

COOPERATIVE PURCHASING

A. COOPERATIVE PURCHASING IN GENERAL

Cooperative Purchasing - Cooperative purchasing is one of the ways that local governments can save time and money in their purchasing programs. It occurs when two or more entities (state, federal or local governments) coordinate some or all of their purchasing needs so that they can join in purchases to the mutual benefit of all the entities concerned. There are any number of levels of cooperative purchasing, from very occasional minor cooperation in a purchase, to a level where all purchases are done through the cooperation of two or more governments. There are also several types of cooperative purchases, ranging from one government "riding" on the contract of another government to splitting the purchasing duties equally.

Enabling Authority - In Texas, cooperative purchasing is addressed in two main statutes:

- *VTCA Government Code Chapter 791 - Interlocal Cooperation Act* allows local governments to contract with and between each other, to provide governmental functions and services, and to join together in contracting with others to provide goods and services.
- *Local Government Code Chapter 271, Subchapter D, § § 271.081-271.083 - State Cooperation in Local Purchasing Programs* allows a local government to purchase goods on the state's purchasing contracts, and allows the state to solicit bids on the local government's behalf, when considered feasible by the General Services Commission. The Commission is also required to provide information and technical assistance to local governments about the purchasing program.

Benefits - Local governments will benefit in many ways, including developing contacts with other local government officials, and developing the habit of cooperating with other entities. Some fo the most common benefits are:

1. Lower costs through increased volume. By combining orders, the quantities purchased will increase, resulting in the purchaser earning greater quantity discounts.
2. Lower (shared) administrative costs. By eliminating duplicated effort, everyone should save on time and costs.
3. Improved response from vendors. Vendors should realize that they are bidding on a larger order and will be encouraged to compete for the purchase. Vendors from the entire area should be attracted, rather than from just one locality. Greater competition should lead to lower bids.
4. Shared experience leading to better product specifications. Combining the knowledge of all members of the cooperative effort should result in developing a much better specification for goods and services purchased. It will usually turn out that an acceptable specification will already exist between the parties.
5. Better compliance with state statutes on purchasing. Since most purchases will be subject to competitive bids, they will be in compliance with the statutes on bidding. There should also be a heightened awareness of legal requirements.

Other Considerations - There are some other aspects of cooperative purchasing which are not as beneficial, although in most cases, the benefits far outweigh the drawbacks. But you should consider all aspects of any problem before making a decision. The other considerations fall into two general categories: legal considerations and practical considerations.

Types of Cooperative Purchasing

Piggy-Backing: In piggy-backing, one government purchases for themselves and for others as to a convenience to the others. Both governments should protect themselves by establishing an agreement in writing, even when the arrangement is informal. The agreement should specify the duties and responsibilities of each party.

Joint Purchases: Two or more governments join to purchase one or more goods or services jointly in joint purchases. This may involve each government handling part of the administrative chores or agreeing to have one of the governments handling the transactions under the guidance of the others. If the arrangement is long-term, rotate the roles periodically to share equally the purchasing duties. All parties to a purchase must agree to the specifications, so that a mutually satisfactory good or service is ordered.

Buying from State Contracts: Under the provisions of Local Government Code Sections 271-081 – 271.083, the Building and Procurement Commission has established a cooperative purchasing program. This is a form of piggybacking. Under this program, and after complying with certain requirements, a local government may participate in all automated state contracts. The Catalogue Purchasing Procedure for information systems as permitted by V.T.C.A., Government Code, Title 10, 2157.067, is also available through the program.

Purchasing Through a Third Party: When purchasing through a third party, several local governments agree to allow an independent agency to do all or part of the purchasing for them. An agency may do this if formed especially for the purpose or through an established council of governments. A contract that details the duties and responsibilities for both the agency and the local governments involved should implement this type of agreement. It may include a continuing agreement or be for a single purchase.

B. COOPERATIVE WITH STATE: **TEXAS COMPTROLLER OF PUBLIC ACCOUNTS (TCPA)** **TEXAS PROCUREMENT AND SUPPORT SERVICES (TPASS)**

When the Texas Procurement and Support Services (TPASS) receives your local government's resolution and participation fee, they return a complete contract catalog on microfiche and a small supply of order forms, together with specific ordering instructions. The Local Government Code (271.081 – 271.083) provides for purchasing by local government code through state contracts.

There is also the *Catalogue Purchasing Procedure* for information systems for processing technology communications and computer systems. In addition, all statutory bidding requirements are satisfied when purchases are made through state contracts.

Receiving the Order

When the vendor receives the purchase order, the government assumes the liability to ensure compliance with the terms of the contract. It must ensure that:

- The government makes the payment directly to the vendor. The *SmartBuy System* only places the order.
- The delivery and quality of the order is according to the contract. The government must do its own inspection of the contents of a delivery and the timelines of the delivery.

If the Order is Rejected

If the entire requisition is rejected, it will be returned with a reject report describing the reason for the reject and will state, "Please correct and resubmit requisition." Make corrections and return to *SmartBuy* using the same requisition number.

C. INTERLOCAL AGREEMENT

The Texas Interlocal Cooperation Act

In 1971, the Texas Legislature passed the Interlocal Cooperation Act to promote cooperative activities among local governments in Texas. The following excerpt from the act states that "*...The Interlocal Cooperation Act's purpose is to improve the efficiency and effectiveness of local governments by authorizing the fullest possible range of intergovernmental contracting authority at the local level, including contracts between all political subdivisions of the state and agencies of the state. (i.e. counties, cities, towns, villages, school and special districts)*

Using the Interlocal Agreement

The Interlocal Agreement (**ILA**) provides the legal documentation required for units of government to cooperatively enter into joint activities. Under the Interlocal Cooperation Act of 1971, the H-GAC Cooperative Purchasing Program was established to assist local governments in procuring specific products at a savings of labor, time and money.

The **ILA** Document offered by **H-GAC** provides for automatic annual renewal unless cancelled by either party. It is limited to purchases specifically designated by the requesting party through its purchase orders.

The executing party, called "**End User**", is required to act upon the agreement in a publicized, public meeting. The two originals are then signed by the End User's chief elected official and thereafter by H-GAC.

H-GAC assigns a permanent **ILA** number to the documents. This number should be referenced on all *purchase orders*, and in communications issued by the requesting **End User** to **H-GAC**.

Contract Awards by H-GAC Board

All contracts are awarded by the **H-GAC** Board of 32 elected officials after having been subjected to competitive bids/proposals.

Steps to Purchasing Through H-GAC

- STEP 1:** Obtain two (2) original copies of the "**Inter-local Contract/ Agreement**" (ILA) Form; act on the agreement in an advertised public meeting.
- STEP 2:** Return both signed **ILA** originals to H-GAC. *One original will be returned to End User with permanent ILA number affixed.*
NOTE: Steps 1 & 2 are executed only once, not for each purchase.
- STEP 3:** Request details and specification information for products desired. *H-GAC will provide information and name of the nearest product rep.*
- STEP 4:** Prepare and submit End User **Purchase Order(s)** to H-GAC after consultation with relevant product representative(s).
- STEP 5:** End User **Purchase Order** should include the H-GAC Administrative Fee based on Fee Schedule for the specific product(s).
- STEP 6:** End User will receive **Invoice(s)** for purchase from H-GAC, **not** from the manufacturer/ vendor. End User will also receive an "**End User Receipt of Article**" Form for completion and return.
- STEP 7:** End User remits payment and completed "**End User Receipt of Article**" Form to H-GAC before payment is remitted by H-GAC to the manufacturer/vendor.

Administrative Fee Schedules

The H-GAC Administrative Fee Schedules vary from 0.15% to 3.0% based on product type and quantity. The schedules are available upon request by calling **713-993-4544** or **800-926-0234**.

ADDITIONAL COUNTY PARTICIPATING INTERLOCAL COOP PURCHASING AGREEMENTS

Region 1

Child Nutrition Program – South Texas Coop

Member participation in: Food, Janitorial Supplies, Paper Products, as Interlocal Cooperative Purchasing Agreement.

Region 4

Texas Cooperative Purchasing Network - Education Service Center

Region 8

Texas Interlocal Purchasing System

Buy Board

Texas Association of School Boards

Members participation in: Supplies, services, and equipment purchases.

Per- GC 791

TXMAS

Texas Multiple Award Schedule

Federal Supply Schedule (GSA contracts participation)

Per – GC 2155.084

Texas Correctional Industries

Prison Made Goods: Furniture, clothing, fencing, park equipment, janitorial supplies

Per – GC 497 B

TIBH

Texas Industries for the Blind & Handicapped

Clothing, furniture, janitorial, litter pick-up, grounds maintenance

Per – HRC 122

T-DIR

Teaxs Dept. of Information Resources

I.T. Equipment, Supplies, and Services