



CITY OF HOUSTON

Administration and Regulatory Affairs Department
Strategic Purchasing Division

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Mayor

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March 22, 2011

Subject: Letter of Clarification No. 2
Copy Paper and Miscellaneous Paper Products

Reference: Invitation to Bid (ITB) No.: S44-S22834

To All Prospective Suppliers:

This Letter of Clarification is issued for the following reason:

- To revise the above referenced solicitation as follows:
 1. The Bid Opening date will be extended from March 24, 2011 to March 31, 2011
 2. At the City's e-bidding website, Group I, Item Nos. 1 thru 4 descriptions have **changed**.
 3. At the City's e-bidding website, Group II, Item Nos. 2, 3, 6, 8 thru 12, and 14 descriptions have **changed**. Item No. 4's quantity and description have **changed**.
 4. At the City's e-bidding website, Group III, Item Nos. 2 and 5 descriptions have **changed**.
 5. At the City's e-bidding website, Group IV, Item Nos. 1 thru 5, 7, 8, 10, 11, 17, 21, 24, and 28 thru 39 descriptions have **changed**.
 6. At the City's e-bidding website, Group VI, Item Nos. 6 thru 12 descriptions have **changed**.
 7. In Section B, Page 4 of 16, **replace**: "Provision 4.0 PRICE ADJUSTMENT with attached pages 4A thru 4C marked revised 3/17/2011".
 8. In Section B, "Provision 5.0 RECYCLED AND VIRGIN PULP REQUIREMENTS" has been **added** on Page 4C marked revised 3/17/2011.
 9. In Section C, Provision 3.0 INVOICING, the below language is **added** as sub-paragraph 3.6:

The Houston Airport System will accept invoices submitted electronically along with required support information such as Outline Agreement Number. Each invoice should be in a TIFF format. Multiple invoices can be submitted in a single e-mail. Submit to has.accountspayable@houstontx.gov

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10. In Section C, Provision 9.0 DELIVERIES, the below language is added as subparagraph 9.6:

Paper not ordered in pallet or truckload quantity shall require "desk top" delivery. Deliveries shall be made citywide but the below departments will have centralized delivery locations at the following addresses:

9.6.1 All deliveries for the Houston Airport System shall be delivered to:
18000 Lee Road
Humble, TX 77338

9.6.2 All deliveries for the Police Department shall be delivered to:
1200 Travis
Houston, TX 77002

9.6.3 All deliveries for the Public Works & Engineering Department shall be delivered to:
319 St. Emanuel
Houston, TX 77002

- Due to the aforementioned change(s) to the e-bidding items you may need to edit your bid. To do so, please select the "Bid Number" and proceed accordingly.

This Letter of Clarification will be considered part of the solicitation on the first page of this document.

Furthermore, it is the responsibility of each Supplier to obtain any previous Letter(s) of Clarification associated with this solicitation.



John Tatman
Procurement Specialist
Strategic Purchasing Division
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JGT
JGT:DRH:jgt

4.0 PRICE ADJUSTMENT:

4.1 Initial Pricing (Weighted: 75% Product, 25% Freight):

For Product (weight 75%):

The initial award pricing will be determined by adjusting the awarded bid's pricing in accordance with the documented percent of change between the monthly price index for "Pulp, paper, and allied products" for the month preceding the bid due day as verified and published by the Producer Price Index (PPI) and the documented percent of change between the monthly price index (PPI) for "Pulp, paper, and allied products" for the month preceding the award by City Council as verified and published by the Producer Price Index (PPI). Bidders should base their initial bid price on the monthly PPI index for "Pulp, paper, and allied products" for the month preceding the bid due date.

For Freight (weight 25%):

The initial award pricing will be determined by adjusting the awarded bid's pricing in accordance with the documented percent of change between the monthly price index for "Transportation Services, Truck Transportation of freight" for the month preceding the bid due day as verified and published by the Producer Price Index (PPI) and the documented percent of change between the monthly price index (PPI) for "Transportation Services, Truck Transportation of freight" for the month preceding the award by City Council as verified and published by the Producer Price Index (PPI). Bidders should base their initial bid price on the monthly PPI index for "Transportation Services, Truck Transportation of freight" for the month preceding the bid due date.

4.2 Subsequent Price Increases or Decreases:

Subsequent price increases/decreases may be requested three (3) months from the date of the previous approved price increase/decrease.

4.2.1 Subsequent award price adjustments will be based on the documented percent of change increase/decrease between the published monthly price index of the first month's index and the published monthly price index of the third month's index. The award price adjustment will be initiated the month following each three (3) calendar month reporting period.

4.2.2 After each three (3) calendar month price adjustment period, the supplier should submit a letter stating the reported percent of change and the amount of the increase and/or decrease itemized by line item. The letter must illustrate the methodology as outlined in this section by listing the three (3) calendar month period covered and the documented percent of change. Supplier current price and the revised award price after percent adjustment. The price adjustment request must be accompanied by the corresponding monthly report data. The letter and documentation shall be sent to the following address:

City Purchasing Agent
City of Houston
P.O. Box 1562
Houston, Texas 77251

4.2.3 If the City Purchasing Agent approves the price increase, he or she shall notify Supplier in writing; no price increase will be effective until Supplier receives this notice. If the City Purchasing Agent does not approve Supplier's price increase, Supplier may terminate its performance upon sixty (60) days advance written notice to the City Purchasing Agent. Termination of performance is the Supplier's only remedy if the City Purchasing Agent does not approve the price increase.

4.2.4 If, at any time after approving a price increase, the City Purchasing Agent determines that the City can obtain the same item at a lower price from a different source without violating the State bid laws, the City may then purchase the item from the lower price source without any obligation to the Supplier.

4.0 PRICE ADJUSTMENT (CONTINUED):

4.3 Accessing the Producer Price Index (PPI):

Follow these steps to access the Producer Price Index (PPI) for Product:

Go to website <http://www.bls.gov/ppi/home.htm#data>

Commodity Data, One-screen data search

Box 1: Select "09, Pulp, paper, and allied products"

Box 2: Select "09- Pulp, paper, and allied products, WPU09"

Select "Get data"

Follow these steps to access the Producer Price Index (PPI) for Freight:

Go to website <http://www.bls.gov/ppi/home.htm#data>

Commodity Data, One-screen data search

Box 1: Select 30 "Transportation Services"

Box 2: Select "Truck Transportation of freight", WPU3012"

Select "Get data"

4.3.1 Formula for initial pricing (re-established pricing) for Product (weighted 75%):

Bid Due Date (Received by City Secretary): February.

Month One: January, 125.2, this example will be used in the calculation.

Month awarded by Council (this could vary): May.

Month Three: April 130.2, this example will be used in this calculation.

Formula: $125.2 - 130.2 = 5 / 125.2 = 0.0399 \times 100 = 3.99\%$ increase

75% of 3.99 = 2.99% increase

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
%	125.2	122.7	124.1	130.2	121.1	122.9	129.3	123.2	121.9	122.7	121.6	120.3
		Bids Rcv'd			Initial Price Calculation							

4.3.2 Formula for initial pricing (re-established pricing) for Freight (weighted 25%):

Bid Due Date (Received by City Secretary): February.

Month One: January, 161.6, this example will be used in the calculation.

Month awarded by Council (this could vary): May.

Month Three: April 167.4, this example will be used in this calculation.

Formula: $161.6 - 167.4 = 5.8 / 161.6 = 0.035 \times 100 = 3.5\%$ increase

25% of 3.5 = .87% increase

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
%	161.6	147.2	139.2	167.4	166.4	191.1	172.8	204.1	193.2	202.8	215.7	205.1
		Bids Rcv'd			Initial Price Calculation							

Combined total: Product = 2.99% increase + Freight = 0.87% increase =
3.86% total increase

4.3.3 Re-established pricing:

Initial Pricing of the item: \$40.00

$\$40.00 \times (3.86 / 100) = \1.54

$\$40.00 + \$1.54 = \$41.54$

New Price: \$41.54

TECHNICAL SPECIFICATIONS FOR DISPOSABLE PAPER PRODUCTS FOR VARIOUS DEPARTMENTS, CONTINUED:

4.0 PRICE ADJUSTMENT (CONTINUED):

4.3.4 Formula for subsequent pricing adjustment for Product (weighted 75%):

First Month: April, 130.2 will be used in the calculation.

Third Month: June, 122.9 will be used in the calculation.

Formula: $130.2 - 122.9 = 7.3 / 130.2 = 0.056 \times 100 = 5.6\%$ decrease or (-5.6%)

75% of -5.6% = 4.2% decrease or (-4.2%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
%	125.2	122.7	124.1	130.2	121.1	122.9	129.3	123.2	121.9	122.7	121.6	120.3
		Bids Rcv'd			Initial Price Calculation		Subsequent Pricing Calculation		Subsequent Pricing Calculation			

4.3.5 Formula for subsequent pricing adjustment for Freight (weighted 25%):

First Month: April, 167.4 will be used in the calculation

Third Month: June, 191.1 will be used in the calculation

Formula: $167.4 - 191.1 = 23.7/167.4 = 0.141 \times 100 = 14.15\%$ increase or (+14.15%)

25% of 14.15 = 3.53% increase or (+3.53%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2009												
%	161.6	147.2	139.2	167.4	166.4	191.1	172.8	204.1	193.2	202.8	215.7	205.1
		Bids Rcv'd			Initial Price Calculation		Subsequent Pricing Calculation		Subsequent Pricing Calculation			

Combined total: Product = -4.2% (decrease) + Freight = 3.53% (increase) = **0.67% total decrease or (-0.67)**

4.3.6 **Subsequent pricing:**

Re-established price of the item: \$41.54

$\$41.54 \times (.67 / 100) = \0.28

$\$41.54 - \$0.28 = \$41.26$

New Price: \$41.26

5.0 RECYCLED AND VIRGIN PULP REQUIREMENTS:

5.1 The term "recycled" shall mean 30% post-consumer content.

5.2 The term "virgin pulp" shall mean no post-consumer content.