



Board of County Commissioners
Office of Purchasing

Title: **Owner Direct Purchases (ODP)**

Effective Date: 8/8/03 Supersedes Date: 1/16/03

Procedure No: PP-223

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I. General

The County reserves the right to require the Contractor to assign some or all of its subcontracts or other agreements with material suppliers directly to the County. This process will be referred to as Owner Direct Purchases (ODP) and is a method that may be utilized to create savings for the County. The County saves the amount of the sales tax, (currently 7½ %) when it purchases material/equipment required for a construction project directly from the manufacturer/supplier (material/equipment cost only), and simultaneously decreases the amount of the contract for the cost of the materials/equipment plus the sales tax. The contract cost reduction is accomplished through the construction change order process. Additional savings may also be realized if the County negotiates a cost reduction for the associated reduced premium cost for the project price guarantee, (e.g., performance and payment bond(s), irrevocable letter of credit, bank check, etc.)

II. Initial Requirements

An approval letter, as requested by **Form Letter OF0185, Request for Technical Assistance Advisement County Purchase of Materials**, from the Florida Department of revenue specific to the project is necessary prior to proceeding. The Purchasing Agent will provide the detailed project information and the County Attorney's Office will prepare this correspondence. The original must be kept in the Contract Case File and a copy shall be forwarded to the Clerk of the Courts, Accounts Payable.

III. Bid Document Specification

Specification shall include a section as provided for by **Form OF0205, Exhibit G, Supplementary Conditions Owner Direct Purchases** specifying the rules for ODP. The following steps are minimum requirements and may be enhanced based on individual project circumstances:

- a. Material suppliers shall be selected by the contractor using competitive bidding/proposals. Supply contracts shall be awarded by the contractor to the supplier who bid/proposal is most advantageous to the County, price and other aspects considered.
- b. The contractor shall include the price for all construction materials/equipment in lump sum price in his bid. The Contractor's bid shall also include all Florida State sales and other taxes normally applicable to such material and equipment. The County may consider purchasing any item but does not expect to issue purchase orders for less than \$5,000.00. County – Purchasing of selected construction materials will be administered on a deductive change order basis.



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- c. The contractor shall provide the County a list of all intended suppliers for consideration as ODP. This list shall be submitted at the same time as the preliminary schedule of values and the project (CPM) schedule. Along with the list, the contractor shall include the price quotes from the suppliers, including any terms and conditions negotiated with the suppliers. The contractor shall also supply the County with a description of materials/equipment to be supplied along with the quantities and prices. The contractor is responsible for selecting the supplier, specifications, material receipt, inspecting shipments, and assure that the material or service paid for by the County is appropriate for the construction. The contractor retains all responsibility for an acceptable finished project.
- d. The contractor shall be responsible for maintaining the project schedule and the execution of the terms and conditions of the ODP purchase order, including expediting the suppliers' delivery schedules.
- e. The purchase order form used for the Owner Direct Purchases has to be a County issued purchase order, and the purchase order package shall include the County's consumer certificate of exemption number for materials. A suggested format for the exemption certificate; **Form OF0195, Employers Authorization to Make Purchases on Behalf of an Exempt Governmental or Non-Profit Organization**, is attached as Florida Administrative Code Rule 12A-1.039, Exhibit (_____).
- f. The contract shall require the County to retain legal title to all ODP from the time ownership title changes from the seller to the buyer until it is incorporated into the project or consumed in completion of the project.
- g. The County will remit payment directly to the suppliers of the ODP.
- h. The County will provide insurance to cover all risk of loss or damage to the ODP. The Contract Administrator shall provide to the County Risk Manager the following information required to procure the necessary Builders Risk Insurance Coverage for the project:
 - 1. Type of project (ultimate occupancy). Business
 - 2. Term of the project (i.e. 20 months, 3 weeks)
 - 3. Construction Type II per Florida Building Code (i.e. Concrete Masonry Exterior, Steel Structure).



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4. Protection (will there be sprinklers)?
 5. Construction timeline would be helpful since this is CAT exposure. (CAT refers to catastrophic exposure (i.e. hurricane, etc.).
 6. Is this building expansion the only project that is in progress or anticipated?
 7. If there are other projects in progress, attach a list with completed values.
 8. How many projects they anticipate during the year including values? Will \$10-15M limit cover all the exposure(s)?
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- i. The contractor shall be responsible for receipt and inspection of goods received and accompanying shipping documents under the ODP process, insuring they conform to specifications.
 - j. The contractor shall notify the County of any goods received that are damaged or are in non-compliance with the specifications, and to facilitate a timely replacement.
 - k. The suppliers must directly invoice the County for the ODP, but the contractor shall be responsible for approving receiving reports for goods that were received in accordance with the specifications and forwarding them to the Clerk of the Court/Accounts Payable to be processed for payment. Procedures for receiving reports are provided for in **OM-415, Owner Direct Purchases, Section F**. The County must pay the ODP suppliers directly.
 - l. The contractor shall maintain records of all ODP received and incorporated into the work and provide the County with a monthly accounting.
 - m. The contractor shall be responsible for obtaining and managing all warranties and guarantees for all material and products specified in the contract documents.

IV. Requirements for Purchase Order Issuance

The Office of Purchasing, as a clerical function to allow for payment, will issue an electronic purchase order to the intended supplier and an electronic deduct change order/purchase order to the contractor. In order to facilitate the issuing of the purchase order(s), the Contractor will assist the County in submitting to the Office of Purchasing the following:

- a. The list of suppliers' FEI numbers, addresses, phone numbers, etc., to enable their inclusion into the County's electronic financial system.



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- b. A deductive change order for the cost of the materials, equipment plus the sales tax, and, if possible, the amount of the change order that should include the project's guarantee associated premium cost reduction. The Office of Purchasing, upon receipt of the approved deduct change order will issue a purchase order to the contractor reflecting the revised contract amount.
- c. An electronic requisition, specifying price, quantity, delivery, material/equipment description, etc., made out to the intended supplier. This information shall be identical to the price quotes mentioned in section III.c. Upon receipt of the electronic requisition, the Office of Purchasing will issue an electronic purchase order.
- d. A printed copy of the ODP purchase order made out to the material supplier; and a photo copy to the contractor and the deduct change order/purchase order, made out to the contractor will be distributed as usual.