Capital Improvement Guidelines

Capital improvement projects supported by Washington State Department of Agriculture (WSDA) Food Assistance (FA) funding must comply with this guidance. If agencies have internal capital improvement policies that are more restrictive, then they should adhere to the stricter of the two policies.

Definitions

Real Property: Real property means land, including land improvements, structures and appurtenances thereto, but excludes moveable machinery and equipment.

Capital Assets: Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with Generally Accepted Accounting Principles (GAAP). Capital assets include:

a. Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and

b. Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance).

Capital Expenditures: Capital expenditures means expenditures to acquire capital assets or expenditures to make additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to capital assets that materially increase their value or useful life.

Sealed Bid: Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for the bids, is the lowest in price.

Guidelines for approval

- Prior WSDA approval is required before any reimbursable costs are incurred on projects estimated to cost $5,000 or more. For projects between $2,000 and $4,999.99, no WSDA pre-approval is required. Subcontractors should seek contractor approval prior to implementing any capital improvement project.

- Receiving WSDA approval is a three-part process:
  
  - The contractor should submit the Food Assistance – Capital Improvement Request Form (AGR-2308) to the applicable Food Assistance regional representative. The form must include the estimated cost for the equipment procurement and sufficient bids or quotes from responsible bidders based on the cost as described below.
    - If using the competitive proposal process or sealed bid process, a narrative description of the purchase and the procurement process is required.
  
  - WSDA will return the approval form to the contractor indicating the project is approved or not approved.
  
  - The contractor should resubmit the form for post-purchase finalized cost verification along with the final reimbursement invoice voucher. For the competitive or sealed bid process, proof of your publicized request for proposals/invitation for bids must be submitted with your reimbursement request. **Payment will not be processed without all of the required documentation.**

- Contractors are to submit the form on their behalf and on behalf of their subcontractor(s).
The contractor must submit the bids or quotes attached to the approval form. A responsible bidder cannot be suspended, debarred or have an active exclusion. Visit Sam.gov to search for active exclusions or visit this webpage: www.sam.gov/SAM/pages/public/searchRecords/advancedPIRDSearch.jsf

Prevailing wage requirements may apply. You can find more information about prevailing wage by visiting the websites of the Washington State Department of Labor & Industries and the U.S. Department of Labor at these addresses:

- ln.i.wa.gov/licensing-permits/public-works-projects/prevailing-wage-rates/
- www.dol.gov/agencies/whd/government-contracts/construction

Guidelines for bids and quotes based on the cost of the project

- For capital improvement projects ranging from $5,000-$149,999.99, a sealed bid process is preferred. If the conditions listed below do not apply, the contractor must include quotes or bids from at least three responsible bidders along with the approval form. If using a competitive proposal process or sealed bid process it must be compliant with the requirements of 2 CFR § 200.320, and proof of your publicized request for proposals/invitation for bids must be submitted with your reimbursement request. Payment will not be processed without all required documentation.

- For capital improvement projects $150,000 or more, a sealed bid process is required. Proof of your invitation for bids must be submitted with your reimbursement request. Payment will not be processed without all required documentation.

- Exceptions to these requirements may apply, please contact your Food Assistance regional representative for more information.

Procurement by sealed bids

Bids are publicly solicited and a firm fixed price contract (lump sum or unit price) is awarded to the responsible bidder whose bid, conforming with all the material terms and conditions of the invitation for bids, is the lowest in price. The sealed bid method is the preferred method for procuring construction, if the conditions in paragraph (1) of this section apply.

1. In order for sealed bidding to be feasible, the following conditions should be present:
   i. A complete, adequate, and realistic specification or purchase description is available;
   ii. Two or more responsible bidders are willing and able to compete effectively for the business; and
   iii. The procurement lends itself to a firm fixed price contract and the selection of the successful bidder can be made principally on the basis of price.

2. If sealed bids are used, the following requirements apply:
   i. The invitation for bids will be publicly advertised and bids must be solicited from an adequate number of known suppliers, providing them sufficient response time prior to the date set for opening the bids;
   ii. The invitation for bids, which will include any specifications and pertinent attachments, must define the items or services in order for the bidder to properly respond;
   iii. All bids will be publicly opened at the time and place prescribed in the invitation for bids;
   iv. A firm fixed price contract award will be made in writing to the lowest responsive and responsible bidder. Where specified in bidding documents, factors such as discounts, transportation cost, and life cycle costs must be considered in determining which bid is lowest. Payment discounts will only be used to determine the low bid when prior experience indicates that such discounts are usually taken advantage of; and
   v. Any or all bids may be rejected if there is a sound documented reason.

Procurement by competitive proposals

The technique of competitive proposals is normally conducted with more than one source submitting an offer, and either a fixed price or cost reimbursement type contract is awarded. It is generally used when conditions are not appropriate for the use of sealed bids. If this method is used, the following requirements apply:

1. Requests for proposals must be publicized and identify all evaluation factors and their relative importance. Any response to publicized requests for proposals must be considered to the maximum extent practical;
2. Proposals must be solicited from an adequate number of qualified sources;
3. The non-federal entity must have a written method for conducting technical evaluations of the proposals received and for selecting recipients;
4. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered; and
5. The non-federal entity may use competitive proposal procedures for qualifications-based procurement of architectural/engineering (A/E) professional services whereby competitors’ qualifications are evaluated and the most qualified competitor is selected, subject to negotiation of fair and reasonable compensation. The method, where price is not used as a selection factor, can only be used in procurement of A/E professional services. It cannot be used to purchase other types of services though A/E firms are a potential source to perform the proposed effort.

Questions

Please work with your fiscal or purchasing department. Additional information is available in the procedures manuals or by contacting your Food Assistance regional representative.