



Addendum No. 3

July 20, 2010

PROSPECTIVE BIDDERS

Responses to Questions Received by July 16, 2010, 5 p.m. *Kit for New Parents* Invitation for Bid No. 2010-01

The following are questions received from potential bidders followed by First 5 California's responses:

1. Are we allowed to add a process fee to subcontract procurement?

Response: Any deviation from Exhibit B-2 is not allowed. Therefore, any processing fees must be built into the costs for materials or fulfillment.

2. Will a contact list of conference attendees be available?

Response: Yes, the Bidders' Sign-in Sheet will be provided at the end of the mandatory pre-bid conference to all attendees.

3. Does First 5 provide language translation?

Response: First 5 California provides language translation for orders through the call center contractor. All *Kit* materials are already translated.

4. Are invoices submitted at shipment or monthly/weekly?

Response: Invoices shall be submitted in duplicate no more frequently than monthly in arrears as stated in the Standard Agreement, Exhibit B.

5. If First 5 California obsoletes material, will First 5 California pay for that material?

Response: No, First 5 California does not reimburse for obsolete materials.

6. What are First 5's payment terms? Net 30?

Response: First 5 California shall pay properly submitted undisputed invoices within 45 days of receipt. Contractors offering a discount on invoice(s) of at least 1/2 of 1 percent and a minimum of \$5 shall be paid within 30 days of receipt of invoice(s).

7. Does each county supply the additional items (customized) vendor would store and assemble? Or does vendor need to produce and incorporate into *Kit* price?

Response: Counties with customized *Kits* will supply materials at their own cost to the contractor.

8. How does our state budget impact this contract?

Response: Reference the Standard Agreement, Exhibit B, Section 2, Budget Contingency Clauses A and B.

9. If you are utilizing cloud computing how would you like it accounted for in regards to Attachment 14?

Response: For vendors utilizing cloud computing, First 5 California will require a copy of a service level agreement from the cloud computing provider that describes response time to problems, detailed background and recovery strategies, and a description of the security in place.

10. The contract Cost Sheet is funded for a total of \$15,000,000; \$12,000,000 for products, assembly and services and California sales tax of the entire *Kit*, and \$3,000,000 is allocated for freight. In our estimation, the freight is over-estimated by \$1,500,000 not leaving enough for licensed products, assembly, sales tax and products. Can the \$3,000,000 be reduced on the Cost Sheet?

Response: The \$3,000,000 for shipping/freight on the Cost Sheet (Exhibit B-2) is a rough estimate that First 5 California set aside to reimburse the successor for costs related to shipping new *Kits*, existing built *Kits* (approximately 1,300 pallets), and at the end of the contract, costs to transfer existing inventory of *Kits* to a new contractor. If it is determined that there will be funds in the shipping line item that will not be expended for that purpose, then they may be moved to fund other activities either through an informal or formal amendment depending on the amount of funds being shifted. Any line item that redirects more than 10 percent (10%) of the amount of one line item to another line item requires a formal amendment. However, for the purposes of this bid, \$3,000,000 is allocated for shipping and will be equally applied to all bids.

11. Regarding the purchase of completed *Kits*, how much per *Kit* and how will we handle *Kits* exceeding a 3-month supply? Is it possible that we will purchase completed *Kits* exceeding a 12-month supply?

Response: The vendor will not be purchasing *Kits* or selling those *Kits* back to First 5 California. The *Kits* will be transferred from the current vendor to the new contractor.

12. If the kits are moved to a new vendor, what is the expectation on how we sell those *Kits* back if we are not purchasing any of that material?

Response: First 5 California has already purchased the existing *Kits* to be transferred to a new contractor. The new contractor shall be reimbursed the cost of handling the built *Kits* from the shipping dock, to the warehouse, including costs associated for data entry of inventory into the IT system. Additional charges include monthly warehousing costs by the pallet and actual shipping costs.

13. In Exhibit B-2, Cost sheet, Item B, would it be a billable charge for the items brought in from the another supplier?

Response: Cost for fulfillment services is not a separate billable item. It is a cost that is computed with the cost of materials to determine the per kit cost for the basic kit.

14. Regarding the *Kits* already built, has First 5 California already paid for those kits?

Response: Yes.

15. Will current inventory be available for the successor?

Response: Language requiring the current contractor make available any existing material inventory, such as the baby board book, was not written in the prior agreement. Therefore, it is not required that the current contractor make these materials available to the successor. The successor may at its discretion contact the current contract to negotiate purchase of any existing inventory.

16. Can you give us an estimate of what the inventory is at this time so we have an idea of what we are working with?

Response: As of July 20, 2010, there are 221,433 *Kits* in stock.

17. Are we going to be producing English and Spanish *Kits* for the first year?

Response: Yes, until the third year, that's when First 5 California estimates the need for more Asian language kits. However, the contractor will be disbursing all available languages based on demand.

18. Are we going to bill when kits ship out rather than when they are completed? If so, do the new built kits get invoiced when they are built or when they are shipped out or both? How far in advance can we procure or produce kits and then expect to get paid for them?

Response: Refer to Exhibit B, Budget Detail and Payment Provisions, Section 1. A.

19. As far as those prebuilt *Kits* that are already completed, is First 5 California going to request that the contractor open the *Kits* and customize them?

Response: No, we are not going to request that that the *Kits* be customized; they are basic *Kits*.

20. For example, if First 5 Sacramento County Commission has a customized kit is it the contractor's responsibility to contact the commission to notify them that their customized kit inventory needs to be replenished? Do the counties tell the contractor what to insert in their Kits, or do they periodically add items?

Response: The contractor should contact the counties when inventory of customized items are low. Counties are allowed to periodically add items or subtract items to customized Kits. All changes to customized items put into *Kits* by the counties must have prior written approval by First 5 California.

21. Does it say somewhere in the bid package what is the maximum amount of inventory that the current vendor can have of the kits?

Response: All production amounts must be pre-approved by First 5 California.

22. Is the state purchasing one year of kits at a time? Does production and billing occur annually for the kits?

Response: Billing occurs monthly in arrears. First 5 California plans to have 300,000 Kits produced per year, but Kit production will be determined by the previous month's shipping plus a 20 percent buffer. Monthly production estimates must be provided by the contractor to First 5 California for prior written approval.

23. Is the contractor required to have enough pallet space available if all the kits are built at once?

Response: First 5 California will not approve all Kits being built at once due to the nature of the customization process. Additionally, First 5 California requires that the contractor order the puppy book, which comes in a quantity of 260,000. The vendor must have the space to store raw materials in order to meet Kit demand. As a reminder, the vendor can only bill First 5 California when Kits are built, monthly in arrears.

24. If I buy 260,000 of each kit component and put them into a kit, can I invoice for 260,000 kits? If that is not how it works, then how do we handle the huge dollar finance charge?

Addendum No. 3

July 20, 2010

Page 6 of 8

Response: No, that is not how it works. Production amounts must be pre-approved in writing by First 5 California. Vendor must have the financial resources to purchase and house the raw materials to meet the terms of the contract.

25. At what point do we mark-up the subcontractor's pricing?

Response: First 5 California cannot advise bidder's how to mark-up the cost of materials, fulfillment, or any other line item in the Exhibit B-2, Cost Sheet. It must be understood that the rate provided by the bidder will remain the same for the duration of the contract.

26. Must all subcontractors be located in California and/or within a 20 mile radius?

Response: In order to award this contract, First 5 California staff shall visit each site listed in Exhibit A-3, Contractor Business Locations, in order to determine that the contractor is fully operational at the time of contract award as required in the IFB. If any business operations are subcontracted out, such as warehousing, then the subcontractor's warehouse (location of business) must be located within a 20-mile radius of the prime's primary location of business. The contractor is not required to be located in the Sacramento region.

With regard to subcontracting, it is required by First 5 California that all subcontracted procurement and services be performed in the State of California except those subcontractors listed in Exhibit A-1. This is to ensure products conform to California health, safety, and environmental laws, for example. Information Technology services such as those for servers can be subcontracted out to other locations within the United States; however, the contractor will be required to provide an operational functionality test/demonstration to First 5 California to prove that the contractor is fully and immediately operational.

27. What increments/quantities may we procure/produce and invoice for?

Response: The vendor will project how much in Kit raw materials will be needed in stock to fulfill Kit demand. All production amounts must be pre-approved by First 5 California in writing.

28. Does the three (3) year experience requirement have to be within the State of California?

Response: No, we just need to check your references.

29. How long does the vendor have before artwork changes in the kits?

Response: Changes to the artwork for the *Kit* and its components may occur at anytime. The amount of time given to the contractor to make those changes will be left to the discretion of First 5 California and must be made by the contractor when requested.

30. If the upcoming Addendum No. 4 is released after the question/answer deadline and we have further questions, how should we submit those questions?

Response: First 5 California will not accept any questions after July 16, 2010, 5 p.m. Addendum No. 4 will only clarify or add items that must be included in the IFB, or contract based upon the questions provided through Bid Sync or the Mandatory Pre-Bid Conference.

31. Does First 5 California require that the vendor keep a minimum stock of pre-built *Kits* on-hand, for example, three (3) months?

Response: First 5 California requires the vendor to keep a minimum stock of three (3) months of raw materials on-hand to accommodate fluctuations in *Kit* production and distribution.

32. Has the master carton size/format been determined?

Response: Yes, the master carton specifications are 10-1/2" x 12-1/2" x 11" – 200-pound test.

33. Does the vendor have the ability for the production of print publications, or other *Kit* components to be purchased outside California?

Response: Production of print publications or other *Kit* components shall not be purchased outside of California with the exception to the vendor(s) listed on Exhibit A-1, Standard Agreement.

34. Is First 5 California exempt from sales tax? If not, what would the tax rate be?

Response: First 5 California is not exempt from sales tax. The assessed sales tax would be based upon the California county where the contractor holds its business license.

35. Do you require a Disaster Recovery Plan?

Response: Yes, First 5 California requires that a vendor have a disaster recovery/business continuity plan in place.

36. Does First 5 California have a contracted freight carrier for this program? If not, does the vendor for this bid need to negotiate prices?

Response: First 5 California does not have a contracted vendor for freight carrier services. Vendor must secure freight carrier services for this bid.

37. Do the *Kits* need to go out via U.S. mail or UPS, how must they be shipped?

Response: The vendor must determine how the *Kits* will be shipped; however, all shipping methods must use a three-day traceable technique.

38. Does the three-day after receipt of order shipping requirement apply to both standard and custom *Kits*?

Response: Yes.

39. Can you clarify what will happen if First 5 California loses funding during the contract term and vendor has inventory that has not been invoiced?

Response: First 5 California will reimburse the contractor for inventory in either basic or custom *Kit* form.

Questions received online can be viewed and downloaded on Bidsync at <http://www.bidsync.com/>.

Note: Addendum No. 4 will be posted online by Thursday, July 22, 2010.