



Capital Improvement Procurement Guidelines

OVERVIEW:

Procurement of Capital improvement projects supported by Washington State Department of Agriculture (WSDA) Food Assistance (FA) funding must comply with the guidance in this document. If an organization's internal policies or procedures are more restrictive, then the organization should follow the stricter of the two policies or procedures. Please note that if Davis-Bacon and related Acts are not required under federal sources of funding, State Prevailing Wage Laws may still apply and should be investigated (see more information on prevailing wages under ADDITIONAL REQUIREMENTS below).

All procurements are based on a competitive solicitation process, with exceptions for emergency, sole source, and direct buy.

If an organization is a Sub Agency within a WSDA FA core program (EFAP, EFAP-Tribal, TEFAP, CSFP), but holds a direct Agreement with WSDA FA for a project that includes the purchasing of equipment, then they are considered a Lead Agency in that particular Agreement and for that purchase. If there is not an Agreement between the Sub Agency and WSDA FA for that project, then that organization's Lead Agency is responsible for following these guidelines. Communication between Sub Agencies and Lead Agencies is always recommended so matters of funding and additional requirements may be discussed.

NEW CAPITALIZATION THRESHOLD:

Effective October 1, 2024, all procurements of capital improvement(s), acquired with state or federal funding will begin using the capitalization threshold of \$10,000, including the inventory threshold. All procurements prior to October 1, 2024 will continue to be inventoried and tracked under the old threshold of \$5,000 until disposition.

DEFINITIONS:

Ancillary Charges: An expense involved in the transaction, but not directly related or incidental. This includes items such as taxes, duty, transit insurance, freight, and installation which may be included in the acquisition cost, in accordance with the organization's accounting practices.

Acquisition Cost: The total costs incurred in acquiring and readying an asset for its intended use, including the cost of modifications, accessories, and ancillary charges.

Capital Assets: 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). See Federal Guidance [2 CFR § 200.1](#) and [2 CFR § 200.465](#).

- Capital assets **include** land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital lease. WSDA FA funding is not to be utilized for the purchase of land or new buildings. Some exceptions may apply.
- Capital assets **do not include** intangible right-to-use assets and right-to-use operating lease assets. For example, capitalized assets that recognize a lessee's right to control the use of property and/or equipment for a period of time under a lease contract.

Capital Expenditures: Spending of funds by an organization to acquire, maintain, or improve capital assets thereby extending their useful life and increasing their value.

Capital Improvement Project (“Project”): The actual additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations, or alterations to property, infrastructure, or facilities that increase their value or useful life (not ordinary repairs and maintenance), has a per unit cost which equals or exceeds the lesser of the capitalization level established by the organization for financial statement purposes, or \$10,000 (if procured October 1, 2024 or thereafter); \$5,000 (if procured prior to October 1, 2024).

Capitalization Policy: Capitalization Policy refers to the criteria used by an organization to determine which capital expenditure should be reported as a capital asset. Capital assets with a unit cost (including ancillary costs) of \$5,000 or greater, or collections of capital assets with a total cost of \$10,000 or greater, are capitalized, unless otherwise noted.

Contract: A legal instrument by which an organization purchases property or services needed to carry out the project or program under a federal award.

Davis-Bacon Act: Federal law requiring the payment of prevailing wage in certain contracts (minimum threshold of \$2,000) for the construction, alteration, or repair (including painting and decorating) of public buildings or public works supported with federal funding and required by the fund source. Exceptions may apply.

Direct Buy: The ability to buy directly from a vendor and without competition. Direct buy purchases are authorized by the Lead Agency when the cost is less than \$30,000. If a vendor is a microbusiness, minibusiness or a small business as defined by RCW 39.26.010, or from a certified veteran-owned business; or from a certified state Office of Minority and Women’s Business Enterprises (OMWBE) business, the limit is less than \$40,000. Direct Buy levels include shipping and handling costs, but exclude taxes and finance charges. Unless an acquisition is exempt, if it exceeds the direct buy limit, it must be competitively procured.

Emergency Buy: When a set of unforeseen circumstances is beyond the control of the organization and either:

- Presents a real, immediate, and extreme threat to the proper performance of essential functions.
- May reasonably be expected to result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken.

Lead Agency: The entity that holds a written Agreement with Washington State Department of Agriculture Food Assistance (WSDA FA) to implement a program at the local level and/or through its Sub Agencies.

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

Responsible Bidder: A person or company who offers the lowest price for a project or job, while also meeting all the requirements and specifications of the solicitation.

Sealed Bids: Sealed 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.

Sole Source: A contractor providing goods or services of such a unique nature or availability at the location required that the contractor is clearly and justifiably the only practicable source to provide the goods or services.

State Prevailing Wage: State law requiring the payment of prevailing wage in certain contracts for the construction, alteration, or repair (including painting and decorating) of public buildings or public works.

Sub Agency: The entity that holds a written Agreement with a Lead Agency to implement a program at the local level.

PROCUREMENT THRESHOLDS: PURCHASING GOODS & SERVICES:

WSDA has determined that the Agency's Procurement Policy is more restrictive than the Federal Award Uniform Guidance (2 CFR § 200). The allowable Micro purchase (Direct Buy) threshold for Recipients and Subrecipients increased to \$50,000 whereas WSDA's Direct Buy threshold is lower (i.e. less than \$30,000 or less than \$40,000 if purchase is from a microbusiness, or small business, or certified veteran-owned business or a certified OMWBE business). Organizations shall comply with WSDA's Procurement Policy unless the organization's policy is more restrictive; then the organization must follow its own policy. Please be advised that Uniform Guidance sections CFR §§ 200.317 -200.327 may also apply.

These procurement policies and thresholds extend to organizations utilizing WSDAFA funds for procurement.

The following conditions shall apply:

- **If the capital improvement is less than the Direct Buy threshold of \$30,000, or less than \$40,000 — (includes shipping and handling but excludes taxes and finance charges) when the purchase is from a microbusiness, minibusiness, or small business as defined by RCW 39.26.010; or from a certified veteran-owned business; or from a certified state Office of Minority and Women's Business Enterprises (OMWBE) business:**
 - Prior WSDA FA approval is required for all capital improvement purchases of \$10,000 or more.
 - Proceed with the procurement, directly from a vendor without competition.
 - Suspension and Debarment rules apply regardless of purchasing from a Vendor or passing funding through to a Sub Agency.
 - Direct buy limits apply on a per-transaction basis (to each Agreement term or to each purchase event- per WSDA policy).
- **If the capital improvement procurement is more than the Direct Buy threshold \$30,000, or more than \$40,000 (includes shipping and handling, but excludes taxes and finance charges), when the purchase is from a microbusiness, minibusiness, or small business as defined by RCW 39.26.010; or from a certified veteran-owned business; or from a certified state Office of Minority and Women's Business Enterprises (OMWBE) business:**
 - Prior WSDA FA approval is required for all capital improvement purchases of \$10,000 or more.
 - Amounts over these thresholds require, a competitive solicitation, in the form of one of the following:
 - Bid Solicitation: Three (3) solicited written quotes (at minimum), or
 - Sealed Bids: Publicly solicited, where a fixed price Agreement is awarded conforming with all the material terms and conditions of the invitation and is the lowest price, or
 - Proposals: Publicized and identifies evaluation factors and their importance.
 - i. Proposals must be solicited from an adequate number of qualified vendors.
 - ii. Any response to publicized requests for proposals must be considered to the extent practical.
 - iii. The organization must have a written method to conduct evaluation of proposals received and selection criteria.
 - Suspension and Debarment rules apply regardless of purchasing from a Vendor or passing funding through to a Sub Agency.

DOCUMENTATION REQUIREMENTS:

All purchasing and repairs costing \$10,000 or more must be documented, and retained in the organization's files.

Additional requirements which apply to sealed bids and proposals:

- Confirms that selection committee does not have any conflict of interest with bidders.
- Retains conflict-of-interest documentation of each member of the selection committee.
- The organization must have and retain documentation of the selection methodology.
- As applicable, the organization must review the procurement contract for continuity with this policy prior to execution.

APPROVAL GUIDELINES:

- WSDA FA approval is required before any project with an estimated cost of \$10,000 or more begins and/or any costs are incurred.
 - For projects costing under \$10,000 WSDA FA prior approval is not required.
- Sub Agencies should seek Lead Agency approval prior to implementing all projects under \$10,000.
- FA approval is generally a three-step process:
 1. The Lead Agency submits the **Food Assistance - Capital Improvement Procurement Request/Approval Form (AGR-2308)** to the applicable WSDA FA Representative on behalf of itself and/or its Sub Agency.
 - With the request form, the Lead Agency also submits the appropriate number and type of bid(s)/quote(s) from responsible bidders based on the estimated project cost. If using the competitive proposal or sealed bid process, the Lead Agency submits a narrative description of the purchase and procurement process. (Additional requirements may apply, see **Procurement By** sections below).
 - If the property on which the project is to be done is leased, the Lead Agency must:
 - i. Have building owner approval for the project in the form of a letter that is submitted with the request form.
 - ii. Have and submit a copy of the current lease showing a lease end date that meets the Extended Use Period (see below). If the lease period is not sufficient, a lease extension will be required.
 2. WSDA FA returns the **Food Assistance - Capital Improvement Procurement Request/Approval Form (AGR-2308)** to the Lead Agency indicating whether the project is approved or not.
 - If approved, the Lead Agency may proceed with finalizing the next steps of the procurement.
 3. Once the project is complete, the Lead Agency resubmits the approved **Food Assistance - Capital Improvement Procurement Request/Approval Form (AGR-2308)** for post-purchase finalized cost verification along with the final invoice voucher.
 - Payments will not be processed without all required documentation.
 - For the competitive or sealed bid process, proof of the publicized request for proposals/invitation for bids must be submitted with the reimbursement request.

PROCUREMENT BID BY SOLICITATION:

Three (3) written quotes (at minimum) are solicited and evaluated for the most advantageous outcome to the program.

PROCUREMENT BY SEALED BID:

In this process, bids are publicly solicited, and a fixed price contract is awarded to the responsible bidder whose bid is the lowest in price if it conforms with all the material terms and conditions of the bid invitation. The sealed bid method is preferred for projects if:

- A complete, adequate, and realistic specification or purchase description is available.
- Two or more responsible bidders are willing and able to compete effectively for the business.
- 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.

If sealed bids are used, the following requirements apply:

- The invitation for bids must be publicly advertised, solicited from an adequate number of suppliers, and sufficient response times must be provided. Additionally, the invitation for bids must clearly define the items or services needed (including any specifications and pertinent attachments) for bidders to properly respond.

- All bids must be publicly opened at the time and place prescribed in the invitation for bids.
- A firm fixed price contract award must 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 the lowest bid. Payment discounts will only be used to determine the low bid when prior experience indicates such discounts are usually utilized.
- Any or all bids may be rejected if there is a sound, documented reason.

PROCUREMENT BY PROPOSALS:

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

- 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.
- Proposals must be solicited from an adequate number of qualified sources.
- The Lead Agency must have a written method for conducting technical evaluations of the proposals received and for selecting recipients.
- Contracts must be awarded to the responsible firm whose proposal is most advantageous to the program, with price and other factors considered.
- The Lead Agency 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.

TRACKING AND INVENTORY REQUIREMENTS:

- Lead Agencies are responsible for tracking projects purchased with WSDA FA funds for their own organization as well as any of their designated Sub Agencies. If a Sub Agency holds a direct Agreement with WSDA FA that includes a project, then the Sub Agency is considered a Lead Agency in that instance and responsible for tracking their own project.
- Completion of the **Annual Capital Improvement Inventory Report (AGR-2614)** is required for all Capital Improvements procured with WSDA FA funding with an acquisition cost of \$10,000 or more per project, annually and reported when completed.
- A physical inventory of all projects procured with WSDA FA funding must be done once every two (2) years and be reconciled between WSDA FA records and the physical inventory. Any discrepancies found in the records must be adjusted and reported to the appropriate WSDA FA Representative.
- WSDA FA prior approval is required for disposition of any capital improvement procured with an acquisition cost of \$10,000 or more. Any capital improvement which is later sold, traded, or disposed of by an organization must follow the **Capital Improvement Disposition Guidelines (AGR PUB-898)**.

EXTENDED USE PERIOD (EUP):

- Agencies must hold and use a capital improvement funded by WSDA FA for an additional length of time beyond the period of performance based on capital improvement cost as defined below.
 - Estimated costs for this capital improvement project is \$10,000.00 - \$19,999.99. Extended use period: one (1) year.

- Estimated costs for this capital improvement project is \$20,000.00 - \$49,999.99. Extended use period: four (4) years.
- Estimated costs for this capital improvement project is \$50,000.00 - \$149,999.99. Extended use period: seven (7) years.
- Estimated costs for this capital improvement project is \$150,000.00 and over. Extended use period: ten (10) years.

ADDITIONAL REQUIREMENTS:

- A responsible bidder cannot be suspended, debarred, or have an active exclusion. Lead Agencies must check for active exclusions here: <https://sam.gov/data-services/Exclusions?privacy=Public>.
- State prevailing wage requirements or Federal Davis-Bacon Act may apply to any project. WSDA FA staff are not responsible for determining prevailing wage rates or when they may apply to a project. An absolute determination regarding the applicability of prevailing wage rates can only be obtained from Labor and Industries (L&I).
 - For information on the Washington Prevailing Wage please consult the L&I website Contractors/Employers (wa.gov) or contact L&I at PW1@Lni.wa.gov or (855) 545-8163.
 - **Labor and Industries:** lni.wa.gov/licensing-permits/public-works-projects/prevailing-wage-rates/.
 - **Davis-Bacon:** dol.gov/agencies/whd/government-contracts/construction.
- Additional requirements may apply depending on the fund source.
- Exceptions to these requirements may also apply, please contact your WSDA FA Representative for more information.

QUESTIONS:

Please work with your fiscal or purchasing department. Additional information is available in the Procedures Manuals or by contacting your WSDA FA Representative.