SENATE BILL NO. \_\_\_\_\_ HOUSE BILL NO. \_\_\_\_\_

A BILL to amend and reenact §§ 2.2-4302.2, 2.2-4343, 23-38.110, and 33.1-391.3 of the Code of
 Virginia and to amend the Code of Virginia by adding a section numbered 2.2-4302.3, relating to
 the Virginia Public Procurement Act; competitive negotiation; term contract limitations.

Be it enacted by the General Assembly of Virginia:

5 1. That §§ 2.2-4302.2, 2.2-4343, 23-38.110, and 33.1-391.3 of the Code of Virginia is amended and
6 reenacted and that the Code of Virginia is amended by adding a section numbered 2.2-4302.3 as
7 follows:

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§ 2.2-4302.2. (Effective July 1, 2014) Process for competitive negotiation.

A. The process for competitive negotiation shall include the following:

10 1. Issuance of a written Request for Proposal indicating in general terms that which is sought to
 be procured, specifying the factors that will be used in evaluating the proposal and containing or
 incorporating by reference the other applicable contractual terms and conditions, including any unique
 capabilities, specifications or qualifications that will be required;

14 2. Public notice of the Request for Proposal at least 10 days prior to the date set for receipt of 15 proposals by posting on the Department of General Services' central electronic procurement website or 16 other appropriate websites. Additionally, public bodies shall publish in a newspaper of general 17 circulation in the area in which the contract is to be performed so as to provide reasonable notice to the 18 maximum number of offerors that can be reasonably anticipated to submit proposals in response to the 19 particular request. Posting on the Department of General Services' central electronic procurement 20 website shall be required of any state public body. Local public bodies are encouraged to utilize the 21 Department of General Services' central electronic procurement website to provide the public with 22 centralized visibility and access to the Commonwealth's procurement opportunities. In addition, 23 proposals may be solicited directly from potential contractors. Any additional solicitations shall include 24 certified businesses selected from a list made available by the Department of Small Business and 25 Supplier Diversity; and

26 3. For goods, nonprofessional services, and insurance, selection shall be made of two or more 27 offerors deemed to be fully qualified and best suited among those submitting proposals, on the basis of 28 the factors involved in the Request for Proposal, including price if so stated in the Request for Proposal. 29 Negotiations shall then be conducted with each of the offerors so selected. Price shall be considered, but 30 need not be the sole or primary determining factor. After negotiations have been conducted with each offeror so selected, the public body shall select the offeror which, in its opinion, has made the best 31 32 proposal and provides the best value, and shall award the contract to that offeror. When the terms and 33 conditions of multiple awards are so provided in the Request for Proposal, awards may be made to more 34 than one offeror. Should the public body determine in writing and in its sole discretion that only one 35 offeror is fully qualified, or that one offeror is clearly more highly qualified than the others under 36 consideration, a contract may be negotiated and awarded to that offeror; or

37 4. For professional services, the public body shall engage in individual discussions with two or 38 more offerors deemed fully qualified, responsible and suitable on the basis of initial responses and with 39 emphasis on professional competence, to provide the required services. Repetitive informal interviews 40 shall be permissible. The offerors shall be encouraged to elaborate on their qualifications and 41 performance data or staff expertise pertinent to the proposed project, as well as alternative concepts. In 42 addition, offerors shall be informed of any ranking criteria that will be used by the public body in 43 addition to the review of the professional competence of the offeror. The Request for Proposal shall not, 44 however, request that offerors furnish estimates of man-hours or cost for services. At the discussion 45 stage, the public body may discuss nonbinding estimates of total project costs, including, but not limited 46 to, life-cycle costing, and where appropriate, nonbinding estimates of price for services. In accordance 47 with § 2.2-4342, proprietary information from competing offerors shall not be disclosed to the public or 48 to competitors. At the conclusion of discussion, outlined in this subdivision, on the basis of evaluation 49 factors published in the Request for Proposal and all information developed in the selection process to 50 this point, the public body shall select in the order of preference two or more offerors whose 51 professional qualifications and proposed services are deemed most meritorious.

52 Negotiations shall then be conducted, beginning with the offeror ranked first. If a contract 53 satisfactory and advantageous to the public body can be negotiated at a price considered fair and 54 reasonable, the award shall be made to that offeror. Otherwise, negotiations with the offeror ranked first 55 shall be formally terminated and negotiations conducted with the offeror ranked second, and so on until 56 such a contract can be negotiated at a fair and reasonable price. 57 Notwithstanding the foregoing, if the terms and conditions for multiple awards are included in **58** the Request for Proposal, a public body may award contracts to more than one offeror. 59 Should the public body determine in writing and in its sole discretion that only one offeror is 60 fully qualified or that one offeror is clearly more highly qualified and suitable than the others under 61 consideration, a contract may be negotiated and awarded to that offeror. 62 B. For multiple projects, a contract for architectural or professional engineering services relating 63 to construction projects, or a contract for job order contracting, may be negotiated by a public body, 64 provided (i) the projects require similar experience and expertise, (ii) the nature of the projects is clearly 65 identified in the Request for Proposal, and (iii) the contract is limited to a one year term or when the 66 cumulative total project fees reach the maximum cost authorized in this subsection, whichever occurs 67 first. 68 Such contracts may be renewable for four additional one year terms at the option of the public

body. The fair and reasonable prices as negotiated shall be used in determining the cost of each project
 performed and the sum of all projects performed in a one-year contract term shall not exceed \$500,000,
 except that for:

1. A state agency, as defined in § 2.2 4347, the sum of all projects performed in a one year
contract term shall not exceed \$1 million as may be determined by the Director of the Department of
General Services;

75 2. Any locality or any authority, sanitation district, metropolitan planning organization or
76 planning district commission with a population in excess of 80,000, or any city within Planning District
77 8, the sum of all projects performed in a one-year contract term shall not exceed \$5 million and those

78 awarded for any airport as defined in § 5.1-1 and aviation transportation projects, the sum of all such 79 projects shall not exceed \$1.5 million; 3. Architectural and engineering services for rail and public transportation projects by the 80 81 Director of the Department of Rail and Public Transportation, the sum of all projects in a one-year 82 contract term shall not exceed \$2 million. Such contract may be renewable for two additional one-year 83 terms at the option of the Director; 84 4. Environmental location, design and inspection work regarding highways and bridges by the 85 Commissioner of Highways, the initial contract term shall be limited to two years or when the 86 cumulative total project fees reach \$5 million, whichever occurs first. Such contract may be renewable 87 for two additional one-year terms at the option of the Commissioner, and the sum of all projects in each **88** one-year contract term shall not exceed \$5 million; and 89 5. Job order contracting, the sum of all projects performed in a one-year contract term shall not 90 exceed \$2 million. 91 Competitive negotiations for such contracts may result in awards to more than one offeror 92 provided (i) the Request for Proposal so states and (ii) the public body has established procedures for 93 distributing multiple projects among the selected contractors during the contract term. 94 C. For any single project, for (i) architectural or professional engineering services relating to 95 construction projects, or (ii) job order contracting, the project fee shall not exceed \$100,000, or for 96 architectural or engineering services for airports as defined in § 5.1-1 and aviation transportation 97 projects, the project fee of any single project shall not exceed \$500,000, except that for: 98 1. A state agency as defined in § 2.2-4347, the project fee shall not exceed \$200,000, as may be 99 determined by the Director of the Department of General Services; 100 2. Any locality or any authority or sanitation district with a population in excess of 80,000, or 101 any city within Planning District 8, the project fee shall not exceed \$2 million; and 102 3. Job order contracting, the project fee shall not exceed \$400,000. 103 D. For the purposes of subsections B and C, any unused amounts from the first contract term 104 shall not be carried forward to the additional term.

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105	E. Multiphase professional services contracts satisfactory and advantageous to the completion of
106	large, phased, or long term projects may be negotiated and awarded based on a fair and reasonable price
107	for the first phase only, where the completion of the earlier phases is necessary to provide information
108	critical to the negotiation of a fair and reasonable price for succeeding phases. Prior to the entering into
109	any such contract, the public body shall (i) state the anticipated intended total scope of the project and
110	(ii) determine in writing that the nature of the work is such that the best interests of the public body
111	require awarding the contract.
112	§ 2.2-4302.3. Competitive negotiation; term contract limitations for certain projects and
113	services; exceptions.
114	A. In accordance with the process for competitive negotiation set forth in § 2.2-4302.2, a
115	contract for architectural or professional engineering services relating to multiple construction projects
116	may be negotiated by a public body, provided (i) the projects require similar experience and expertise,
117	(ii) the nature of the projects is clearly identified in the Request for Proposal, and (iii) the contract is
118	limited to a one-year term or when the cumulative total project fees reach the maximum cost authorized
119	in this subsection, whichever occurs first.
120	Such contracts may be renewable for four additional one-year terms at the option of the public
121	body. The fair and reasonable prices as negotiated shall be used in determining the cost of each project
122	performed and the sum of all projects performed in a one-year contract term shall not exceed \$500,000,
123	except that for:
124	1. A state agency, as defined in § 2.2-4347, the sum of all projects performed in a one-year
125	contract term shall not exceed \$1 million as may be determined by the Director of the Department of
126	General Services;
127	2. Any locality or any authority, sanitation district, metropolitan planning organization or
128	planning district commission with a population in excess of 80,000, or any city within Planning District
129	8, the sum of all projects performed in a one-year contract term shall not exceed \$5 million and those
130	awarded for any airport as defined in § 5.1-1 and aviation transportation projects, the sum of all such
131	projects shall not exceed \$1.5 million;

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132	3. Architectural and engineering services for rail and public transportation projects by the
133	Director of the Department of Rail and Public Transportation, the sum of all projects in a one-year
134	contract term shall not exceed \$2 million. Such contract may be renewable for two additional one-year
135	terms at the option of the Director; and
136	4. Environmental location, design and inspection work regarding highways and bridges by the
137	Commissioner of Highways, the initial contract term shall be limited to two years or when the
138	cumulative total project fees reach \$5 million, whichever occurs first. Such contract may be renewable
139	for two additional one-year terms at the option of the Commissioner, and the sum of all projects in each
140	one-year contract term shall not exceed \$5 million.
141	Competitive negotiations for such contracts may result in awards to more than one offeror
142	provided (a) the Request for Proposal so states and (b) the public body has established procedures for
143	distributing multiple projects among the selected contractors during the contract term.
144	B. For architectural or professional engineering services relating to a multiple construction
145	project contract, the fee for any single project shall not exceed \$100,000, and (ii) for airports as defined
146	in § 5.1-1 and aviation transportation projects, the fee for any single project shall not exceed \$500,000,
147	except that for:
148	1. A state agency as defined in § 2.2-4347, such fee shall not exceed \$200,000, as may be
149	determined by the Director of the Department of General Services; and
150	2. Any locality or any authority or sanitation district with a population in excess of 80,000, or
151	any city within Planning District 8, such fee shall not exceed \$2 million.
152	The limitations imposed upon single project fees pursuant to this subsection shall not apply to
153	environmental, location, design, and inspection work regarding highways and bridges by the
154	Commissioner of Highways or architectural and engineering services for rail and public transportation
155	projects by the Director of the Department of Rail and Public Transportation.
156	C. For the purposes of subsections A and B, any unused amounts from the first contract term
157	shall not be carried forward to the additional term.

D. Multiphase professional services contracts satisfactory and advantageous to the completion of
large, phased, or long term projects may be negotiated and awarded based on a fair and reasonable price
for the first phase only, where the completion of the earlier phases is necessary to provide information
critical to the negotiation of a fair and reasonable price for succeeding phases. Prior to the entering into
any such contract, the public body shall (i) state the anticipated intended total scope of the project and
(ii) determine in writing that the nature of the work is such that the best interests of the public body
require awarding the contract.

165 § 2.2-4343. Exemption from operation of chapter for certain transactions.

166 A. The provisions of this chapter shall not apply to:

167 1. The Virginia Port Authority in the exercise of any of its powers in accordance with Chapter 10
168 (§ 62.1-128 et seq.) of Title 62.1, provided the Authority implements, by policy or regulation adopted by
169 the Board of Commissioners, procedures to ensure fairness and competitiveness in the procurement of
170 goods and services and in the administration of its capital outlay program. This exemption shall be
171 applicable only so long as such policies and procedures meeting the requirements remain in effect.

172 2. The Virginia Retirement System for selection of services related to the management, purchase
173 or sale of authorized investments, actuarial services, and disability determination services. Selection of
174 these services shall be governed by the standard set forth in § 51.1-124.30.

3. The State Treasurer in the selection of investment management services related to the external
management of funds shall be governed by the standard set forth in § 2.2-4514, and shall be subject to
competitive guidelines and policies that are set by the Commonwealth Treasury Board and approved by
the Department of General Services.

179 4. The Department of Social Services or local departments of social services for the acquisition180 of motor vehicles for sale or transfer to Temporary Assistance to Needy Families (TANF) recipients.

5. The College of William and Mary in Virginia, Virginia Commonwealth University, the
University of Virginia, and Virginia Polytechnic Institute and State University in the selection of
services related to the management and investment of their endowment funds, endowment income, gifts,
all other nongeneral fund reserves and balances, or local funds of or held by the College or Universities

pursuant to § 23-44.1, 23-50.10:01, 23-76.1, or 23-122.1. However, selection of these services shall be
governed by the Uniform Prudent Management of Institutional Funds Act (§ 64.2-1100 et seq.) as
required by §§ 23-44.1, 23-50.10:01, 23-76.1, and 23-122.1.

188 6. The Board of the Virginia College Savings Plan for the selection of services related to the
operation and administration of the Plan, including, but not limited to, contracts or agreements for the
management, purchase, or sale of authorized investments or actuarial, record keeping, or consulting
services. However, such selection shall be governed by the standard set forth in § 23-38.80.

192 7. Public institutions of higher education for the purchase of items for resale at retail bookstores
193 and similar retail outlets operated by such institutions. However, such purchase procedures shall provide
194 for competition where practicable.

195 8. The purchase of goods and services by agencies of the legislative branch that may be 196 specifically exempted therefrom by the Chairman of the Committee on Rules of either the House of 197 Delegates or the Senate. Nor shall the contract review provisions of § 2.2-2011 apply to such 198 procurements. The exemption shall be in writing and kept on file with the agency's disbursement 199 records.

9. Any town with a population of less than 3,500, except as stipulated in the provisions of §§ 2.2-4305, 2.2-4308, 2.2-4311, 2.2-4315, 2.2-4330, 2.2-4333 through 2.2-4338, 2.2-4343.1, and 2.2-4367
through 2.2-4377.

203 10. Any county, city or town whose governing body has adopted, by ordinance or resolution,
204 alternative policies and procedures which are (i) based on competitive principles and (ii) generally
205 applicable to procurement of goods and services by such governing body and its agencies, except as
206 stipulated in subdivision 12.

This exemption shall be applicable only so long as such policies and procedures, or other policies and procedures meeting the requirements of § 2.2-4300, remain in effect in such county, city or town. Such policies and standards may provide for incentive contracting that offers a contractor whose bid is accepted the opportunity to share in any cost savings realized by the locality when project costs are reduced by such contractor, without affecting project quality, during construction of the project. The fee,

- if any, charged by the project engineer or architect for determining such cost savings shall be paid as aseparate cost and shall not be calculated as part of any cost savings.
- 214 11. Any school division whose school board has adopted, by policy or regulation, alternative
  215 policies and procedures that are (i) based on competitive principles and (ii) generally applicable to
  216 procurement of goods and services by the school board, except as stipulated in subdivision 12.
- This exemption shall be applicable only so long as such policies and procedures, or other policies or procedures meeting the requirements of § 2.2-4300, remain in effect in such school division. This provision shall not exempt any school division from any centralized purchasing ordinance duly adopted by a local governing body.
- 12. (Effective July 1, 2014) Notwithstanding the exemptions set forth in subdivisions 9 through
  11, the provisions of subsections C and D of § 2.2-4303, and §§ 2.2-4305, 2.2-4308, 2.2-4311, 2.2-4315,
  2.2-4317, 2.2-4330, 2.2-4333 through 2.2-4338, 2.2-4343.1, and 2.2-4367 through 2.2-4377 shall apply
  to all counties, cities and school divisions, and to all towns having a population greater than 3,500 in the
  Commonwealth.
- 226 The method for procurement of professional services through competitive negotiation set forth in 227 subsection B of § 2.2-4302.2 § 2.2-4302.3 shall also apply to all counties, cities and school divisions, 228 and to all towns having a population greater than 3,500, where the cost of the professional service is 229 expected to exceed \$60,000 in the aggregate or for the sum of all phases of a contract or project. A 230 school board that makes purchases through its public school foundation or purchases educational 231 technology through its educational technology foundation, either as may be established pursuant to § 232 22.1-212.2:2 shall be exempt from the provisions of this chapter, except, relative to such purchases, the 233 school board shall comply with the provisions of §§ 2.2-4311 and 2.2-4367 through 2.2-4377.
- 13. A public body that is also a utility operator may purchase services through or participate in contracts awarded by one or more utility operators that are not public bodies for utility marking services as required by the Underground Utility Damage Prevention Act (§ 56-265.14 et seq.). A purchase of services under this subdivision may deviate from the procurement procedures set forth in this chapter upon a determination made in advance by the public body and set forth in writing that competitive

sealed bidding is either not practicable or not fiscally advantageous to the public, and the contract isawarded based on competitive principles.

14. Procurement of any construction or planning and design services for construction by a Virginia nonprofit corporation or organization not otherwise specifically exempted when (i) the planning, design or construction is funded by state appropriations of \$10,000 or less or (ii) the Virginia nonprofit corporation or organization is obligated to conform to procurement procedures that are established by federal statutes or regulations, whether those federal procedures are in conformance with the provisions of this chapter.

247 15. Purchases, exchanges, gifts or sales by the Citizens' Advisory Council on Furnishing and248 Interpreting the Executive Mansion.

249 16. The Eastern Virginia Medical School in the selection of services related to the management
250 and investment of its endowment and other institutional funds. The selection of these services shall,
251 however, be governed by the Uniform Prudent Management of Institutional Funds Act (§ 64.2-1100 et
252 seq.).

**253** 17. The Department of Corrections in the selection of pre-release and post-incarceration services.

254 18. The University of Virginia Medical Center to the extent provided by subdivision B 3 of § 23255 77.4.

19. The purchase of goods and services by a local governing body or any authority, board,
department, instrumentality, institution, agency or other unit of state government when such purchases
are made under a remedial plan established by the Governor pursuant to subsection C of § 2.2-4310 or
by a chief administrative officer of a county, city or town pursuant to § 15.2-965.1.

260 20. The contract by community services boards or behavioral health authorities with an261 administrator or management body pursuant to a joint agreement authorized by § 37.2-512 or 37.2-615.

262 21. (Contingent expiration date, see note.) Procurement of any construction or planning and
 263 design services and contracts with or assigned to George Mason University by the corporation or other
 264 legal entity created by the board of visitors of George Mason University for the establishment and

265 operation of the branch campus of George Mason University in the Republic of Korea, pursuant to § 23-266 91.29:1.

267 B. Where a procurement transaction involves the expenditure of federal assistance or contract 268 funds, the receipt of which is conditioned upon compliance with mandatory requirements in federal laws 269 or regulations not in conformance with the provisions of this chapter, a public body may comply with 270 such federal requirements, notwithstanding the provisions of this chapter, only upon the written 271 determination of the Governor, in the case of state agencies, or the governing body, in the case of 272 political subdivisions, that acceptance of the grant or contract funds under the applicable conditions is in 273 the public interest. Such determination shall state the specific provision of this chapter in conflict with 274 the conditions of the grant or contract.

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### § 23-38.110. Procurement; discrimination prohibited; participation of small, womenowned, and minority-owned business enterprises.

277 A. (Effective July 1, 2014) Subject to the express provisions of the management agreement 278 described in § 23-38.88, covered institutions may be exempt from the provisions of the Virginia Public 279 Procurement Act (§ 2.2-4300 et seq.), except for § 2.2-4342 (which section shall not be construed to 280 require compliance with the prequalification application procedures of subsection B of § 2.2-4317); 281 provided, however, that any deviations from the Virginia Public Procurement Act approved in a 282 Management Agreement shall be uniform across all covered institutions; and provided further that the 283 governing body of a covered institution shall adopt, and the covered institution shall comply with, 284 policies for the procurement of goods and services, including professional services, that shall be based 285 upon competitive principles and shall in each instance seek competition to the maximum practical 286 degree. The policies shall implement a system of competitive negotiation for professional services 287 pursuant to subsections subsection A, B, and E of § 2.2-4302.2 or pursuant to § 2.2-4302.3, shall 288 prohibit discrimination because of race, religion, color, sex or national origin of the bidder or offeror in 289 the solicitation or award of contracts, shall incorporate the prompt payment principles of §§ 2.2-4350 290 and 2.2-4354, and shall consider the impact on correctional enterprises under § 53.1-47.

291 B. Such policies may, among other things, (i) provide for consideration of the dollar amount of 292 the intended procurement, the term of the anticipated contract, and the likely extent of competition; (ii) 293 implement a prequalification procedure for contractors or products; and (iii) include provisions for 294 cooperative arrangements with other covered institutions, other public or private educational institutions, 295 other public or private organizations or entities, including public-private partnerships, public bodies, 296 charitable organizations, health care provider alliances or purchasing organizations or entities, state 297 agencies or institutions of the Commonwealth or the several states, the District of Columbia, the 298 territories and the United States, and any combination thereof. Nothing in this section shall preclude a 299 covered institution from requesting and utilizing, and covered institutions are hereby encouraged to 300 utilize, the assistance of the Virginia Information Technologies Agency in information technology 301 procurements.

302 C. In the solicitation and awarding of contracts, no covered institution shall discriminate against 303 a bidder or offeror because of race, religion, color, sex, national origin, age, disability, or any other basis 304 prohibited by state or federal law. The procurement policies of a covered institution shall provide that, 305 whenever solicitations are made seeking competitive procurement of goods or services, it shall be a 306 priority of the institution to provide for fair and reasonable consideration of small, women-owned, and 307 minority-owned businesses and to promote and encourage a diversity of suppliers. The institution shall 308 post on the Department of General Services' central electronic procurement website all Invitations to 309 Bid, Requests for Proposal, sole source award notices, and emergency award notices to ensure visibility 310 and access to the Commonwealth's procurement opportunities on one website.

D. As part of any procurement provisions of a management agreement, the governing board of a
 covered institution shall identify the public, educational, and operational interests served by any
 procurement rule or rules that deviate from those in the Virginia Public Procurement Act.

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#### § 33.1-391.3. (Effective July 1, 2014) Powers and duties of the Director.

Except such powers as are conferred by law upon the Commonwealth Transportation Board, or
 such services as are performed by the Department of Transportation pursuant to law, the Director of the
 Department of Rail and Public Transportation shall have the power to do all acts necessary or

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321	specified in § <del>2.2-4302.2 <u>2.2-4302.3</u>.</del>
320	and to procure architectural and engineering services for rail and public transportation projects as
319	demand management, ridesharing, and passenger and freight rail transportation in the Commonwealth
318	convenient for establishing, maintaining, improving, and promoting public transportation, transportation