



CITY OF HOUSTON

Administration and Regulatory Affairs Department
Strategic Purchasing Division

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Mayor

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March 23, 2011

Subject: Letter of Clarification No. 1
Paint, Airfield Marking
for the Houston Airport System

Reference: Invitation to Bid (ITB) No.: S06-S23903

To All Prospective Suppliers:

This Letter of Clarification is issued for the following reason:

- To revise the above referenced solicitation as follows:
 1. In Section B, Page 9 of 23: **7.0 DELIVERY OPTION #1 OF PROJECTED QUANTITIES TO AIRPORTS (CONTINUED)**, Subsection 7.4.1.1 **change** "month from July to **August.**"
 2. In Section B, Page 11 of 23, **9.0 PRICE ADJUSTMENT: replace with:** "attached pages 11A and 12A marked revised March 22, 2011."
 3. In Section C, Page 16 of 23, **10.0 DELIVERIES:** Subsection 10.1.1 **change** "month from July to **August.**"

This Letter of Clarification will be considered part of the solicitation referenced above.

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

Handwritten signature of Tywana L. Rhone in cursive.

Tywana L. Rhone
Purchasing Manager
Strategic Purchasing Division
832-393-8754

Handwritten initials "TLR" above the text "TLR:DRH:tlr".
TLR:DRH:tlr

cc: Dallas Evans/ HAS
Attachment
File

Partnering to better serve Houston

Council Members: Brenda Stardig Jarvis Johnson Anne Clutterbuck Wanda Adams Mike Sullivan Al Hoang Oliver Pennington
Edward Gonzalez James G. Rodriguez Stephen C. Costello Sue Lovell Melissa Noriega C.O. "Brad" Bradford
Jolanda "Jo" Jones **Controller: Ronald C. Green**

TECHNICAL SPECIFICATIONS FOR AIRFIELD MARKING PAINT FOR HOUSTON AIRPORT SYSTEM, CONTINUED:

9.0 PRICE ADJUSTMENT:

9.1 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 "Paint and Coating Mfg", PCU32551-32551 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 "Paint and Coating Mfg", PCU32551-32551 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 "Paint and Coating Mfg" 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", WPU3012 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", WPU3012 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.

9.2 Subsequent Price Increases or Decreases (Weighted: 75% Product, 25% Freight):

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

9.2.1 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.

9.2.2 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

9.2.3 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.

9.2.4 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.

TECHNICAL SPECIFICATIONS FOR AIRFIELD MARKING PAINT FOR HOUSTON AIRPORT SYSTEM, CONTINUED:

9.0 PRICE ADJUSTMENT (CONTINUED):

9.3 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>

Industry Data, One-screen data search

Box 1: Select "32551, Paint and Coatings Mfg"

Box 2: Select "PCU32551-32551, Paint and Coatings Mfg"

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"

9.3.1 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			Award		Subsequent Pricing Calc.		Subsequent Pricing Calc.			

9.3.2 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			Award		Subsequent Pricing Calc.		Subsequent Pricing Calc.			

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

TECHNICAL SPECIFICATIONS FOR AIRFIELD MARKING PAINT FOR HOUSTON AIRPORT SYSTEM, CONTINUED:

9.0 PRICE ADJUSTMENT (CONTINUED):

9.3.3 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