

Common Procurement Terms

School Nutrition Unit



Some commonly used procurement terms may be used interchangeably or are unclear in meaning. The following list can be used as a reference for common procurement terms, but is not an all-inclusive list.

*Please note that terms and definitions may change as further procurement guidance is released.

Bid

The term 'Bid' is often used interchangeably with solicitation, but is really an offer of a price. A solicitation identifies the goods and services to be acquired and the bid is the proposal and price to provide those goods and services.

Bottom Line Solicitation

A bottom line solicitation is when the value of the contract is determined on the total value of the estimated goods or services (bottom line). The contract award is made for the entire group of products listed to the responsible and responsive bidder whose price is lowest. The SFA must clearly communicate how it plans to make an award in the solicitation document.

Catalogue bid

A catalogue bid is the process where an SFA requests pricing on a number of goods without providing written specifications or forecasting. The result is a 'catalogue' of products that are not competitively priced or procured. A catalogue bid is not an allowable practice.

Categorical Solicitation

A categorical solicitation, sometimes referred to as a 'market basket', is when products are grouped by similar items, often called 'lots' (example, frozen food, canned food, produce, and dairy). The total value of each lot is used as the basis for award. Each lot of products is awarded on an 'all-or-nothing' basis to the responsive and responsible bidder whose price for the lot is the lowest. The SFA must clearly communicate how it plans to make an award in the solicitation document. This is sometimes referred to as a 'market basket' solicitation, but is not the same thing as the market basket cost analysis.

Cost plus Fixed Fee

A cost plus fixed fee contract is a type of cost reimbursable contract in which the SFA is charged the vendor's cost for goods procured, plus a fixed fee. The fixed fee may include delivery charges or other administrative costs. This type of contract could be used for goods that are subject to variable or 'market' pricing. The SFA must ensure that the vendor is correctly pricing goods, not to exceed the cost to the vendor. All discounts, rebates, and credits should be returned to the SFA and identified on vendor invoices. Note: Cost plus percentage contracts are not allowable.

Cost Reimbursable

A cost reimbursable contract is a contract that reimburses the vendor for costs incurred under the contract but does not provide for any other payment to the vendor, with or without a fixed fee. In a cost reimbursable contract, allowable costs will be paid from the nonprofit school nutrition account to the vendor, net of all discounts, rebates, and other applicable credits accruing to or received by the vendor.

**Distributor**

A distributor is a commercial food company that purchases, receives, and/or stores commercial food products. Distributors sell, deliver, and bill the recipient agency for goods and/or services provided. A distributor sells the products made by manufacturers.

Fixed Price/Fixed Fee

A fixed fee is an agreed upon amount of money that is fixed at the inception of a contract. In a cost reimbursable contract, the fixed fee may include the vendor's direct and indirect administrative costs and profit allocable to the contract. In a fixed fee contract, the cost of goods or services remains constant during the contract term. Fixed fees may be tied to an escalator/de-escalator clause or price index that is predetermined and agreed upon by both contract parties.

GPOs and Buying Organizations

Group Purchasing Organizations, Buying Organizations, and other third party vendors often include public and private schools, hospitals, universities, law enforcement, public works, etc. who join a third-party company or service provider. GPOs could be private for-profit or nonprofit entities. A GPO is typically structured in a way that may include a membership fee paid by member users, who are then granted access to the GPO price list of products and services. When competitive procurement methods are conducted by the Program operator, GPO price lists may be one source of prices when using small purchase procedures, sealed bids or competitive proposals, as applicable.

Line Item Solicitation

A line item solicitation is when each 'line' of the solicitation is awarded individually based on the bids received. The award for each product, or 'line', is given to the responsible and responsive bidder with the lowest price. The SFA must clearly communicate how it plans to make an award in the solicitation document.

Market Basket Cost Analysis

The market basket cost analysis is a method of determining total contract cost by using a representative sample of high-volume items to be purchased. For example, an SFA determines that they will use a sample of products that represents 75% of the total value of the contract. The SFA determines that 50 out of their 100 products represents 75% of the total monetary value of the contract. The SFA uses those 50 products to determine the total value of the contract, and awards the contract to the lowest responsive and responsible bidder. Note: If an SFA is going to use the market basket cost analysis, their process for doing so must be outlined in their written procurement procedures, and the method of cost analysis must be included in the solicitation. Before the contract is awarded, a full price list for all products must be obtained by the SFA (in this case it would be the remaining 50 products). This method of cost analysis is not acceptable for service contracts.

Market pricing/Escalator/De-escalator clause

Market pricing is used to describe a variable price as it relates to fluctuations in the market. This variable pricing is not considered to be a fixed price. To purchase items that are variable in price, and SFA should consider a cost reimbursable contract or a fixed fee tied to an escalator/de-escalator clause or price index (predetermined provisions in a contract stipulating specific conditions for an increase or decrease in price).

Material Change

A material change is a change made to a contract after the contract has been awarded that alters the terms and conditions of the contract substantially enough, that, had other respondents (vendor/bidder) known of these changes in advance, they may have bid differently and more competitively. It is recommended that changes to a contract do not exceed 10% of the overall value of the contract.

**Micro-purchase**

Procurement by micro-purchase is the acquisition of supplies or services, the *aggregate* dollar amount of which does not exceed \$10,000 per purchase. Aggregate means the total sum of all the items in a single purchase. To the extent practicable, the non-Federal entity must distribute micro-purchases equitably among qualified suppliers. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable. Purchases made to the same vendor on a frequent basis (example: weekly deliveries) are not considered to be a micro-purchase even if each weekly delivery is under \$10,000. Micro-purchases are intended for infrequent or emergency purchases of a low dollar value.

Prime vendor

The term prime vendor is often used interchangeably with distributor. Typically a prime vendor is a commercial food company which the SFA purchases the majority of their products from. A prime vendor contract may also include delivery and other services as outlined in the solicitation.

Proposal

A proposal is a written plan on how the offeror intends to meet the service needs of the solicitation. A proposal will also include the offered price for the goods and services outlined in the solicitation.

Respondent

A respondent, also referred to as a vendor/bidder, is a commercial enterprise, a public or nonprofit private organization, or an individual that responds to a solicitation and potentially enters into a contract with the SFA. To be considered responsible, a vendor must be capable of successfully performing under the terms and conditions of the contract.

Solicitation

A solicitation is a document used by the school food authority to acquire goods, products, and/or services. Solicitations must incorporate a clear and accurate description of the technical requirements for the material, product, and/or service to be procured. Solicitations must also identify all the requirements that the respondents (offerors) must fulfill and all other factors to be used in evaluating the solicitations or proposals.

Sole Source

Sole source procurements in the school nutrition program (SNP) occur only when the goods or services are available from only one manufacturer and/or through only one distributor or supplier. Sole source describes a condition of the procurement environment. In a true sole source situation, conducting a traditional solicitation (sealed bid, competitive proposal, or small purchase) is a meaningless act because the element of competition will not exist. When faced with an actual sole source situation, a school food authority must first obtain state agency approval, and then go directly to the one source of supply to negotiate terms, conditions, and prices.

Specification

A specification is a concise statement of a set of requirements to be satisfied by a product, material, and/or process.

Vendor

A vendor is a supplier of goods or services paid by the school food service fund. Vendors may be any supplier along the supply chain, including a manufacturer, distributor, service provider, etc.

Velocity Report

A velocity report provides the SFA the quantity, the date of purchase, and other valuable information pertaining to the purchase of products from a vendor. The report can serve as a tool for the SFA staff when forecasting the needs of the



district and documenting solicitation integrity. Upon request, the distributor can generate a velocity report for products purchased during a specific time period.

Where can I learn more?

- CDE OSN Procurement web page: <http://www.cde.state.co.us/nutrition/osnprocurement>