

## GUIDELINES FOR ANSWERING THE QUESTION - DO I NEED A CONTRACT?

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**Protection of the City's interests is of utmost importance when considering contracting with vendors, suppliers, consultants, and contractors.**

**This document is to help City employees decide:**

1. What a contract is
2. When a contract is necessary
3. When a contract is not necessary
4. When a contract amendment necessary
5. Who will prepare the contract
6. What is required from the requestor in order to prepare a contract document

### **1. What is a contract?**

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A contract is a legally binding agreement with specific terms between two or more persons or parties usually exchanging goods or services for money or other consideration.

### **2. When is a contract necessary?**

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When conducting business for the City with outside suppliers it may be necessary to enter into a contract with a supplier for their goods and/or services. The following checklist should be used to determine if a formal contract will be required. (If the answer is yes to any of these questions, a contract is likely needed.)

- For services; will the supplier be providing services (sometimes called work) for the City that requires a description or list of tasks (called a scope statement) and a schedule for performance of the tasks?
- For goods; does the item(s) being purchased require installation on City property?
- For goods; does the item(s) being purchased require scheduled maintenance or a service arrangement?
- Is the expenditure for software licensing or software support?
- Will goods or services be purchased over a period of time where an indefinite quantity is desired?
- Does the expenditure include a lease of land, building, tower space, equipment, vehicles, etc.?
- Will the City be selling its services to a non-city entity?
- Will City property be used, rented, leased, surveyed, or otherwise utilized by a non-city entity?

### **3. When is a contract not necessary?**

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- If the expenditure is for one-time purchase of goods that are from a vendor's stock items that includes a specific pick up or delivery date.
- If the expenditure is for services or repairs of City vehicles or equipment **not** on City property. Examples are non-scheduled vehicle service or repairs, unscheduled equipment service or repairs, etc. which will require a written quote with a description of the service to be completed.

Note: If you have any questions whether you need a contract or not, call Purchasing Services Division at x5022 or call Contracts Division at x5907.

### **4. When is a contract amendment necessary?**

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A contract amendment is required if there are changes that:

- Add work or services
- Delete work or services
- Require work or services clarified
- Alter the original terms such as extensions, renewals, cost, price, etc.

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### 5. Who will prepare the contract or contract amendment?

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- Purchasing Services Division (PSD)  
PSD will prepare contracts and contract amendments where a Request for Bid (RFB) or Request for Proposal (RFP) has been prepared by Purchasing Services Division.
- Contracts Division  
Contracts Division will prepare contracts and contract amendments that have not been competitively solicited through PSD. The Contract Request Form (CRF) must be filled out for Professional Service Agreements and other contracts not prepared by Purchasing Services Division. Send the completed CRF to the Contracts Manager to prepare the contract. The CRF is at:  
[http://cratwork/employee\\_resources/purchasing/contracts\\_test.php](http://cratwork/employee_resources/purchasing/contracts_test.php)
- Engineering and Utilities Divisions  
These divisions will prepare construction contracts for Capital Improvement Projects.

Note: Using a vendor-prepared contract is not acceptable. Requests for exceptions to this policy must be brought to the City Contracts Manager.

### 6. What is required from the requestor in order to prepare a contract document?

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Some or all of the following items will be required from the requestor before a contract can be prepared:

- A. Contact Information  
Supplier name and contact information including company name, supplier contact name, phone, address, email, etc. must be provided.
- B. Scope of Services  
A scope of services (sometimes referred to as a scope of work) that sets forth requirements for performance to achieve project objectives. The scope of services must be unambiguous and complete. A scope of services describes the services and detailed tasks to be performed. An effective scope will answer the questions of who, what, when, where, and how the services will be accomplished.
- C. Fee schedule - Services  
Fee information must be included in a contract. This will include the total fee for a firm-fixed price contract or hourly rates for specific types of jobs and job classifications for time-and-materials type contracts along with the not-to-exceed contract amount.
- D. Cost Schedule - Goods  
When purchasing goods only, cost information must be included in a contract. Unit costs for materials purchased over time for an indefinite quantity, etc.
- E. Schedule  
Schedule performance of the supplier is a primary element of contract default and must be accurately documented in the contract.
- F. City's Responsibilities  
It is frequently the case that the City has certain tasks to perform in order for the supplier to accomplish the tasks of a contract. These must be identified and documented in the contract.
- G. Specifications  
If the item or items being purchased require certain specifications, dimensions, performance parameters, these must be included in the contract.
- H. Other  
Any special or unique requirements must be identified and documented in the contract.