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September 8, 2010

ADDENDUM 7

REQUEST FOR PROPOSALS (RFP) NO. 4708 COUNTY OF SAN DIEGO, DEPARTMENT OF PURCHASING & CONTRACTING OFFICE SUPPLIES, SCHOOL SUPPLIES, AND MULTI-PURPOSE PAPER PRODUCTS

Questions and answers received prior to the question cutoff date are provided in this addendum. Please note: In accordance with RFP Terms and Conditions, Section 14 Explanation to Proposers "Oral explanations or instructions will not be binding."

Questions and Answers:

Q1. Will the County consider a multi-vendor award for this bid?

A1. No.

Q2. Will the County remove the \$25 million dollar office supplies revenue requirement and requirement for 3 office supply references of over \$5 million each?

A2. No.

Q3. Lot 4 & 5 Non-Stocking Clarification - If we are utilizing a wholesaler partner for contract fulfillment, all of these items would be considered non-stocking. Would we therefore list the 10,000+ items all in Lot 5?

A3. Non-stocked/sourced items should be listed in Lot 5.

Q4 Lot 4/5 Pricing Clarification: You have asked bidders to provide an "Estimated MSRP of Catalog Items Purchased Annually" and a "Blended Discount". We are not clear on the provided instructions. For example, if we bid 10,000 items on Lot 5:

- a. How do we calculate the "Estimated MSRP of Catalog Items Purchased Annually" as we have no way of knowing what the County will be buying from this list of products? If it is based on overall supplier usage, then every bidder would be providing a radically different total MSRP number, based on their overall size and the particular mix of products they sell that are included in the Lot.

- b. The instructions indicate that the supplier can vary the discounts by item to arrive at a blended discount. Once we understand how to calculate the “Estimated MSRP”, and we itemize these items on the spreadsheet to determine a “Blended Discount”, do we then price these items based on the individual discounts we offered, or do we convert all items to pricing based on the blended discount? Naturally the County’s usage will impact the long term discount actually achieved by the County, so how can the supplier be held accountable for achieving a blended discount, versus simply honoring the specific individual discounts they quoted?

If you could give an example of how Lot 4 & 5 might look for 2 different vendors, and how those numbers feed into the “Total Extended Price” tab of the Pricing Sheet Addendum for total weighting, that would help clear up any confusion. Thanks for your assistance in better understanding this critical piece of pricing so we can determine how to offer a program that best serves the public sector.

- A4. For Lot 4, the “Estimated MSRP of Catalog Items Purchased Annually” is \$1,000,000. For evaluation purposes, the blended discount proposed by offerors will be applied to the “Estimated MSRP of Catalog Items Purchased Annually.” No usage is provided for Lot 4. For evaluation purposes only, usage shall be a quantity of one (1) per item. Following is an example of how a vendor can compile the Lot 4 list and how the pricing would be evaluated: From their system, the offeror would extract all items contained in their Proprietary In-Stock Catalog. For each item, the price list must include the manufacturer stock number, item description, the MSRP as of July 1, 2010 through August 30, 2010 AND offeror shall remove all items that are explicitly listed in Lots 1, 2, or 3 and all items that are considered non-stock or sourced and remove all items listed in Exhibit A, Statement of Work, Order Limitations, 12.4. For the remaining items, offeror shall enter the discount off MSRP. The discount off MSRP can be different for each item. The average of the item discounts is the “blended discount” that should be entered into the County’s Excel spreadsheet. For example, if an offeror entered a blended discount of 70%, the bid for Lot 4 would be \$300,000.**

For Lot 5, the “Estimated MSRP of Sourced Items Purchased Annually” is \$1,000,000. For evaluation purposes, the blended discount proposed by offerors will be applied to the “Estimated MSRP of Sourced Items Purchased Annually.” Since there is no way for the County to predict what will be ordered, each offeror shall compile the Lot 5 list *based on their industry knowledge and product availability*. Following is an example of how an offeror can compile the Lot 5 list and how it would be evaluated: From their system, the offeror would extract a list of items that are considered non-stock or sourced items that are *commonly used in an Office and School setting*. For each item, the list must include the manufacturer stock number, item description, the MSRP as of July 1, 2010 through August 30, 2010 AND this list shall contain a minimum of 10,000 items and items cannot be listed in Lots 1, 2, 3, or 4 and cannot contain items listed in Exhibit A, Statement of Work, Order Limitations, 12.4. Once the list is compiled, offeror shall enter the discount off the MSRP for each line item. The discount off MSRP can be different for each line item. The average of the line item discounts is the “blended discount” that should be entered into the County’s Excel spreadsheet. For example, if an offeror entered a blended discount of 60%, the bid for Lot 5 would be \$400,000.

- Q5. Will you consider altering this bid to adhere to the California Business & Professions Code Sections 17030 & 17044 concerning disallowing the use of loss leader pricing in California?

- A5. The RFP is valid under California law as drafted. Most favored customer provisions are common and legal.**
- Q6. If this bid complies with the loss leader law, will the portions of this RFP, such as section 2.2 on Pricing Commitment (page 43 of 60), be reworded so as not to require that the prices on this contract be subject to adjustment to match loss leader pricing that may be legally offered in other States, but is illegal in California?
- A6. This RFP is valid under California law as drafted. No changes to the RFP are necessary.**
- Q7. Will you consider altering the bid to adhere to California Business & Professions Code section 17045 that prevents the use of rebates etc that are injurious to fair competition?
- A7. This RFP is valid under California law as drafted. Most favored customer provisions are common and legal. Exhibit D, Section 3.3 L will not be scored during the selection process.**
- Q8. Use of P-Card - The bid documentation indicates that the County may choose to use P-Cards or bill on Open Account. Can you give us any idea as to the percent of the current contract, including the National IPA portion, that is billed in each manner?
- A8. For the County, P-Cards have been used on 79% of purchases and 21% have been by check. The County does not have these statistics for the National IPA portion.**
- Q9. Please provide information about the cost of participation in the National IPA national and regional shows e.g. number, frequency/location, booth costs etc?
- A9. National IPA does not host any national or regional shows.**
- Q10. Why would the county include school supplies in a county bid? What is the County's expertise in the school supply area?
- A10. The County of San Diego supports a number of departments that utilize school supplies including but not limited to the Juvenile Probation, Libraries, and the Polinsky Center. County departments have been purchasing school supplies to support these programs for many years.**
- Q11. How many school supplies bids has the county issued, awarded and managed in the last 20 years?
- A11. One, RFP 2000 issued in 2007 was for Office and School Supplies**
- Q12. The addition of the school supplies requirement will limit the competition to one supplier. How does eliminating all but one company benefit the county?
- A12. The underlying premise of this question is incorrect. For example, the County of San Diego's current Office Supply agreement includes school supplies.**

Q13. Given that the addition of school supplies will eliminate competition; will the County remove school supplies from the requirements?

A13. The underlying premise of this question is incorrect. The County of San Diego does not intend to modify this RFP.

Q14. There are no school supply items in the core list. How will the county evaluate the competitiveness of the respondents' school supply pricing?

A14. There are items in Lot 1, Core Items, and Lot 3, Copy Paper, which may be considered either office or school supplies. These include but are not limited to pencils, erasers, binders, scissors, and paper. It is virtually impossible to distinguish between what is purely an office supply product and what is purely a school supply product. For this solicitation, the County is seeking a supplier of both types of products.

Q15. Will the County provide a school core list and usage?

A15. No.

Q16. Why provide an option for an 8 year term?

A16. The option is not for an 8 year term. This initial contract term will be for a period of two (2) years with three two-year options.

Q17. Would you consider changing the term of the contract to a total of 5 years to ensure the most competitive pricing for the county and the other agencies that utilize the contract?

A17. No. The County is not obligated to exercise option periods and has the authority to terminate the contract for convenience at any time.

Q18. Please provide the following information:

- a. Total number of public agencies using the current contract.
- b. Total national spend through the current contract for calendar year 2009 and spend for the first 2 quarters of 2010

A18. The total number of public agencies using the current contract is in excess of 700. The national sales run rate for 2009 was approximately \$50 million.

Q19a. In Exhibit D, Section 1.2 requires an upfront payment (within 10 days of award) to be made to NIPA. This pay to play approach is highly unusually in public procurement. Is this legal?

A19a. This RFP is valid under California law as drafted. No changes to the RFP are necessary. Offerors are not obligated to provide National IPA up front marketing dollars as per Exhibit D, 1.2, offerors may enter \$0. Moreover, this provision will not be scored during the selection process. In other words, a proposer may offer

an upfront payment which will be included with the final agreement, but the County is not considering as part of the selection process whether such an offer is made when deciding which proposer will be selected. This is not a scored component of the RFP.

Q19b. How will the amount a vendor commits to pay NIPA be factored into the evaluation and award of the contract?

A19b. See answer to Question 19a above. This provision will not be scored during the selection process.

Q19c. How do the required payments to NIPA benefit the County?

A19c. The County receives no benefit from up-front marketing dollars. Offerors are not obligated to provide National IPA up front marketing dollars as per Exhibit D, 1.2 offerors may enter \$0.

Q20. If I am a small business in San Diego and can provide a better value and pricing to the County why would I have to provide up-front marketing money?

A20. See answer to Question 19a above.

Q21a. In Exhibit D, Marketing and Sales, Section 3.3 L, it is required that companies guarantee a minimum amount of sales for each year of the first 3 years of the contract. This equates to a minimum fee payment to NIPA. This pay to play approach is highly unusually in public procurement. Is this legal?

A21a. The RFP is valid under California law as drafted. No changes to the RFP are necessary. Moreover, this provision will not be scored during the selection process. In other words, a proposer may offer a guaranteed minimum sales amount which will be included within the final agreement, but the County is not considering as part of the selection process whether such an offer is made when deciding which proposer will be selected. This is not a scored component of the RFP. Offerors may enter \$0 in exhibit D section 3.3 L.

Q21b. How will the amount a vendor commits to pay NIPA be factored into the evaluation and award of the contract?

A21b. See answer to Question 21a above. This provision will not be scored during the selection process.

Q21c. How do the required payments to NIPA benefit the County?

A21c. The County has a revenue sharing agreement with National IPA.

Q22. If I am a small business in San Diego and can provide a better value and pricing to the County

why would I have to guarantee minimum fee payments be made to NIPA? Per section 5.1 to be eligible to compete for this contract my company has to agree to the terms and conditions of Section D – NIPA.

A22. See answer to Question 21a above.

Q23. In exhibit 7.3 you ask for a customizable core list; What are the number of agencies that currently have a customizable core list?

A23. Exhibit A, 7.3 was deleted in Addendum 4.

Q24. What is the average number of items on the core list?

A24. Lot 1, Core Items, contains 1,000 of the most commonly ordered office and school supplies by the County.

Q25. With different core lists with different products and pricing for each public agency, how would does this comply the public competitive process?

A25. All agencies will have the same Core list, Lot 1. The requirement for the customizable core list, Exhibit A, 7.3, was deleted in Addendum 4.

Q26. How would a public agency be able to audit this if everybody has different prices?

A26. See answer to Question 25 above.

Q27. Exhibit A 11.1 Retail Store option is a desirable but not mandatory, will you please provide information on how this will be evaluated.

A27. This is not a scored component of the RFP. The County needs to know if the offeror has the capability of providing contract pricing in their retail stores.

Q28. Exhibit A 12.1. Most public office supply contracts have free shipping regardless of order size. why is there a \$50.00 minimum order size?

A28. Eliminating smaller orders reduces administrative costs for the County, the vendor, and reduces the burden on the environment.

Q29. Free delivery regardless of order size is a standard T&C –This is a hidden cost that has the potential to increase the overall cost to the county and public agencies that use the contract dramatically. Why is the County willing to accept such unfavorable terms?

A29. See answer to Question 28 above.

Q30. Exhibit D, 2.2, Please provide in detail how you will enforce the Corporate, Sales and Pricing commitments? Will the awarded vendor be allowed to have multiple contracts with other national purchasing coops?

A30. The County will enforce any contractual obligations, in part, through the conduct of periodic audits as set forth in the RFP. The awarded vendor will be allowed to have multiple contracts with other national purchasing cooperatives.

Q31. Will the County provide the nationwide usage from the current contract?

A31. The County does not have nationwide usage data for individual items.

Q32. There are no specifications nor mention of furniture, print services, technology and, break room supplies. Clearly these categories are not within the scope of this RFP. Will these categories be part of the official award? Will these categories be permitted to be added in the future?

A32. See Exhibit A, Order Limitations, 12.4. For the County, the purchase of microcomputers and related peripherals, software, and modular furniture is not allowed under this contract. However, as per Exhibit A, 12.5, these restrictions do not apply to other Participating Public Agencies. Print Services will not be a part of this contract and there are no plans to add them in the future. Break room supplies are allowed under this contract and will fall under Lot 1, Lot 4 and/or Lot 5.

Q33. For the pricing instruction for Lot 4 and 5, we want to make sure we clearly understand the definition, and the appropriate calculations, of average versus blended discounts. The instructions are a little confusing to us and we want to make sure we clear up any ambiguity. Could you provide some more specific guidance on the differences between the two and how each relates to product usage? Can you also provide some examples of the calculation of each?

A33. See answer to Question 4 above.

Q34. Can we bid on only "one or two" lots on this bid or do we need to bid on all of the lots to qualify for this bid?

A34. No, the offeror must bid on all lots to be considered responsive.

Q35. HP is asking for a usage report that encompasses all NIPA customers nationally. If so, can the usage report meet the following criteria:

- 1) delivered via email in Microsoft excel format
- 2) covering the most recent 12 month period (August 1, 2009 - July 31st, 2010)
- 3) HP branded ink and toner cartridges, and also includes remanufactured ink and toner cartridges for HP brand printers.
- 4) Manufacturers part number for HP brand and manufacturers part number for any remanufactured brands
- 5) Total quantity sold by manufacturers part number for the specified period above by customer

A35. The County does not have nationwide usage for individual items.

The due date for the submission of Proposals HAS changed, via Addendum 6. Mark the outside of the package with "RFP 4708" and the name and address of the Offeror. Late Proposals will not be considered unless it is the only one received or there was mishandling on the part of County Purchasing staff. Proposals are to be submitted to the front desk of Purchasing and Contracting department **no later than 3:00 PM local time on Monday, September 27, 2010** at:

**COUNTY OF SAN DIEGO
OFFICE OF PURCHASING AND CONTRACTING
10089 WILLOW CREEK ROAD, SUITE 150, MAIL STOP 032
SAN DIEGO, CA 92131**

If you have any further questions, please contact Germaine Howson, Procurement Contracting Officer by e-mail at Germaine.Howson@sdcounty.ca.gov.

Germaine Howson for
WINSTON F. McCOLL, Director
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