procuring take the workshop 150.

This is a continuation of liability insurance. But it also mentions the liquidated damages. If you do assess liquidated damages, you just can't come up with an arbitrary number. You need to be able to prove what the damages are either through receipts or records. Let's say an example would be, purchasing a car or truck and the delivery date was next month and it finally came to you in 2-3 months later but you needed a new equipment to start project because you couldn't wait. So you have to rent the equipment. Make sure you keep the receipt as proof of your damages. Again, it is you need to prove that there is damages there. Liquidated damages.

Okay, I will cover later about protest in part 2. But it is mandatory that the statement like this telling the vendors that there is protest process. Not that you're welcoming the protest but you're informing them that there is a protest process.

I'm almost done here. I actually got several more pages and that's it and I will take questions. Here's an example of price adjustments for service contracts. Price adjustments, where you have a formula here on how to apply labor rates. This is kind of simple. You just need to take the bid hourly rate and this is for certain services such as security guards. Where you take the hourly rate and you add it to any State wage increase. Depending on your specific job and again, if it's janitorial service, you would be looking at janitorial service for those rates. In this case, the bid rate as an example is \$15 per hour. The State wage increase for the period is 50 cents so the new rate would be \$15.50. I do want to mention that if you're going to have a price adjustment clause for security and even for other types of solicitations or service solicitations. Please remember the formula before it's put out.

Here's a next page for continuing on where the price adjustments is calculation of fringe benefits relating to the federal old age benefit, workers compensation, temporary disability insurance-TDI, and unemployment insurance. Again, this is allowing for the contractor to adjust their labor rates based on again what I've mentioned on the worker's compensation, TDI, and unemployment. So in calculating in fringe percent which I looked at it and I did a little research and it came to about 16 percent so you would take the State increase in an hourly rate and the page prior to that was 50 cents. So you multiply to a 16 percent, again what I mentioned is what we calculated out what fringe percent to be so you take the 50 cents and you multiply by the 16 percent and that will give you 8 cents and then you add that 8 cents to allow the bid adjustment rate which was...\$15.50. And that would come up to the amount of \$15.58. Anyway, if you've got questions on that please give me a call or email me of that.

Alright, here is another example of price adjustments for requirements contract. What basically this is saying is that the commodity that you're bidding on has large fluctuations in manufacturing costs and freight cost and you may want to provide this in IFB. I mentioned that as far as an example of purchasing fencing material that steel prices may fluctuate so if you're going to be using this again, you might be

## **SPO 100 Part 1 – Competitive Sealed Bidding**

purchasing items that might fluctuate. Please make sure you understand and if you want to input or include that in your price adjustment clauses, again, you do need it for vendors to make a price adjustments then it is needed for your IFB. And you do want to put it in if it's fair because you don't want to have the vendor after providing good service for the first year or even two and say, I cannot provide any more because we're losing a lot of money. I'm not able to adjust. And so you want to give them that fairness so that they can continue on.