**Section 2600.600 Types of Contracts**

a) This Section contains descriptions of types of contracts and limitations as to when they will be utilized by SBEL in its procurements. Types of contracts not mentioned in this Section may also be utilized.

b) The cost-plus-a-percentage-of-cost method of contracting is prohibited by Section 20-55 of the Code. This type of contracting may not be used alone or in conjunction with an authorized type of contract. A cost-plus-percentage-of-cost contract is one in which the vendor selects the supply or service on which the vendor's percentage is applied. Contracts that involve a percentage mark-up are not necessarily a cost-plus-a-percentage-of-cost contract.

c) Fixed-Price Contracts. If the contract permits unilateral action by the vendor to bring about the condition under which a price increase may occur, SBEL shall have the right to reject the price increase and terminate without cost the future performance of the contract.

d) A cost-reimbursement type contract will be used only when the Procurement Officer determines in writing that such a contract is likely to be less costly to the State than any other type or that it is impracticable to obtain the items. This Section does not apply to reimbursement of travel expenses in accordance with applicable travel control board regulations.

e) Cost Contract. A cost contract provides that the vendor will be reimbursed for allowable costs incurred in performing the contract, but will not receive a fee.

f) Cost-Plus-Fixed-Fee Contract. This is a cost-reimbursement type contract that provides for payment to the vendor of an agreed fixed fee in addition to reimbursement of allowable incurred costs. The fee is established at the time of contract award and does not vary if the actual cost of contract performance is greater or less than the initial estimated cost established for the work. Thus, the fee is fixed but not the contract amount because the final contract amount will depend on the allowable costs reimbursed. The fee is subject to adjustment only if the contract is modified to provide for an increase or decrease in the scope of work specified in the contract.

g) Time and Materials Contracts; Labor Hour Contracts. Time and materials contracts provide an agreed basis for payment for materials supplied and labor performed. Labor hour contracts provide only for the payment of labor performed. They shall, to the extent possible, contain a stated ceiling or an estimate that shall not be exceeded without prior SBEL approval.

h) Definite Quantity and Indefinite Quantity Contracts

1) Definite Quantity. A definite quantity contract is a fixed-price contract that provides for delivery of a specified quantity of supplies or services, either at specified times or when ordered.

2) Indefinite Quantity. An indefinite quantity contract is a contract for an indefinite amount of supplies or services to be furnished at specified times, or as ordered, that establishes unit prices of a fixed-price type. Generally an approximate quantity or the best information available as to quantity is stated in the solicitation. The contract may provide a minimum quantity SBEL is obligated to order and may also provide for a maximum quantity provision that limits SBEL's obligation to order.

i) Leases. A lease is a contract for the use of supplies or real property under which title will not pass to the State at any time, except pursuant to an option to purchase.

j) Contracts may provide for payment to the vendor of a percentage of the amount the vendor recovers or collects on behalf of SBEL. The percentage may be fixed or may vary depending on amount of recovery or other factors, and the percentage may be paired with a fixed price or cost reimbursement method.

k) When a contract is to contain an option for renewal, extension, or purchase, notice of that provision shall be included in the solicitation. These options may be exercised without taking other procurement action when the option is established for exercise at SBEL's option, and there is no material change in the terms and conditions or any such change is dependent on a fixed formula or standard established in the original contract. A purchase option in a lease may be exercised only if the lease containing the purchase option was awarded under competitive sealed bidding or competitive sealed proposals, the leased supply or facility is the only supply or facility that can meet SBEL's requirements, the purchase option price is less than the small purchase limit or emergency conditions exist.

l) Notwithstanding any provision in any contract, supplies or services available from State programs, such as Correctional Industries, may be ordered without violating any contract.

m) Notwithstanding any provision in any contract, SBEL reserves the right to take bids separately if a particular quantity requirement arises that exceeds SBEL's normal needs or ordering requirements.

n) The CPO may authorize an IFB, RFP or sole source negotiation for energy conservation measures under which SBEL would make payment based on utility cost savings. The contract shall require a clearly defined baseline of energy usage and method of measuring cost savings, taking into account at least differing weather conditions, changes in facility, usage and cost of energy.