

# **City of Austin Procurement Process**

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# City of Austin Procurement Process

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# City of Austin Procurement Process\*

## 1. INTRODUCTION

This paper is to explain and present the “City of Austin Procurement Process” to Asian contractors and the related parties. The specific objective of this article is to encourage Asian contractors to respond and participate in the City of Austin (COA) Procurement Process.

In general, the procurement refers to purchasing and contracting process. Each buyer or agency has its own procurement process. Nevertheless, the procurement process for different agencies is often similar. The process consists of a sequence of events such as locating, purchasing, receiving, and payment for goods or services (Reference 1, Procurify). Effective procurement is to optimize each element of the sequence such that the cost of purchase is minimized, while the quality and specifications of the purchase are satisfied. In other words, the better managed procurement focuses on costs optimization, quality assurance, and risk management within its supply chain. The procurement process is different from a common purchasing that it has an overall plan to find the best value of purchase for the organization. Therefore, the procurement process can be defined as the strategic purchasing.

Some entities also have a minority program in their procurement process in order to promote the businesses of the minority vendors. As an example, the State of Texas has a HUB program which is to promote HUB’s participation in the state offices procurement process and to ensure them an equal opportunity to compete for state contracts. The state establishes annual goals of HUB participation for different categories of procurement. For the same token, the state Department of Transportation has a DBE program for its minority vendors. COA also recognizes DBE as a certified minority vendor.

In particular, COA has established an MBE/WBE program since 1987 for its procurement process. This program is managed by Small and Minority Business Resources Department (SMBR), and applies to all City departments. Thus, most of the City’s purchase projects pass through the office of SMBR. SMBR reviews if the associated procurement processes comply with the City’s procurement process. And whether there is MBE/WBE being included in the procurement process.

Following is the terminology to be used for describing the COA procurement process.

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\* This paper was prepared to satisfy the requirements for a contract between the City of Austin (COA) Small and Minority Business Resources Department (SMBR) and Asian Contractors and Engineers Association (ACEA). Nevertheless, COA is not responsible for the contents and quality of this paper. For questions regarding this paper, please contact ACEA at (512) 926-5400 or (512) 947-8838, Email: gchang555@yahoo.com

## **2. TERMINOLOGY USED IN THIS PAPER**

- (1) MBE: Minority Business Enterprise
- (2) WBE: Woman business Enterprise
- (3) DBE: Disadvantaged Business Enterprise
- (4) HUB: Historically Underutilized Business Enterprise
- (5) IFB: Invitation for bid on construction or goods
- (6) RFP: Request for proposal on service or goods
- (7) RFQ: Request for qualification on quality of vendors or offerors. It also applies to engineers that they can only submit a qualification instead of a bid or proposal.
- (8) Prime: Prime contractor
- (9) Sub: Subcontractor or sub consultant for a project
- (10) Certification: certification by an entity is necessary for vendors to be considered as minority or woman vendors

## **3. BIDDING PROCESS**

In this paper, a bidding process is defined as a competitive purchasing process. Generally, an agency requires that for any purchase of higher than a specific dollar amount, the competition taking offers from multiple sources should be conducted. A bidding process is normally classified as bids and proposals, which can be named as IFB and RFP processes. The term of bids is often used for all of those named processes.

## **4. THE IFB PROCESS**

An IFB process may be a major portion of the procurement. For vendors such as the construction services, the bidding process may consist of several components including registration as a vendor, search for bids, participation in a pre-bid conference, preparation of bid, response to bid as a prime or sub, bid selection by project owner, and negotiation of the bid price for a contract. A bidding process can be further described as listed below:

- (1) Notice of invitation for bids: The process starts when a need for goods or services arises within an organization. The organization or the project owner normally makes efforts to notify vendors using a database or vendor list. In addition, it is posted manually and digitally as a public notice under most conditions.
- (2) Specifications of the bid or request: An IFB provides a detailed specification concerning the project which describes and specifies the required service. The service requirements may include bonding, insurance, minority program compliance, experience of vendors, and others. Vendors could approach the project owner or manager to acquire additional information concerning the specifications.

(3) Pre-bid conference: The project owner will sponsor a pre-bid conference to disseminate information, and respond to questions or concerns about the projects. Vendors should take this opportunity to obtain sufficient information about the project.

(4) Preparation of bid or document: Vendors organize team, collect data, and prepare a detailed quote or document to respond to the bid. For bidding in construction, the vendors should review the construction plan and the associated report prepared by a contracted engineer for the project. Cost is estimated based on the plan and report reviews.

(5) Selection of Contractor: For an IFB, the selection of contractor depends on the bidding price, or the best value in some cases. In any case, the bid shall comply with the specifications of the requested services.

(6) Negotiation of contract: The selected vendor has to negotiate with the owner or organization concerning the price, scope, and terms of the project, and eventually enters a contract with the owner in order to begin the service. If the negotiation ever fails, the project owner may choose the next best-valued bidder to proceed.

## **5. The RFP AND RFQ PROCESSES**

The overall process of an RFP generally follows the IFB process. In many cases even for the construction service, the RFP may be used in place of an IFB. Particularly, RFP is used for the professional service project. The preparation and evaluation of a RFP, however, is more complicated than a simple bid. A selection committee is usually organized for the evaluation.

An RFQ is used when the project requires the quality of the vendor be evaluated. Also, if there is engineering component involved in the project, then the purchase is changed to RFQ.

## **6. ENGINEERING OR CONSTRUCTION PLAN**

The construction plan is prepared by the contracted engineer for a construction project. An engineering report is associated with the construction plan. This plan consists of various elements such as topography maps, site plans, building and structural plans, and MEP plans (mechanical, electrical, and plumbing plans), Vendors should be able to read and understand the details of this plan in order to:

- (1) conduct cost estimate for the project based on this plan,
- (2) maximize the value of cost and the quality of construction, and
- (3) perform construction tasks according to the plan,

## **7. MINORITY CERTIFICATION**

In the procurement process, an Asian or minority business may not be considered as an official minority vendor unless it is certified to be a minority business by a certification authority. The minority vendor can be a sub or prime in a bidding process. Some agencies require that one or more minority vendors be included in a selected bidding team. The requirements of minority certification are different among organizations.

## **8. PROCUREMENT INFORMATION AND RESOURCES**

As a certified minority vendor, it's important to obtain information and resources in order to participate in a bid:

- (1) A certified minority vendor should register itself in various agencies.
- (2) Registered vendor may receive or obtain online information such as procurement guide and specific project information.
- (3) There are also other info and resources such as training, networking events, and procurement work sessions.

## **9. RESPONSE AND PARTICIPATE IN A PROCUREMENT PROCESS**

A certified minority vendor should make efforts to bid on projects. These efforts can be described as follows:

- (1) Search for bids from various web sites. Bids consist of IFB, RFP, and RFQ.
- (2) Participate in pre-bid conference to obtain general project information.
- (3) Visit a "plan room" to read plans and reports of the targeted project.
- (4) Evaluate the project if it worth to bid or prepare a proposal.
- (5) Submit a bid and the required documents by the deadline.
- (6) Bid as a prime or as a sub upon the invitation or agreement with a prime.

## **10. CITY OF AUSTIN PROCUREMENT PROCESS**

COA procurement process (Reference 2, COA) emphasizes a competitive nature and the participation of minority vendors. The City Council has created an MBE/WBE program for minority to be participated in its procurement process. Currently, this program is managed by COA Small and Minority Business Resources Department (SMBR).

In general, the COA procurement is characterized by the following facts:

- The City Charter requires that for any purchase above \$5,000, competition taking offers from multiple sources shall be conducted.
- For purchase above \$5,000, the City's Financial Services Department (FSD) takes the responsibility for acquisitions. FSD plans and execute the COA procurement process.

- The FSD is solely responsible for the City's purchase of construction and other services. In this connection, it's convenient for the city to have an overall plan to optimize its procurement processes (Reference 3, Kissflow).
- COA encourages minority vendors to participate in its procurement process. The minority vendors should apply for and be certified as MBE/WBE's so they can be considered as the certified or official minorities (Reference 4, COA).
- SMBR manages the City's minority certification and compliance programs. The compliance program monitors the participations of MBE/WBE in the City of Austin procurement process.

The COA procurement process begins with its departments' purchasing requests. Each department may purchase up to \$5,000, subject to the competitive bids. Above \$5,000, the central purchasing or FSD takes the responsibility. For purchase between \$5,000 and \$50,000, it's defined as the informal competitive procurement. The City's solicitation describes when and where that offers will be received. Award documents are normally placed by Financial Services on Financial Online after solicitation documents and offers are reviewed. For purchase over \$50,000, it's defined as formal competitive procurement. Formal solicitations are reviewed in sealed envelopes. Award documents are also placed in Financial Online.

Procurement at the City can be classified as bid (IFB) and proposal (RFP). Bid is awarded on the basis of the price offered by the lowest responsible and responsive bidder. Information about the price offered is a public record when the bid is received and opened. Proposal is awarded on the basis of the best value to the City. Normally an evaluation committee is organized for the selection of the best proposal. Contents of a proposal is not a public record until a contract is awarded. If contents of a proposal is marked as proprietary and confidential, that content is referred to the Texas Attorney General for a determination of release to the public.

The COA procurement process is subject to special considerations such as anti-collusion, anti-lobbying, offer confidentiality, and no conflict of interest being associated with the offeror. Those considerations warrant the procurement process being competitive that it complies with the City Charter and the system of its rules.

When a service project is awarded, a negotiation concerning the price and work scope shall take place. Eventually a contract is established. In most cases, the contract is passed to SMBR for further review. SMBR reviews whether the project satisfies the "minority vendors" requirement, i.e., whether the MBE/WBE is adequately included in the project.

## **11. CONCLUSION**

Procurement is the process of purchasing goods or services for the operation of an entity or organization. The procurement processes may be different for various organizations.

Nevertheless, the nature of the procurement process should comply with the applicable law or rule system of the organization. The process should also be optimal that it satisfies the specification of the purchase while the purchase price is minimized.

In general, the City of Austin procurement process consists of the following steps. Purchase orders from specific COA departments with specifications are sent to the central purchasing or Financial Services Department (FSD). FSD has a Financial Online, which posts solicitations to initiate a bidding process. Then a pre-bid or pre-proposal conference is held for vendors.

The vendors have to register with the Financial Online in order to participate in a bidding process. The bidding process is classified into bids (IFB) and proposals (RFP). Bid is awarded on the basis of the price offered by the lowest responsible and responsive bidder. Proposal, however, is given on the basis of the best value to the City. Normally an evaluation committee is organized for the selection of the best proposal. For large projects, the approval by the City Council may be necessary. For an engineering project, the request for quality (RFQ) is issued. The response is normally a description of the engineering firm which emphasizes the quality of this firm.

COA procurement also encourages the participation of the minority vendors in the projects. SMBR manages the minority certification and project compliance programs. Awarded projects are normally sent to SMBR for review. SMBR reviews whether the MBE/WBE's are adequately included in the City's projects.

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