



PROCUREMENT MANUAL

EFFECTIVE DATE: DECEMBER 6, 2024

1. INTRODUCTION

Houston First Corporation (“HFC”) has developed this Procurement Manual (“Manual”) to support and promote best practices in the acquisition of goods and services. HFC seeks to obtain the best value that results from an open and impartial process, while considering qualifications and competence, and in furtherance of the goals of non-discrimination and diversity participation.

This Manual, made effective as of the date set forth above, supersedes and replaces all previous editions. In the event of a conflict or inconsistency between this Manual and applicable law, the requirements of applicable law shall control and prevail.

Nothing in this Manual creates, gives or recognizes a property interest or right of any kind for the Vendor prior to the award of a contract. Compliance with all statutory and legal requirements is required of all Vendors.

2. DEFINITIONS

As used in this Manual, the following terms have the meanings indicated, unless the context otherwise requires:

“Board of Directors” means the Board of Directors of HFC.

“Board Chair” means the Chair of the Board of Directors.

“Director” means a voting or non-voting member of the Board of Directors, including the Board Chair.

“Disaster Protocol” as referenced in the Lease Agreement between the City of Houston and HFC and amendments thereto, means the policies and guidelines established for HFC’s procurement, selection of contractors, contracts and contract administration related to City of Houston owned properties managed by HFC for repairs, renovations or replacements damaged or destroyed, in whole or in part, resulting from the occurrence of a federally-declared disaster emergency event.

“Diversity Program” means the program implemented by HFC to promote the growth and development of small, minority and women-owned business enterprises and historically-underutilized businesses by providing opportunities to participate in its procurement and service contracts.

“Evaluation Committee” means the individuals selected by the President & CEO or the Office of the General Counsel to assist HFC in reviewing responses to a Solicitation in accordance with this Manual.

“Invitation to Bid” or **“ITB”** means the Solicitation for a competitive bid being offered by HFC.

“President & CEO” means the highest-ranking executive officer responsible for managing day-to-day operations and providing strategic leadership for the company by working with the Board and other management to establish long-range goals, strategies, plans and policies.

“Request for Proposals” or “RFP” means any document(s), whether attached or incorporated by reference, used for soliciting proposals by the competitive sealed proposal procurement method.

“Request for Qualifications” or “RFQ” is the competitive sealed procurement method that requests details about the qualifications of a professional whose services must be obtained in compliance with the Professional Services Procurement Act and for other professionals if HFC chooses to use the RFQ process.

“Solicitation” refers to any formal procurement request prepared and issued by HFC that is reasonably anticipated by HFC to result in a contract for goods and/or services in excess of \$50,000.

“Substantial Interest” is as defined in Section 3.5 A of this Manual.

“Vendor” means a person or entity that has entered into a contract with HFC, or a person or entity that seeks to enter into a contract with HFC, by submitting a bid, proposal, or response to HFC.

3. PROCUREMENT STANDARDS

3.1 Commitment to Transparency and Integrity

HFC seeks to ensure that all of its Solicitations foster full and transparent competition, seek quality and best value and maintain integrity and accountability. Every effort should be utilized to develop and implement planning, procedures and practices that promote these commitments.

3.2 Non-discrimination in Procurement Operations

Discrimination based on religion, sex, race, color, ethnic or national origin, sexual orientation, gender identity, age, or disability will not be tolerated, and all aspects of HFC procurement must operate in a non-discriminatory manner. This mandate requires that employees and Vendors operate in a manner that provides and (in good faith) promotes equal opportunity without regard to any protected status and in conformity with all applicable laws prohibiting discrimination.

3.3 Commitment to Opportunity, Diversity and Small Business

HFC is dedicated to promoting the growth and development of (among others) small, minority and women-owned business enterprises by providing opportunities to participate in its procurement and service contracts. In support of this commitment, HFC has established its [Diversity Program](#) to ensure the inclusion of diverse Vendors able to provide quality goods and services at competitive rates in all areas of HFC operations.

The [Diversity Program](#) is designed to create opportunities, while requiring competitiveness and quality of work, by means of contract-specific goals requiring Vendors to use good faith efforts to include diverse Vendors.

3.4 Use of Available Procurement Options

HFC may employ any and all procurement methods recognized by state law and permitted for governmental entities, including, but not limited to, Chapter 252 and Chapter 271 of the Texas Local Government Code, Chapter 431 of the Texas Transportation Code, and Sections 2254 and 2269 of the Texas Government Code.

In determining which procurement method to utilize, HFC will evaluate specific needs, the time required for the procurement, and the necessary staffing requirements. HFC seeks to utilize procurement methods that further enhance its policy goals, including diversity participation, so long as these policy goals and their implementation are conducted in accordance with state and federal law and also further the needs of HFC's operations and business.

3.5 Conflicts of Interest and Disclosure Requirements

Integrity and impartiality in procurement require that conflicts of interest involving Directors or employees must be disclosed and avoided to the fullest extent possible. When a conflict of interest exists (or would appear to a reasonable person to potentially exist), full disclosure by the conflicted Director or employee is required. Conflicts of interest exist when a private interest interferes (or would appear to a reasonable person to potentially interfere) in any way with the interests of HFC.

Conflicts of interest can arise in numerous situations, resulting from gifts, relationships, business ownership interests, instances of Substantial Interests, or various other circumstances. Directors, employees and Vendors are required to take certain actions on their own initiative so as to avoid or prevent the emergence or appearance of a conflict of interest. The following are situations that require proactive action by participants in the procurement process.

A. Substantial Interest

No Director or employee who exercises discretion in the procurement process shall participate in, evaluate, recommend or vote on any matter being considered by HFC to which he or she has a Substantial Interest (as defined below) in any business entity being considered.

The term "Substantial Interest" shall have the meaning defined in Texas Local Government Code 171, as may be amended from time to time. As of the effective date of this Manual, a person has a "Substantial Interest" in a business entity if the person owns at least ten percent of the voting stock or shares of the business entity; or either ten percent or \$15,000 of the fair market value of the business entity or funds received by the person from the business entity exceed ten percent of the person's gross income for the previous year. A person has a "Substantial Interest" in real property if the person has legal or equitable ownership of such real property with a fair market value of \$2,500 or more.

If a Director has a Substantial Interest, then such member shall promptly recuse himself/herself from participation or voting on the matter and file with HFC an affidavit of Substantial Interest in a form approved by the General Counsel.

If an employee who exercises discretion in the procurement process has a Substantial Interest, or if a family member (see Section 3.5.D below) of an employee who exercises discretion in the procurement process has a Substantial Interest, then the employee must immediately notify

the President & CEO or the General Counsel. Once an actual or potential conflict of interest involving an HFC employee or their family member has been disclosed, such employee may not participate with or be involved in the procurement matter without, the expressed approval of the President & CEO.

B. Gifts/Relationship Conflicts and Disclosure

Gifts from Vendors or business relationships with Vendors can give rise to the need for public disclosure. HFC discourages gifts to its Directors or employees. Pursuant to Texas Local Government Code 176, any gift(s) to a Director or employee involved in a procurement transaction must disclose receipt of gifts from a Vendor that have an aggregate value in excess of \$100 during the 12-month period preceding the date that the individual becomes aware that a contract between HFC and the Vendor has been executed or HFC is considering entering into a contract with the Vendor. Additionally, a Director/employee must disclose any employment or other business relationship with a Vendor that results in taxable income, other than investment income, in excess of \$2,500 during the preceding 12-month period preceding the date that the individual becomes aware that a contract between HFC and the Vendor has been executed or HFC is considering entering into a contract with the Vendor.

The General Counsel shall be directly involved in the impartial evaluation of all matters related to actual or potential conflicts of interest and shall review facts, analyze legal issues and advise HFC on all questions related to resolving actual or potential conflicts of interest.

C. Prohibited Conduct

The following are examples of prohibited conduct that Directors and employees must not engage in, unless specifically approved in writing after full disclosure of all relevant facts to the President & CEO and the General Counsel (in the case of an employee other than the President & CEO), or the Board Chair (in the case of a Director or the President & CEO) in writing after full disclosure of all relevant facts to the Board Chair:

- Taking opportunities that properly belong to HFC or are discovered through the use of HFC property, information or position;
- Using HFC property, information or position for personal monetary gain;
- Competing with HFC during the time that he or she is a Director or employee;
- Engaging in any activity that results or may result in a conflict with the proper performance of duties or responsibilities or that might adversely affect his/her independent judgment;
- Maintaining an undisclosed ownership interest in any supplier, contractor, subcontractor, competitor, customer or other entity with which HFC does business;
- Disclosing confidential information related to a procurement while the procurement process is ongoing;
- Acquiring any property HFC has (unless obsoleted or otherwise expressly permitted, as sometimes is the case with used IT equipment) or is considering purchasing;

- Maintaining ownership or acquiring any property utilizing confidential information obtained through HFC or in the course of performing duties for HFC; or
- Appropriating or diverting to others any business opportunity that he or she knows or could reasonably have anticipated that would of material interest to HFC.

HFC requires affirmative steps by Directors and employees to identify and disclose potential and actual conflicts of interest. Directors shall report potential or actual conflicts to the Board Chair. Employees shall report to the General Counsel. The General Counsel must disclose potential or actual conflicts of interest to the President & CEO and Board Chair.

In the event any potential or actual conflict of interest exists with respect to any matter to be voted on or otherwise considered by the Board of Directors or any committee thereof, the General Counsel, President & CEO, or Board Chair must first brief the appropriate Directors on all relevant facts of such potential or actual conflict of interest.

D. Application to Family Members

For purposes of this Manual, the requirements and prohibitions related to conflicts of interest, gifts, and relationships that apply to Directors and employees also apply to their immediate family (i.e., spouse, domestic partner, children, parents, siblings, mothers and father-in-laws, sons and daughters-in-law, brothers- and sisters-in-law, and anyone who shares their home).

3.6 Waiver of Conflict

HFC will examine the facts and circumstances surrounding every conflict or potential conflict of interest. In doing so, HFC will review the specific facts in light of the applicable law, use common sense and good judgment, and exercise sound discretion. In resolving conflicts, HFC strives to ensure that no Vendor has an unfair competitive advantage. In situations where HFC determines that it is in its best interests, a conflict of interest may be waived to meet the interests of HFC so long as the waiver is not in violation of the law. The President & CEO or the Board Chair has the authority to waive any conflict or potential conflict involving an employee. The waiver of conflicts involving the President & CEO must be done by the Board of Directors, unless authority to waive conflicts is or has been delegated to the Board Chair. Any other conflicts or potential conflicts of interest involving Vendors must be disclosed to the Board of Directors prior to any decision relating to the award of a contract with that Vendor.

3.7 Reporting Misconduct

HFC encourages Directors, employees and Vendors to report any conduct that may be illegal, unethical, wasteful, fraudulent, or otherwise constitutes misconduct. Reports may be made directly to the General Counsel; Directors and employees may also report their concerns using the HFC Employee Hotline at 713.853.8888. Retaliation against any person who reports a concern to HFC in good faith regarding illegal or unethical conduct will not be tolerated. Making a report knowing it is false or otherwise in bad faith is unacceptable.

3.8 Restrictions on Communications

HFC regularly imposes material restrictions in its procurements while a Solicitation is being considered. Vendors are solely responsible for observation and compliance with such

restrictions. When used, this is a period of time when prospective Vendors (including their representatives and persons acting on their behalf) are prohibited from contacting Directors or employees, except as specifically allowed in the Solicitation (e.g., at a pre-submittal meeting).

3.9 Delegation of Authority

The Board of Directors has delegated to the President & CEO the authority to execute contracts and otherwise approve procurements for matters less than \$1,000,000 on an annualized basis. Procurements of \$1,000,000 or more annually must be presented to the Board of Directors for consideration and approval. Amendments, revisions, or other modifications to this Manual shall be effective immediately upon approval by the General Counsel for all intents and purposes.

HFC disavows and will not enter into any contract, modification, change order, contract price adjustment or other commitment unless it is made in writing, in a form approved by the General Counsel, and executed, if required, by the President & CEO or his/her authorized designee.

Any employee who signs a contract, modification, change order, contract price adjustment, or other commitment in a form other than approved by the General Counsel, or otherwise obligates HFC without authority delegated by the President & CEO is subject to disciplinary action, up to and including termination. If an unauthorized purchase is made for the personal benefit of the employee, then such employee may be obligated for the expense, without limiting any other right or remedy of HFC.

3.10 Role and Responsibilities of Employees Involved in Purchasing

All employees involved in the procurement process are required to be familiar with and understand this Manual, HFC policies, and applicable laws relating to procurement. Any deviations, variations or failure to follow the Manual must be reported immediately to the General Counsel. Specific responsibilities include all of the following:

- Conducting and supporting procurement of goods and services in the manner required in this Manual;
- Providing an efficient purchasing process for departments to utilize, including guidelines, purchasing options, small business/diversity information, and procedures for requisitions;
- Monitoring compliance with procurement rules and requirements during each Solicitation;
- Expediting the delivery of urgently needed goods and services;
- Periodically corresponding or meeting with departments to gather information to help improve the procurement process;
- Working directly with Vendors as needed to conduct procurements;
- Regularly reporting to the General Counsel on various procurement matters;

- Securing and maintaining in strict confidence all bids, proposals, statements of qualification, scoring matrixes, and bid tabulations throughout the selection and evaluation process;
- Ensuring that procurements are supported by a contract, or, if a contract is not available, a requisition form or other similar written directive, or other appropriate documentation regarding the proposed purchase commensurate with the total cost or scope of the goods or services being acquired.

4. GENERAL PROCEDURES FOR INITIATING A PROCUREMENT

For purchases reasonably anticipated to equal \$50,000 or more, HFC shall employ the procedures described herein to ensure uniformity and fairness in approach. Any deviations from such threshold amounts must be approved by the President & CEO (if under \$1,000,000 annually) or the Board of Directors (if over \$1,000,000 annually).

4.1 Procurements Over \$50,000 – Selection of a Procurement Method

The Office of the General Counsel will determine which procurement method to utilize for any procurement over \$50,000. Selecting the appropriate procurement method is dependent on an array of factors, including price, timing, legal requirements, the Diversity Program, and business opportunities.

5. GENERAL METHODS AND REQUIREMENTS FOR PROCUREMENTS

5.1 Request for Proposals

Request for Proposals allows HFC to consider a variety of factors in addition to price. Factors for evaluation may include, but are not limited to, the following:

- Experience/reputation;
- Quality of goods or services;
- Price;
- Impact on use of small businesses and diversity entities;
- Safety record;
- Proposed personnel;
- Financial capability; and
- Other relevant factors.

Prior to the publishing of an RFP, weights may be assigned to each factor used in the evaluation.

5.2 Formal Competitive Bid Procedures

When competitive sealed bids are used as the procurement method, HFC will utilize a formal bid process in accordance with applicable law. Detailed specifications, committed funding and an estimated cost are required before issuing an Invitation to Bid.

5.3 Request for Qualifications

A Request for Qualifications allows HFC to evaluate the qualifications of certain professionals (e.g., architects and engineers) whose services must be obtained in compliance with applicable law, and other professionals, if HFC chooses to use the RFQ process.

5.4 Interlocal Agreements and Purchasing Cooperatives

HFC may join or contract with other governmental entities to receive or supply goods and services as part of a purchasing cooperative. The General Counsel shall ensure that each purchasing cooperative or interlocal agreement includes established terms and conditions sufficient to protect the best interests of HFC and may require, at his/her discretion, a signed agreement or job order contract directly with one or more Vendors to ensure the enforceability of legal terms and conditions. Any procurement with a Vendor through a purchasing cooperative or interlocal agreement in excess of \$1,000,000 annually must be approved by the Board of Directors.

5.5 Public Posting, Advertisements and Announcements

As HFC recognizes the need for publicity and advertisement of procurement opportunities, the Office of the General Counsel will ensure that Solicitations are posted on the HFC website and advertised as directed by the General Counsel in a manner sufficient to protect the best interests of HFC.

5.6 Pre-Submittal Conference

HFC may conduct a pre-submittal or pre-proposal conference before submission of responses to Solicitations to further explain or clarify a Solicitation and respond to questions from Vendors. Attendance at a pre-submittal conference is not mandatory. At the conference, HFC will review significant points in the Solicitation.

If modifications or amendments are made to a Solicitation, then the Office of the General Counsel must ensure proper publication and notice of these changes. It is the responsibility of each Vendor to monitor the HFC website for such Solicitation changes and modify their response accordingly.

5.7 Bid Bonds

Vendors seeking to be awarded a contract may be required to post a bid bond. If a bond is required, then HFC will include the requirement in the Solicitation.

5.8 Affirmation of No Conflicts and Confidentiality by Evaluation Committee

Evaluation Committee members are prohibited from participating in any way with the review or consideration of a procurement if a conflict of interest exists (or would appear to a reasonable person to potentially exist). Evaluation Committee members shall disclose and discuss

any actual or potential conflict of interest (including those that would appear to a reasonable person to be a potential conflict of interest) directly with the General Counsel prior to participating in the review or consideration of a procurement.

If requested by the General Counsel at his/her discretion, then each member of an Evaluation Committee shall execute a No Conflict and Confidentiality Statement before participating in the selection process.

5.9 Delegated Authority to the General Counsel

The Board of Directors delegates to the General Counsel the authority to create rules and procedures and to use forms, documents, exhibits or other instruments required for each Solicitation.

6. SUBMISSION OF BIDS/PROPOSALS

6.1 Timelines of Submission

Bids and proposals must be submitted in accordance with the requirements set forth in the Solicitation. Any bid or proposal which arrives at HFC offices after the time set forth in the Solicitation will be rejected, unless the delay is caused internally by the mishandling of mail delivery.

6.2 Amendment and Withdrawal of Bids/Proposals

Any bid or proposal may be amended or withdrawn by any method authorized by the Solicitation prior to the deadline for submission. To be effective, any notice of amendment or withdrawal must be actually received by HFC in the manner designated in the Solicitation.

6.3 Mistakes and Minor Irregularities

A minor informality or irregularity is one that is merely a matter of form and not of substance. It can also pertain to an immaterial defect in a bid/proposal or a variation of a bid/proposal from the exact Solicitation requirements that could be corrected or waived without being prejudicial to other Vendors. The defect or variation is immaterial when the effect on price, quantity, quality, or delivery is negligible when contrasted with the total cost or scope of the goods or services being acquired. The General Counsel may either allow the Vendor an opportunity to cure any deficiency resulting from a minor informality or irregularity, or waive the deficiency if it is in the best interest of HFC.

There is no authority to permit correction of a submittal that is non-responsive.

6.4 Responsiveness of Submittal

For a bid, proposal or statement of qualifications to be responsive, it must substantially comply with the requirements and specifications set out in the Solicitation. The Office of the General Counsel will conduct a pre-award review to determine that the potential winning Vendor has offered a responsive bid. If an Evaluation Committee is used in considering the submitted bids, then the Evaluation Committee may make the determination of “responsible Vendor,” but such confirmation or failure to confirm must be reviewed and acknowledged by the General Counsel or

his/her delegate. The General Counsel or his/her delegate must notify the Vendor that its submittal has been determined as non-responsive.

6.5 Right to Reject Responses and Waive Formalities

HFC reserves the right to accept or reject any and all responses and waive formalities to best serve the interests of HFC. Moreover, in case of ambiguity or lack of clarity in any response, HFC reserves the right to consider the most advantageous interpretation of, or to reject, the response.

6.6 Postponement or Cancellation of Bid/Proposal Opening

The Office of the General Counsel may postpone, delay, or extend a Solicitation opening by means of a letter of clarification. Any Solicitation issued by HFC may be cancelled by the Office of the General Counsel if it is determined that such cancellation is the best interest of HFC. In such a situation, all aspects of the Solicitation are cancelled.

7. EVALUATION PROCESS FOR BIDS/PROPOSALS

7.1 Competitive Bids Over \$50,000

The Office of the General Counsel shall publicly open competitive bids over \$50,000 at the designated time, date and place specified in the Solicitation. The name of each Vendor, the amount bid and other information deemed appropriate by the Office of the General Counsel, if any, shall be read aloud.

7.2 Evaluation of Competitive Sealed Bids, Requests for Proposals and Requests for Qualifications

Before a Solicitation is issued, an evaluation method will be assigned by the Office of the General Counsel. For all Solicitations, other than competitive bids, an Evaluation Committee may be made part of the process, at the option of the General Counsel.

Experience or expertise in the following areas should be considered when putting together an Evaluation Committee: Operational knowledge, financial analysis, technical expertise, diversity awareness, administrative support, and industry experience.

Evaluation Committee members must be able to commit the required time, be free of actual and potential conflicts of interests, and able to maintain the confidentiality of the process. Evaluation Committee members may be disqualified for failing to adhere to any of these requirements.

Any scoring and voting documents from the Evaluation Committee will be maintained by the Office of the General Counsel. Any irregularity or impropriety in the evaluation process must be reported immediately to the General Counsel or the President & CEO.

The Evaluation Committee may use either the numerical or the consensus/narrative method of scoring proposals. The decision as to which one to use will be made by the Office of the General Counsel.

8. PROCEDURES FOR CONSTRUCTION SERVICES CONTRACTS (OVER \$50,000)

HFC is authorized under Chapter 2269 of the Texas Government Code to use any one of the following types of construction delivery methods:

- Competitive sealed bids;
- Competitive sealed proposals;
- Construction manager agent;
- Construction manager-at-risk;
- Design-build; and
- Job order contract.

8.1 Best Value Determination

Before advertising for a construction services contract, HFC must determine which method above provides the best value to HFC. Where best value may be utilized in the process, the following criteria may be considered for evaluation with a weight assigned to each:

- Price;
- Experience and reputation;
- Quality of goods or services;
- Impact on the ability to comply with rules relating to historically underutilized businesses;
- Safety record;
- Proposed personnel;
- Whether the Vendor's financial capability is appropriate to the size and scope of the project; and
- Any other relevant factor specifically listed in the request for bids, proposals, or qualifications.

(If the competitive sealed bid process is used, then the foregoing selection criteria can only be used to determine whether the contractor is a responsible Vendor, as the award can only be made to the lowest responsible Vendor.)

If any delivery method other than competitive sealed bid is used, then the respondents will be graded based on the selection criteria set out in the Solicitation, and the award will be made to the respondent who provides the "best value" to HFC for the project. The award does not have to be made based on the lowest price. The Evaluation Team will rank the respondents based on their scores on the selection criteria, and negotiations will begin with the highest-ranked respondent. If

successful negotiations cannot be reached, then HFC has the right to cease negotiations and begin negotiations with the next highest-ranked respondent.

8.2 Use of Design-Build

The design-build model requires the selection of a design-build firm using a combination of technical, cost proposal and special consideration to the role of and use of engineers. Prior to utilizing the design-build method, the Board of Directors must affirmatively authorize its use based on a preliminary determination of best value made by the Office of the General Counsel.

8.3 Job Order Contracts

HFC may use job order contracts for construction projects, such as building repairs, rehabilitation, or alterations, when the work is of a recurring nature (e.g., re-carpeting, re-roofing, or re-painting interiors or exteriors or other minor projects), but the delivery times are indefinite. It cannot be used for civil engineering projects or large construction projects, such as the construction of a building.

9. PROCEDURES FOR PROFESSIONAL SERVICES CONTRACTS

Certain professional services (including, by way of example, accounting, architecture, surveying, and engineering) must be procured pursuant to the provisions of Chapter 2254 of the Texas Government Code utilizing the RFQ process.

Vendors are evaluated initially on the published criteria to determine the most qualified; subsequently, HFC will solicit pricing from the highest-ranked Vendor.

10. PROCEDURES FOR OTHER PROFESSIONAL SERVICES CONTRACTS

For other professional services not identified in Chapter 2254 of the Texas Government Code, HFC has broad legal latitude and may use any available procurement method to get the best value.

10.1 Best and Final Offer

HFC is authorized to employ various forms of negotiation with a Vendor after a determination has been made regarding the Vendor's potential to give "best value" to HFC. The use of "best and final offer" as a technique for negotiations is permitted to further HFC's objective to obtain the "best value" for HFC.

11. POST-SELECTION ACTIVITIES

The General Counsel shall negotiate and finalize procurement contracts. The relevant departments, assisted by the Office of the General Counsel, if the department so requests, shall monitor the administration of contracts, unless otherwise designated in the contract or assigned by the President & CEO, by ensuring that all parties fulfill their contractual obligations as well as maintaining proper records of the contract and its administration.

11.1 Contract Performance

Each Vendor should expect regular and customary inquiries from HFC regarding contract performance. These inquiries may include the following:

- Timely execution of core contract responsibilities;
- Costs and expenses consistent with the identified costs for contract;
- Quality of the work and product presented to HFC;
- Satisfaction of the contract goals for small business and diversity participation;
- Compliance with prevailing wage requirements;
- Safety procedures and completion;
- Compliance with specific contract obligations and/or contract promises made by Vendor;
- Timely payment to subcontractors; and
- Adherence to governmental rules and regulations

The objective of the performance review is to confirm contract compliance. HFC (through the department head which has requested the relevant contract or person designated by the President & CEO) will record clear failures by Vendor to meet any core contract obligations as listed above and efforts to afford opportunities for the Vendor to satisfy those obligations. Any such clear failures will be reported to the General Counsel and President & CEO. The General Counsel, along with the relevant department head, will maintain copies of any contract evaluations recording clear failures to perform.

11.2 Change Orders and Contract Modifications

Any material changes to the contract cost/fee, scope of work, duration or any other element of the contract will necessitate a written contract change order signed by the President & CEO or his/her delegate (each a “Change Order”). The form and content of all Change Orders must be approved in advance by the General Counsel.

No Change Order may be made without proper authorization. A Change Order under \$1,000,000 must be authorized by the President & CEO or his/her delegate. All Change Orders over \$1,000,000 (and any Change Order causing the total contract value to exceed \$1,000,000 on an annualized basis) must be approved by the Board of Directors unless otherwise delegated. The General Counsel must advise on the legal aspects of all Change Orders regardless of amount.

11.3 Small Business/Diversity Compliance

Small business and diversity participation is central to procurement at HFC. The [Diversity Program](#) requires full participation by our Vendors, and HFC will closely monitor compliance.

11.4 Early Contract Termination

HFC expects full and complete performance from each of its Vendors. Failure to meet any of the major contract terms may constitute grounds for early termination. Where appropriate and subject to negotiation, material contracts with Vendors will include provisions for termination “for cause” and termination “for convenience.” The General Counsel is delegated the authority to

terminate a contract if HFC is so authorized by contract, the Board Chair or the President & CEO, and if all contract requirements applicable to termination are followed.

11.5 Contract Term Renewals

A contract term may be renewed or extended by a signed amendment or a written notice consistent with the terms and conditions thereof approved by either the President & CEO or the General Counsel.

12. EMERGENCY PROCUREMENTS

An emergency is a condition that creates a threat to an employee, property or operations, or to public health, welfare or safety, arising from natural forces (e.g., fire, wind, flood, storm, earthquake, epidemic or other natural disaster); riot, unlawful assembly or mob violence; or hostile acts of a public enemy. Emergency also means any condition that requires immediate action to protect life or property or to correct a condition that places continuity of essential operations by HFC in material peril.

As a guiding principle, the following situations or conditions are not considered an emergency:

- Depleted supplies due to poor planning or management;
- Broken or damaged equipment or vehicles caused by not following scheduled maintenance; or
- Purchasing of items through standard purchasing procedures which will not disrupt services, will not significantly increase the cost of HFC operations, and will not stop work in progress.

The relevant department will forward the emergency procurement request to the Office of General Counsel. The President & CEO, alone, may declare the existence of an emergency, approve the request and waive the requirements set forth in this Manual. For emergency procurements equal to or greater than \$1,000,000, the President & CEO shall promptly report the existence of and approval of the request to the Board Chair. The President & CEO shall report such items deemed an emergency and over \$1,000,000 to the Board of Directors at its next regularly scheduled meeting.

For emergency construction projects limited in scope (e.g., a broken window), the relevant department shall ascertain whether the same type of construction requested is currently and readily available under a Job Order Contract. If a contract for the items or services is already in place, then the relevant department, or the Office of the General Counsel (if requested), will contact the appropriate Vendor to fulfill the request. If the item or service is not covered by the Job Order Contract, then the relevant department, or the Office of the General Counsel (if requested) shall take immediate action to resolve the emergency condition, using good faith efforts to select sources.

13. SOLE SOURCE JUSTIFICATIONS

HFC seeks to promote competition to get best value by requiring bids for prospective Vendors whenever possible; however, HFC may purchase equipment, supplies, materials or services through non-competitive negotiation (sole source) when the award of a contract is not feasible under any of the other described procurement methods in this Manual. Sole source purchases are purchases of goods or services that are available from only one source (e.g., an item for which competition is precluded because of the existence of a patent, copyright, or monopoly; a utility service, including electricity, gas, or water; or a captive replacement part or component for equipment).

Procurement without competition is authorized under the limited conditions stated above, subject to appropriate documentation of the conditions which preclude the use of a competitive process commensurate with the total cost or scope of the goods or services being acquired. Negotiation should be attempted before agreeing to a sole source purchase.

14. MISCELLANEOUS

14.1 Federal Funding Requirements

If HFC engages in a procurement utilizing federal funds or that has applicable federal regulations, then HFC will adhere to applicable policies and procedures required by federal law and regulation.

14.2 Disaster Protocol for Repairs

In the event a federally-declared disaster that requires repair, renovation or replacement of City of Houston facilities leased or managed by HFC, procurements for disaster related repair, renovation or replacement will be subject to Disaster Protocols as outlined in the Lease Agreement between the City of Houston and HFC and any amendments thereto.

14.3 Prevailing Wage

HFC will require payment of a prevailing wage rate on construction projects in accordance with Chapter 2258 of the Texas Local Government Code. Vendors on construction projects are required to adhere to all contract provisions regarding payment and reporting of a prevailing wage rate.

14.4 Procurement Training

The President & CEO may request that the Office of the General Counsel conduct annual training regarding the requirements and expectations for procurement. Training sessions should review and examine the basic tenants of procurement at HFC, this Manual, the [Diversity Program](#), the Code of Business Conduct and Ethics, and developments or changes in procurement law.

14.5 Procurement Evaluation

HFC strives to continuously improve its mechanisms and procedures for procurement. In that regard, the President & CEO and General Counsel, as well as other management of HFC, will periodically review various aspects of procurement at HFC to ensure compliance and support best practices.