

CITY COUNCIL REPORT
PUBLIC

DATE: November 7, 2017

TO: Mayor and Councilmembers

FROM: Rick Compau, Purchasing Director

CC: Josh Copley, Barbara Goodrich, Shane Dille, Caleb Blaschke,
Leadership Team

SUBJECT: Purchases Utilizing an Invitation for Bids and the Required Process
in Determining the Lowest Bid

This report provides requested information regarding City purchases utilizing an Invitation for Bids and the required process used to determine the lowest bid.

DISCUSSION

A. Invitation for Bids Solicitation

Invitation for Bids (IFB) is a formally advertised invitation to Vendors to submit a bid, otherwise known as an offer, on a product to be provided. An IFB solicitation must indicate a specific date and time that all bids are due. Any late bid submittals are not accepted and therefore, cannot be evaluated. An IFB process is focused on pricing and not on ideas, concepts, or proposals where experience, qualifications and presented approach or other evaluation criteria are evaluated and scored.

Vendors must submit their bid electronically using the PlanetBids website, which is a web based electronic bidding site utilized by the City and many other public sector agencies. Once a Vendor submits their bid, the bid is electronically date and time stamped to document timely or untimely bid submittals.

All bids must be submitted by the due date and time, at which time the bids are opened and can be viewed by anyone who logs into the PlanetBids website.

B. Process Used in Determining the Lowest Bid

When conducting an IFB solicitation, Arizona State Procurement Rules require that a contract be awarded to the lowest responsive and responsible Bidder, whose bid conforms to all requirements outlined in the IFB document and will be advantageous to the agency conducting the IFB in terms of price, and price related factors included in the IFB document.

When evaluating bids that are submitted by the due date and time, the Vendor who submits the lowest bid is evaluated first by the Purchasing Agent who conducts a due diligence process to see if the Vendor is both responsive and responsible.

Responsive: means a Vendor who submits a bid, which conforms in all material respects to the Invitation for Bids (e.g., all specifications, bid requirements, etc.)

Responsible: means a Vendor who has the capability, skills and experience to perform the contract requirements and the integrity and reliability which will assure good faith performance.

If the lowest bidding Vendor is deemed to be both responsive and responsible, Arizona State Procurement Rules require that we award the contract to that Vendor. If the lowest bidding Vendor is deemed to be either non-responsive or non-responsible, the Purchasing Agent then looks to the second lowest bidding Vendor and follows the same due diligence process to determine if that Vendor is both responsive and responsible. Ultimately, the contract must be awarded to the lowest responsive and responsible Bidder.

All Vendors submitting a bid must include all applicable Transaction Privilege Tax (TPT) in their bid. The total applicable TPT paid to local Flagstaff Vendors is 8.951%, of which 2.051% is the Flagstaff City tax rate and 6.9% is the State and County tax rate.

After total TPT taxes of 8.951% are paid by a local Flagstaff Vendor to the Arizona Department of Revenue (ADOR), the 2.051% Flagstaff City tax rate is remitted back to the City.

That being said, when evaluating bid responses submitted by both local and non-local Vendors, 2.051% of the total Flagstaff TPT of 8.951% is subtracted from the local Vendor(s) bid, because this 2.051% is remitted back to the City by ADOR and is no longer considered a cost to the City when conducting bid comparisons.

Here is an illustrative example for the purchase of a vehicle:

<u>Vendor</u>	<u>Bid Amount</u>
Non-local Vendor	\$25,000 (Includes non-local applicable sales tax)
Local Vendor	\$25,450 (Includes Flagstaff sales tax)

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Local Vendor: means any individual or company, with a valid business license, issued by the City of Flagstaff and a business location within the City limits of Flagstaff, for a period of six months.

Given the bid results in this example, the non-local Vendor appears to be the lowest Bidder. However, since there is a local Vendor who submitted a bid, we would take into consideration the 2.051% Flagstaff City sales tax that comes back to the City and subtract out the 2.051% from the local Vendor's bid as follows:

<u>Vendor</u>	<u>Bid Amount</u>
Non-local Vendor	\$25,000 (Includes non-local applicable sales tax)
Local Vendor	\$25,450 (Includes \$624 of Flagstaff sales tax that is remitted back to the City) \$25,450 - \$624= \$24,826

After subtracting out the 2.051%, the local Vendor becomes the lowest Bidder. Historically, it is rare that a local Vendor's bid becomes the lowest bid after subtracting out the 2.051% sales tax. But nevertheless, the calculations are still conducted and evaluated.

This City Council Report is for information only.