

Procurement: Contracts and Contract Limitations - CBG

Definitions

In this policy, the following definitions apply:

1. “Change order” means a written alteration in specifications, delivery point, rate of delivery, period of performance, price, quantity, or other provisions of a contract, upon mutual agreement of the parties to the contract.
2. “Construction” means services, including work, and supplies for the construction renovation, alteration, improvement or repair of a public facility on real property. ~~the process of building, renovating, altering, improving, or repairing a public building or public work.~~ It does not include the services and supplies for the routine day-to-day operation, ~~routine~~ repair, or ~~routine~~ maintenance of an existing public facility, structure, building, or real property.
3. “Construction manager/general contractor” means a contractor who enters into a contract for the management of a construction project when the contract allows the contractor to subcontract for additional labor and materials that are not included in the contractor’s cost proposal submitted at the time of the procurement of the contractor’s services. It does not include a contractor whose only subcontract work not included in the contractor’s cost proposal submitted as part of the procurement of the contractor’s services is to meet subcontracted portions of change orders approved within the scope of the project.
4. “Cost-plus-a-percentage-of-cost contract” means a contract under which where the contractor is paid a percentage of the total actual expenses or costs in addition to over and above the contractor’s actual expenses or costs.
5. “Cost-reimbursement contract” means a contract under which a contractor is reimbursed for costs, which are allowed and allocated in accordance with the contract terms and the provisions of the procurement policies and Utah Procurement Code, and a fee, if any.
6. “Definite quantity contract” means a fixed price contract that provides for the supply of a specified amount of ~~goods over~~ supplies over a specified period, with deliveries scheduled according to a specified schedule.
7. “Design-build” means the procurement of professional services and construction by the use of a single contract with the design-build provider.
8. “Design professional” means: (a) an individual licensed as an architect under Utah Code Title 58, Chapter 3a, Architects Licensing Act; or (b) an individual licensed as a professional engineer or professional land surveyor under Utah Code Title 58, Chapter 22, Professional Engineers and Professional Land Surveyors Licensing Act.
9. “Design professional services” means: (a) professional services within the scope of the practice of architecture as defined in Utah Code Section 58-22-102; or (c) master planning and programming services.
10. “Established catalogue price” means the price included in a catalogue, price list, schedule, or other form that: (a) is regularly maintained by a manufacturer or contractor; (b) is either published or otherwise available for inspection by customers; and (c) states prices at which sales are currently or were last made to a significant number of any category of buyers or buyers constituting the general buying public for the supplies or services involved.

Procurement: Contracts and Contract Limitations - CBG

11. "Fixed price contract" means a contract that provides a price, for each procurement item obtained under the contract, that is not subject to adjustment except to the extent that either (a) the contract provides, under circumstances specified in the contract, for an adjustment in price that is not based on cost to the contractor; or (b) an adjustment is required by law.
 12. "Fixed price contract with price adjustment" means a fixed price contract that provides for an upward or downward revision of price, precisely described in the contract, that: (a) is based on the consumer price index or another commercially acceptable index, source, or formula; and (b) is not based on a percentage of the cost to the contractor.
 13. "Indefinite quantity contract" means a fixed price contract that both (a) is for an indefinite amount of procurement items to be supplied as ordered by the District; and (b) either does not require a minimum purchase amount or provides a maximum purchase limit.
 12. "Labor hour contract" is a contract under which ~~where~~ the supplies and materials are not provided by, or through, the contractor and the contractor is paid a fixed rate that includes the cost of labor, overhead, and profit for a specified number of labor hours or days.
 13. "Multiple award contracts" means a procurement process resulting in the award of a contract to more than one bidder or offeror, which may be for an indefinite quantity of a procurement item.
 14. "Multiyear contract" means a contract that extends beyond a one-year period, including a contract that permits renewal of the contract, without competition, beyond the first year of the contract.
 15. "Requirements contract" means a contract: (a) under which ~~where~~ a contractor agrees to provide the District's entire requirements for certain procurement items at prices specified in the contract during the contract period; and (b) that either does not require a minimum purchase amount or provides a maximum purchase limit.
- Utah Code § 63G-6a-103 (2016)(2015)*
Utah Admin. Rules R33-12-301(1) (February 23, 2016)(January 2015)

Permissible and Impermissible Types of Contracts

Except as otherwise provided in this policy, and subject to any rules made by the Procurement Policy Board, the District may use any type of contract that will promote its best interests. However, before the District uses any type of contract other than a firm fixed price contract, the Procurement Officer must first make a written determination that:

1. The proposed contractor's accounting system will permit timely development of all necessary cost data in the form required by the specific contract type contemplated;
2. The proposed contractor's accounting system is adequate to allocate costs in accordance with generally accepted accounting principles; and
3. The use of a specified type of contract, other than a firm fixed price contract, is in the best interest of the District, taking into consideration the following criteria:
 - a. The type and complexity of the procurement item;

Procurement: Contracts and Contract Limitations - CBG

- b. The difficulty of estimating performance costs at the time the contract is entered into, due to factors that may include:
 - i. The difficulty of determining definitive specifications;
 - ii. The difficulty of determining the risks, to the contractor, that are inherent in the nature of the work to be performed; or
 - iii. The difficulty to clearly determine other factors necessary to enter into an accurate firm fixed price contract;
- c. The administrative costs to the District and the contractor;
- d. The degree to which the District is required to provide technical coordination during the performance of the contract;
- e. The impact that the choice of contract type may have upon the level of competition for award of the contract;
- f. The stability of material prices, commodity prices, and wage rates in the applicable market;
- g. The impact of the contract type on the level of urgency related to obtaining the procurement item;
- h. The impact of any applicable governmental regulation relating to the contract; and
- i. Other criteria that the Procurement Officer determines may relate to determining the contract type that is in the best interest of the District.

Subject to this policy and any rules made by the Procurement Policy Board, the District may use the following types of contracts:

- 1. A fixed price contract;
- 2. A fixed price contract with price adjustment;
- 3. A time and materials contract;
- 4. A labor hour contract;
- 5. A definite quantity contract;
- 6. An indefinite quantity contract;
- 7. A requirements contract;
- 8. A contract based on a rate table in accordance with industry standards; or
- 9. A contract that includes one of the following construction delivery methods:
 - a. design-build;
 - b. design-bid-build; or
 - c. construction manager/general contractor.

Except as it applies to a change order, the District may not enter into a cost-plus-percentage-of-cost contract, unless:

- 1. Use of a cost-plus-percentage-of-cost contract is approved by the Procurement Officer;
- 2. It is standard practice in the industry to obtain the procurement item through that type of contract; and
- 3. The percentage and the method of calculating costs in the contract are in accordance with industry standards.

Procurement: Contracts and Contract Limitations - CBG

The District may not enter into a cost-reimbursement contract, unless the Procurement Officer makes a written determination that: (1) either (a) a cost-reimbursement contract is likely to cost less than any other type of permitted contract; or (b) it is impracticable to obtain the procurement item under any other type of permitted contract; and (2) the proposed contractor's accounting system will both (a) timely develop the cost data in the form necessary for the District to timely and accurately make payments under the contract; and (b) allocate costs in accordance with generally accepted accounting principles.

Utah Code § 63G-6a-1205 (2014)

Determining Allowable Incurred Costs Under a Cost-Based Contract

Except as provided below, a person who seeks to be, or is, a party in a cost-based contract with the District shall submit cost or pricing data relating to determining the cost or pricing amount and shall certify that, to the best of the contractor's knowledge and belief, the cost or pricing data submitted is accurate and complete as of the date specified by the District. The Procurement Officer shall ensure that the specified date is before (a) the pricing of any contract awarded by a standard procurement process or pursuant to a sole source procurement, if the total contract price is expected to exceed an amount established by rule of the Procurement Policy Board made by the applicable rulemaking authority; or (b) the pricing of any change order that is expected to exceed an amount established by rule of the Procurement Policy Board.

A contract or change order that requires a cost or pricing data certification shall include a provision that the price to the District, including profit or fee, shall be adjusted to exclude any significant sums by which the District finds that the price was increased because the contractor provided cost or pricing data that was inaccurate, incomplete, or not current as of the date specified by the Procurement Officer.

A cost-reimbursement contract does not have to meet the cost or pricing data requirements above if:

1. The contract price is based on adequate price competition;
2. The contract price is based on established catalogue prices or market prices;
3. The contract price is set by law or rule; or
4. The procurement states, in writing that in accordance with Procurement Policy Board rules the requirements may be waived and sets forth the reasons for that waiver.

~~The Procurement Officer or audit entity under contract with the District may, at reasonable times and places, but only to the extent that the books and records relate to the applicable cost or pricing data, audit the books and records of either a person who has submitted cost or pricing data pursuant to this section; or a contractor or subcontractor under a contract or subcontract other than a firm fixed price contract. Unless a shorter time is provided for by contract, persons who submit cost or pricing data shall maintain the books and records relating to cost or pricing data for three years after the day on which the fiscal year in which final payment is made under the contract ends, contractors~~

Procurement: Contracts and Contract Limitations - CBG

~~shall maintain such records until three years after the day on which the fiscal year in which final payment under the prime contract ends; and subcontractors shall maintain such records for three years after the day on which the fiscal year in which final payment is made under the subcontract ends.~~

Utah Code § 63G-6a-1206 ~~(2016)~~(2014)

Price Adjustments

For contracts that expressly allow price adjustments, cost or pricing data shall be required in support of a proposal leading to the adjustment of any contract pricing. Such data does not need to be provided when the terms of the contract state established market indices, catalog prices or other benchmarks are used as the basis for contract price adjustments or when prices are set by law or rule. If a contractor submits a price adjustment higher than established market indices, catalog prices or other benchmarks established in the contract, the Procurement Officer or Board of Education or its designee may request additional cost or pricing data. The Procurement Officer or Board of Education or its designee may waive the requirement for cost or pricing data provided a written determination is made supporting the reasons for the waiver. A copy of the determination shall be kept in the contract file.

If defective cost or pricing data was used to adjust a contract price, the vendor and the District may enter into discussions to negotiate a settlement. If a settlement cannot be negotiated either party may seek relief through the courts.

Utah Admin. Rules R33-12-601 ~~(February 23, 2016)~~(January 28, 2015)

Utah Admin. Rules R33-12-602 ~~(February 23, 2016)~~(January 28, 2015)

Installment Payments and Contract Prepayments

The District may enter into a contract, which provides for installment payments, including interest charges, over a period of time, if the Procurement Officer makes a written finding that:

1. The use of installment payments is in District's interest;
2. Installment payments are not used as a method of avoiding budgetary constraints;
3. The District has obtained all budgetary approvals and other approvals required for making the installment payments;
4. All aspects of the installment payments required in the contract are in accordance with the requirements of law; and
5. For a contract awarded through an invitation for bids or a request for proposals, the invitation for bids or request for proposals indicates that installment payments are required or permitted.

The District may not pay for a procurement item before the procurement item is received by the District unless the Procurement Officer makes a written finding that it is necessary or beneficial for the District to pay for the procurement item before the procurement item is received. Such circumstances include (a) when it is customary in the industry to prepay for the procurement item, (b) if the District will

Procurement: Contracts and Contract Limitations - CBG

receive an identifiable benefit by prepaying, including reduced costs, additional procurement items, early delivery, better service, or better contract terms; or (c) such other circumstances as may be permitted by Procurement Policy Board rule.

A prepaid expenditure shall be supported by documentation indicating:

1. The amount of the prepayment;
2. The prepayment schedule;
3. The procurement items to which each prepayment relates;
4. The remedies for a contractor's noncompliance with requirements relating to the provision of the procurement items; and
5. All other terms and conditions relating to the payments and the procurement items.

The Procurement Officer or his or her designee may require a performance bond, of up to 100% of the prepayment amount, from the person to whom the prepayments are made.

Utah Code § 63G-6a-1208 (2013)

Leases of Personal Property

As used in this policy, "lease" means for the District to lease or lease-purchase a procurement item from a person. (This does not apply to the lease of real property.) The District may only lease a procurement item if each of the following requirements is met:

1. The Procurement Officer determines that it is in the best interest of the District to lease the procurement item, after he or she investigates and considers the costs and benefits of alternative means of obtaining the procurement item;
2. All conditions for renewal and costs of termination are included in the lease;
3. The lease is awarded through a standard procurement process or a valid exception described in Policy CBF;
4. For a standard procurement process, the invitation for bids, request for proposals, or request for quotes states that the District is seeking, or willing to consider, a lease (or a lease purchase);
5. The lease is not used to avoid competition; and
6. The lease complies with all other applicable provisions of law or rule.

Utah Code § 63G-6a-1209 (2013)

Utah Admin. Rules R33-12-403 (February 23, 2016) ~~(January 28, 2015)~~

Technology Modifications

Any contract subject to a modification for technological upgrades shall have a provision to that effect included in the solicitation. A maintenance or service agreement associated with the item under contract may be modified to include any new technology or technology upgrades. Any modification to a contract for upgraded technology must be specific to the item originally solicited and substantially within the scope of the original procurement or contract, and if both parties agree to the modification, then the contract may be modified. No contract may be extended beyond the term of the contract included in the solicitation except as provided in the Utah Procurement Code.

Procurement: Contracts and Contract Limitations - CBG

| Utah Admin. Rules R33-12-502 ~~(February 23, 2016)~~~~(January 28, 2015)~~

Multiyear Contracts

The District may enter into a multiyear contract if the Procurement Officer determines, in his or her discretion, that doing so is in the District's best interest and the other requirements of this section are satisfied. The Procurement Officer shall consider whether the multiyear contract will:

1. Result in significant savings to the District, including (a) reduction of the administrative burden in procuring, negotiating, or administering contracts, (b) continuity in operations of the District, or (c) the ability to obtain a volume or term discount;
2. Encourage participation by a person who might not otherwise be willing or able to compete for a shorter term contract; or
3. Provide an incentive for a bidder or offeror to improve productivity through capital investment or better technology.

The invitation for bids or request for proposals must (a) state the term of the contract, including all possible renewals of the contract, (b) state the conditions for renewal of the contract, and (c) includes the pertinent funding and renewal condition provision applicable to the contract.

Except as stated below with regard to contracts with federal funding and regardless of anything in an invitation for bids, request for proposals, or a contract, no multiyear contract may continue or be renewed for any year after the first year of the multiyear contract if adequate funds are not appropriated or otherwise available to continue or renew the contract.

A multiyear contract that is funded solely by federal funds may be continued or renewed for any year after the first year of the multiyear contract if:

1. Adequate funds to continue or renew the contract have not been, but are expected to be appropriated by, and received from, the federal government;
2. Continuation or renewal of the contract before the money is appropriated or received is permitted by the federal government; and
3. The contract states that it may be cancelled or suspended, without penalty, if the anticipated federal funds are not appropriated or received.

A multiyear contract that is funded in part by federal funds may be continued or renewed for any year after the first year of the multiyear contract if:

1. The portion of the contract that is to be funded by District funds are appropriated;
2. Adequate federal funds to continue or renew the contract have not been, but are expected to be, appropriated by, and received from, the federal government;
3. Continuation or renewal of the contract before the federal money is appropriated or received is permitted by the federal government; and
4. The contract states that it may be cancelled or suspended, without penalty, if the anticipated federal funds are not appropriated or received.

Procurement: Contracts and Contract Limitations - CBG

The District may not continue or renew a multiyear contract after the end of the multiyear contract term or the renewal periods described in the contract, unless the District engages in a new standard procurement process or complies with a valid exception to standard procurement.

A multiyear contract, including any renewal periods, may not exceed a period of five years, unless the Procurement Officer makes a written determination that the longer period is necessary in order to obtain the procurement item, or that a longer period is customary for industry standards, or that a longer period is in the best interest of the District. This written determination must be included in the file relating to the procurement. However, this limitation does not apply to a contract for the design or construction of a facility, a road, or a contract for the financing of equipment.

Utah Code § 63G-6a-1204 (2014)

Multiple Award Contracts

The District may enter into multiple award contracts with bidders or offerors as provided in this section. Multiple award contracts may be in the District's best interest if award to two or more bidders or offerors for similar procurement items is needed or desired for adequate delivery, service, availability, or product compatibility.

In entering into or seeking to enter into multiple award contracts, the District shall exercise care to protect and promote competition among bidders or offerors and shall name all eligible users of the multiple award contracts in the invitation for bids or request for proposals. If the District anticipates entering into multiple award contracts before issuing the invitation for bids or request for proposals, the invitation or request shall state that the District may enter into multiple award contracts at the end of the procurement process.

Once the District has entered into multiple award contracts, it shall obtain under those contracts all of its normal, recurring requirements for the procurement items that are the subject of the contracts until the contracts terminate. However, the District shall in the contracts reserve the right to obtain the procurement items separately from the contracts if either (a) there is a need to obtain a quantity of the procurement items that exceeds the amount specified in the contracts, or (b) the Procurement Officer makes a written finding that the procurement items available under the contract will not effectively or efficiently meet a nonrecurring special need of the District.

Utah Code § 63G-6a-1204.5 (2013)

Awarding Multiple Award Contracts

Multiple award contracts are appropriate when two or more bidders or offerors for similar procurement items are needed for coverage on a statewide, regional, combined statewide and regional basis, agency specific requirement, or other criteria specified in the solicitation such as (a) deliver, (b) service, (c) product availability, or (d) compatibility with existing equipment or infrastructure.

Procurement: Contracts and Contract Limitations - CBG

In addition to the information required in an invitation for bids or request for proposals, when it is anticipated that a procurement will result in multiple contract awards, the solicitation shall include a statement that:

1. Indicates that contracts may be awarded to more than one bidder or offeror;
2. Specifies whether contracts will be awarded on a statewide, regional, combined statewide and regional basis, or agency specific requirement; and
3. Describes specific methodology or a formula that will be used to determine the number of contract awards.

Multiple award contracts in an invitation for bids shall be conducted in accordance with the requirements for a bidding procurement process and awarded to the lowest responsive and responsible bidder(s) who meet the objective criteria described in the invitation for bids. The contracts may be awarded using the following methods:

1. Based on the lowest bids for all procurement items solicited provided the solicitation indicates that multiple contracts will be awarded to the lowest bidders for all procurement items being solicited as determined by the following methods:
 - a. All bids within a specified percentage, not to exceed five percent, of the lowest responsive and responsible bid, unless otherwise approved in writing by the Procurement Officer or Board of Education or its designee;
 - b. All responsive and responsible bidders will be awarded a contract, provided the contract specifically directs that orders must be placed first with low bidder unless the lowest bidder cannot provide the needed procurement item, then with the second lowest bidder unless the second lowest bidder cannot provide the needed procurement item, then with the third lowest bidder unless the third lowest bidder cannot provide the needed procurement item, and so on in order from the lowest responsive and responsible bidder to the highest responsive and responsible bidder; or
 - c. Other methodology described in the solicitation to award contracts;
2. Based on the lowest bid by category, provided:
 - a. The solicitation indicates that a contract will be awarded based on the lowest bid per category;
 - b. Only one bidder may be awarded a contract per category;
3. Based on the lowest bid by line item, provided:
 - a. The solicitation indicates that a contract will be awarded based on the lowest bid per line item, task or service;
 - b. Only one bidder may be awarded a contract per line item, task or service; or
4. Based on another specific objective methodology described in the solicitation, such as for primary and secondary contracts (as described below), approved by the Procurement Officer or Board of Education or its designee.

Multiple award contracts in a request for proposals shall be conducted and awarded in accordance with the requirements for a request for proposals procurement process and awarded in accordance with point thresholds and other methodology set forth

Procurement: Contracts and Contract Limitations - CBG

in the request for proposals describing how multiple award contracts will be awarded with enough specificity as to avoid the appearance of any favoritism affecting the decision of whether to award a multiple contract and who should receive a multiple award contract.

Utah Admin. Rules R33-12-301 ~~(February 23, 2016)~~ ~~(January 28, 2015)~~

Multiple Award Contracts for Unidentified Procurement Items

An “unidentified procurement item” is a procurement item that at the time the solicitation is issued:

1. Has not been specifically identified but will be identified at some time in the future, such as an approved vendor list or approved consultant list;
2. Does not have a clearly defined project or procurement specific scope of work; and
3. Does not have a clearly defined project or procurement specific budget.

Unidentified procurement items may be procured under the applicable approved vendor list thresholds.

A request for proposals, request for statements of qualifications, or multi stage solicitation issued for a multiple award contract for unidentified procurement item(s) must specify the methodology that the District will use to determine which vendor under the multiple award contract will be selected. The methodology must include a procedure to document that the District is obtaining best value, including an analysis of cost and other evaluation criteria outlined in the solicitation. The methodology must also ensure the fair and equitable treatment of each multiple award contract vendor, including using methods to select a vendor such as:

1. A rotation system, organized alphabetically, numerically, or randomly;
2. Assigning a potential vendor or contractor to a specified geographical area;
3. Classifying each potential vendor or contractor based on the potential vendor's or contractor's field or area of expertise; or
4. Obtaining quotes or bids from two or more vendors or contractors.

Utah Admin. Rules R33-12-301a ~~(February 23, 2016)~~ ~~(January 28, 2015)~~

Ordering from a Multiple Award Contract

When buying a procurement item from a multiple award contract solicited through an invitation for bids, the District shall follow the following methods, depending on how the contracts were awarded.

1. When the contracts were awarded to all bids within a specified percentage, the District will obtain a minimum of two quotes for the procurement item and place the order for the procurement item with the vendor or contractor with the lowest quoted price. (This requirement does not apply if there is only one bidder award for the particular procurement item or only one bidder is awarded per geographical area.)
2. When the contracts were awarded to all responsive and responsible bidders, the District will place the order for the procurement item with the lowest bidder on contract unless the lowest bidder cannot provide the needed procurement item,

Procurement: Contracts and Contract Limitations - CBG

- then the order may be placed with the second lowest bidder unless the second lowest bidder cannot provide the needed procurement item and on, in order, from lowest bidder to highest bidder.
3. When the contracts were awarded based on some other methodology, the District will place the order in accordance with instructions contained in the contract for the procurement item.
 4. When the contracts were awarded based on the lowest bidder by category, the District will place the order for the procurement item with the bidder awarded the contract for the applicable category.
 5. When the contracts were awarded based on the lowest bidder by line item, the District will place the order for the procurement item with the bidder awarded the contract for the applicable line item.

When buying a procurement item from a multiple award contract solicited through a request for proposals, the District may place orders with any vendor or contractor under contract based on which procurement item best meets the needs of the District. Contracts awarded through the request for proposals process are awarded based on best value as determined by cost and non-price criteria specified in the request for proposals. As a result, all vendors, contractors and procurement items under contract issued through a request for proposals have been determined to provide best value to the District buying from these contracts.

The District may not use a multiple award contract to steer purchases to a favored vendor or use any other means or methods that do not result in fair consideration being given to all vendors that have been awarded a contract under a multiple award.

Utah Admin. Rules R33-12-301b ~~(February 23, 2016)~~ ~~(January 28, 2015)~~

Primary and Secondary Contracts

Designations of multiple award contracts as primary and secondary may be made provided a statement to that effect is contained in the solicitation documents. When the Procurement Officer or Board of Education or its designee determines that the need for procurement items will exceed the capacity of any single primary contractor, secondary contracts may be awarded to additional contractors.

Purchases under primary and secondary contracts shall be made, initially to the primary contractor offering the lowest contract price until the primary contractor's capacity has been reached or the items are not available from the primary contractor, then to secondary contractors in progressive order from lowest price or availability to the next lowest price or availability, and so on.

Utah Admin. Rules R33-12-302 ~~(February 23, 2016)~~ ~~(January 28, 2015)~~

Contract Clauses

Required Contract Clauses

Procurement: Contracts and Contract Limitations - CBG

Contracts entered into by the District for construction of school buildings shall contain a clause addressing the rights of the parties, when, after the contract is executed, site conditions are discovered that the contractor did not and could not reasonably have known existed at execution and those conditions materially impact the cost of construction.

Utah Code § 53A-20-109 (2012)

Permissible Clauses

The District may include in any of its contracts terms that provide for (a) incentives, including bonuses, (b) payment of damages, including liquidated damages, and (c) penalties.

Utah Code § 63G-6a-1202 (2013)

Standard Terms and Conditions

The District may establish standard terms and conditions for contracts. Terms and conditions may be established for a category of procurement items, a specific procurement item, general use in all procurements, the special needs of the District, or the requirements of federal funding.

Utah Admin. Rules R33-12-201 (February 23, 2016)

Prohibited Contract Clauses for Design Professionals

A contract entered into by the District in a procurement may not require that a design professional indemnify another from liability claims that arise out of the design professional's services, unless the liability claim arises from the design professional's negligent act, wrongful act, error or omission, or other liability imposed by law. This limitation may not be waived by contract. However, a design professional may be required to indemnify a person for whom the design professional has direct or indirect control or responsibility.

Utah Code § 63G-6a-1203 (2015)