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Almost anyone who understands or comprehends the contract rules for the City of Houston can do business with the city. Before signing a contract, both parties must agree on the terms of the contract. The Legal Dictionary (2008) defines contract as, "An agreement with specific terms between two or more persons or entities in which there is a promise to do something in return for a valuable benefit known as consideration." The definition of the word 'contract' has different meaning for different people; therefore the parties agree in principle on the objective of the contract.

In the Capital Projects Section, we are responsible for two types of contracts; service and rehabilitation contracts. From the time a contract is announced, a contract is process by many different city entities.

After a need is identified, advertisement is the next step to fulfill the need. The City of Houston wants to ensure that everyone has a chance to apply for the opportunity to bid for a particular contract. Each Friday, bid advertisements appear in the "Notice to Bidder" section of the Houston Business Journal. Some bid advertisements may be found in the Sunday edition of the Houston Chronicle. Bids are publicly posted according to the State Statute and Charter provision. Bids and Requests for Proposals are available on the Internet. In addition, the City posts "Notice to Bidder" in City Hall and the City Hall annex.

A potential company that wants to do business with the City of Houston should purchase the bid-book. The cost of the bid-book is \$50. The bid-book explains the policies and procedures for the City of Houston. For instance, all companies must have valid insurance and a standard number of crews, which is two crews per work order and each crew must have at least six workers. For example, if a company bid without having valid insurance, even if the company is selected, the company would not qualify to be awarded the contract, due to failure to comply with the city guidelines. The next company on the list would be awarded the bid. The bid book

is a guideline of policies and procedures that a company must adhere to in order to do business with the City of Houston.

Before bidding, bidders go to a Pre-Bid or Pre-Proposal Conference. In the meeting bidders are given more details about the contract. The bidders have the right to ask questions about specification and general terms and conditions. Also, bidders are informed about any changes to the project by the City's Public Works and Engineering Department (PW&E) in this meeting.

All formal Bids and Proposals must be submitted by the specified due date and time, in duplicate, to the City Secretary's Office, City Hall Annex, Public Level at 900 Bagby. The package can be delivered in person or sent by mail, along with a security deposit which is 10 percent of the bid amount in a sealed envelope. The only exception to this rule is reverse auctions. These solicitations are conducted online and no paper bids will be accepted. Reverse auction bidding events are administered and supported by the Texas Procurement Center. It is extremely important to check out the bid due date and time specified in each bid or proposal package. The City Secretary will not accept late bids. Bids are opened and read publicly by the Office of City Secretary each Thursday commencing at 11:00 a.m., unless specified otherwise. This is a public meeting held at 900 Bagby and anyone may attend. The bids are then delivered to a neutral third party, who verify and evaluates the packages to ensure comply. The City Council can ignore the lowest bid if the bidder has a history of failure to comply with the contract.

A minimum of three bids must be submitted prior to a decision being given by the third party. The City Council takes the lowest bid out of the top three, and scrutinizes the company. One of the three things that the City Council goes through is affirmative action and Minority/Women/Disadvantaged Business Enterprise (MWDBE) goal. Affirmative action,

which is fully explained in the bid-book, means that all contractors should give some of the work to small companies. For instance, if affirmative action is 22 percent, then the contractor must subcontract with other small company or companies. The MWDBE goal is set by the third party, who has a responsibility to pick the goal amount and the subcontractors. The MWDBE is required if the contract amount is equal or greater than \$1 Million. Therefore when a company submits bid package it is assumed that the company has accept the affirmative action and MWDBE goal. The affirmative action and MWDBE goal is to support small companies and allows the company to flourish. The Affirmative Action Department is responsible for tracking the progress of the project ensuring the contractor achieved the goal.

After the lowest bid is chosen by the third party, it is forwarded to the Mayor's Office for approval by the Mayor. The city controller also is required to sign the bid. The Legal Department approves and the bid is now called a contract.

Now that the contract is properly approved and signed, it is forwarded to the City of Houston PW&E - Engineering and Construction Division. The Engineering Branch goes through the contract and prepares any necessary chart or drawing before sending it to the Construction Branch. The Construction Branch is responsible to notify the contractor that the contract is completed and the job is ready to get started. The contractor can be informed either by phone or mail for pre-construction meeting.

Once the contractor receives the notice to proceed, the project can begin. The pre-construction meeting is a conference that the contractor, the inspector, the engineering department, and the CIP department are present. At the beginning of the pre-construction meeting a list of guidelines will be issued and discussed with the contractor. The contractor is then given time to ask questions. These question are to be answered by inspector and the CIP account department, the inspector, the project manager, and the CIP department introduce

themselves to the contractor. The CIP account department informs the contractor that we are the one doing the monthly estimates, and daily reports. In the pre-construction meeting everybody receives a package including the RCA (request council action), Bid tab (break down the payments of the contract), Ordinance (shows when the time council passed the adapted), notice to proceed (the start and the end date of the contract), preconstruction package (summary of all the rules), and the signing sheet (who attended at the meeting).

Each contract has a period of time that the job must be completed by a certain date, which is called the Substantial completion date. This information is given to the contractor. The project is considered a finished job when the city believes that it can be used, or start to be used, for the purposes it was intended. For example, the city wants the contractor to install water line underground. The Substantial Completion Certificate can be given to the project if the city is able to flow water, but if there is some finished up works such as doing side walkers, or replacing trees that have not been done yet, these steps have to be fulfilled before the project is deemed completed. After the job is done it would be sent to the City Council for approval of acceptance of work.

Sometimes due to unforeseen circumstances, such as a nature or illness; a contractor may not be able to finish a project by the due date; an extension must be approved by the City Council requesting a change order. A change order is a document modifying information concerning goods and/or service, price, and/or quantities in an existing contract. If the total amount of the contract is increased by the change order, the change order may require approval by a different authority than that used to approve the contract and/or previous change orders. The total of all change orders cannot exceed 25% of the original contract amount. PW&E reviews the estimated project days and add the change order/s to the actual days the job was

performed. Any number comes up in comparison is the difference between the actual days of project and estimated day.

When a contract starts, daily reports are submitted to the accounting section. The accounting section does estimates for each month and track retainage. Retainage is the amount of money that the city holds for guarantee that the contractor finish the job. At the completion of the finish project the outstanding balance will be paid to the contractor.

The project department sends the contract's work orders to contractor after the contract begins. The work order shows the contractor what jobs should be done during a specific time period. The contractor reviews the work order and sends it to an inspector to inspect the job. After the inspection, the contract is sent back to the project manager, who sends it to the Capital Improvement Project (CIP) Division to process pay for the contractor.

From the contracts the city issues, the CIP, is responsible for water and waste water rehabilitation and service contracts, and I as an intern student help my group (CIP) to do the monthly estimates and daily reports. Estimates are the estimation to pay the contractor. It shows how much we hold for the retainage which is started from 5% to 1% of the original amount of the contract, and how much we should pay the contractor for next month. The estimates create based on our daily reports. The daily reports show that at what days of the month the job was done, and at what days the job was closed. All daily reports must be come in our department by third of each month and we have until 9th of the month to create our estimates and send it to project engineering department to sign. And then we received them back and must to send them to project accounting department by the 16th of the month in order to pay the contractor.

After receiving the work orders, the sections reviews and verify all the numbers. A monthly estimate is created based on the work orders submitted. The estimates are then routed back to the project manager, who checks the estimates and ensures that the proper signatures are

on the paperwork. Every work order and estimate should have the project manger, inspector, and the contractor's signature. Then the project manager forwards the estimate back to the CIP section for payment.

When the final paperwork is submitted, the paperwork is forward to Pamela Gardner attention in the Accounts Payable Section. She processes the paperwork and a check is mailed out within 10 days. However, if the amount exceeds her authority, the paperwork is then forwarded to the control office for the final approval.

Based on the information above, you now have a working knowledge on how contracts are created to the final step of payment. Getting a copy of the Bid-Book will eliminate many stumbling blocks in one's request to do business with the City of Houston.

References

City of Houston: Retrieved October 27, 2008 from <http://houstontx.gov>

Moody, L. Public Works and Engineering: Capital Project - Accountant Supervisor

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