

VA Subsistence Prime Vendor Contract (SPV-3) # VA101(049A3)P-0154 Basic Contract Highlights

1. The SPV contract is an indefinite delivery-indefinite quantity firm fixed price contract that was awarded nationally to one Prime Vendor (PV) distributor.
2. VA facilities are grouped into twenty-one (21) geographical areas called Veteran Integrated Service Networks (VISNs) which will be serviced by 38-42 distribution centers. Other Government Agencies on this contract are assigned to a VA VISN which is compatible with their geographic location for communication and pricing purposes only.
3. This contract is a mandatory procurement source for VA facilities for all food types (except fresh bread) and foodservice supplies. Fresh milk and produce may be purchased through this contract however; VA facilities are encouraged to use these product lines to support local small food distribution businesses. These product lines are the only ones that may be procured outside of this SPV contract. If no small business in a facilities' local area can provide quality milk and/or produce products at reasonable prices, then these products should be purchased through this PV contract. Also, some foodservice supplies are available from blind and/or disabled organizations and they should be used as a primary source of supply if quality products can be procured at a reasonable price. All other food products and supplies must be purchased through this SPV contract.
4. OGAs choosing to utilize this contract are expected to purchase the majority of their food and foodservice supplies from the awarded vendor. The cost savings of this contract encompasses all product categories and is based on anticipated volume purchases. If customers fail to purchase at their anticipated levels, savings will decrease for all contract participants. OGAs are encouraged, as VA facilities, to support small businesses for the purchase of fresh bread, milk, and produce whenever possible.
5. Contract pricing is defined by product category and geographic (VISN) location.

Product price = Manufacturer invoice product price

Distribution fee = Fixed percentage for product category and specific VISN

Delivered product price = Product price + Distribution fee (Percentage of product price)

A minimum charge of seventy-five (75) cents will be applied to all cases where application of distribution fee to product price would be equal to or less than 75 cents.

6. An EPA clause has been incorporated into the SPV contract to manage the risk of escalating fuel prices. Process is as follows:
 - a) U.S. Department of Energy's Average Weekly National Fuel Price Index (week of March 25, 2007) was used to establish a base diesel fuel price for the SPV-3 Contract.
 - b) PV can request on a quarterly basis, relief from rising fuel costs only if average diesel fuel cost per gallon exceeds 15% of the established base price. If diesel fuel cost should drop 15% below the base price, the Government can request a credit from the PV on a quarterly basis.
 - c) Requests are limited to the beginning of each calendar quarter and will be based on cost the week prior to the beginning of new quarter. If allowed variance will remain in effect for the full quarter following request.
 - d) Calculation of increase or decrease will be based on 10 cent incremental changes above allowed threshold with each 10 cent increment resulting in a one cent charge per delivered case.
 - e) Charge or credit will be listed as a separate line item at end of each invoice.
 - f) SPV customers will be informed of implementation of Fuel Surcharge or credit by the SPV Contract Specialist through email message at beginning of quarter.

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7. Deviated product-pricing agreements for VA SPV customers are established between PV and manufacturers based on the recommendations and approval of the VA Nutrition & Food Service Standardization Users Group. These agreements are called the VA Procurement Plus Program (PPL). All customers utilizing this contract have access to these special pricing programs. They include primarily product price reductions taken off invoice (meaning before distribution fee is applied) and a few rebated dollars based on a cost per case or pound or percentage of total cost for purchases under the PPL program. The rebated dollars are collected by Prime Vendor and rebated to each facility on a quarterly basis. These agreements are divided into specific Procurement Plus categories; i.e. canned soup, frozen entrees, frozen soup, liquid coffee, ground coffee, portion pack juice, ready to eat cereals, cakes and pies, etc. and usually include a vendor's full catalog of products. This provides maximum flexibility to the facilities in selecting the best product to meet their needs while enjoying a significant cost savings based on the product category. Manufacturers are encouraged to offer their best pricing to the VA because VA has committed their customer base to purchasing all their product needs in these categories from the awarded PPL vendor. OGAs are encouraged to purchase from the PPL program not only to save money but to strengthen commitment to manufacturers, increase purchase volume and drive further cost savings.
8. All VA pricing is centrally managed which means all distribution fees are loaded into the PV's computer system at one place, the centralized pricing office for all distribution centers to ensure uniform application of contract fees and special pricing agreements. Centralized pricing limits the possibility of errors that could occur if each distribution facility had to load all distribution fees and PPL prices separately.
9. All product prices will change the first day of the calendar month except for market items. Market items, which include meats, poultry, seafood, shortenings, oils, coffee, fresh shell eggs, fresh milk, butter and margarine, cheese and fresh produce, prices change each week effective Saturday through Friday. Prices are locked in at time of ordering not on day of delivery.
10. All facilities have access to full product catalog; containing broad range of high quality product types, grades, and sizes.
11. New products can be stocked if minimum usage of twelve (12) cases per month aggregated from all distribution center customers (not limited to VA contract customers) is met. New products will be stocked within 30 days of request whenever possible.
12. Special order process exists for timely procurement, receipt, delivery and tracking of products that are required but do not meet the usage minimums.
13. HACCP guidelines are in place for product quality at warehouse receipt, warehouse storage, during order selection and delivery. Quality metrics are evaluated daily by PV.
 - a. Products must be received in high quality condition and at temperature appropriate for the product.
 - b. Shelf life limited products shall have at a minimum seven (7) days remaining at time of delivery for perishable items and at least 30 days on the non-perishable items. If shelf life is less than 14 days, life remaining at time of delivery should be at least half of shelf life unless otherwise agreed upon by facility.
 - c. Products can be returned for credit if products:
 - have visible or concealed damage or odor upon receipt or upon being cooked,
 - have been recalled
 - are of unacceptable quality, or
 - are outdated.

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14. Electronic ordering process is utilized through the Internet. Order placement, catalog searching, pricing inquiries, order guides, shopping lists, order confirmation, inventory tools, management reports and several other options are available for customer information and use. New enhancements and additional capabilities will be added during the term of this contract. PV has designed a home page specific to VA customers and will be adding links to VA specific procurement information. Training and help desk functionality will be provided.
15. Prices displayed at time of order and confirmation will be the same prices shown on delivery day invoice. Orders can be placed five (5) days in advance and inventory will be reserved 48 hours prior to delivery. Additions and deletions can be made up to 3pm the day prior to delivery unless skip day delivery is required due to distances.
16. Monthly fill rate for orders with facility accepted substitutions is expected to be $\geq 98\%$.
17. "Just in Time" deliveries are expected to minimize facility inventories. This is to minimize **Not** eliminate on hand inventory. Please adjust your stock according to your delivery schedule and provide the PV your weekly usage levels at least a month in advance of menu changes. Also plan ahead for holidays (all customers are looking for those traditional holiday items) and special events. Give your account representative as much advance notice as possible so you will have what you want. **Do not expect everything to be available every time you place an order.**
18. Delivery schedules will be coordinated with each PV distribution center. VA facilities will adhere to the frequency schedule listed in this contract. OGAs will have number of deliveries (minimum of \$1000), drops, and schedule determined at time of signing InterAgency Agreement.
19. Products will be stacked according to fragility or durability to minimize damage and by type food or chemical to prevent contamination. Orders will be palletized, stacked no higher than 60 inches, and shrink-wrapped when appropriate. Any OGAs with other requirements must negotiate those needs at time of signing on to VA contract.
20. Refrigerated products must be rejected at time of delivery if they are to be returned to PV. Hidden problems with refrigerated items will be credited when reported but will not be returned to vendor for safety reasons. If honor system receipting is utilized the facility must report any discrepancies to PV within 24 hours of order delivery. Replacement of missing or damaged product will be at the next scheduled delivery or at a mutually (PV and customer) agreed upon time based on the need of the facility.
21. Product recall information will be provided to facilities identified as having purchased product, within 24 hours of receipt of recall from manufacturer or USDA regardless of type, caliber or, status of recall. Each distribution center has an established process for notifying any customer that is identified as having purchased the recalled product.
22. Delivery and billing invoices include all contract required fields and specific facilities order/funding identifiers. Electronic invoicing (EDI) and payment (EFT) is required for VA facilities and OGAs whenever possible. Alternate process for OGA must be defined at time of signing on to contract.
23. The SPV contract falls under the Prompt Payment Act due to perishable food items being provided. Since invoices are for a mix of products some requiring 7 days for payment and others 30 days, the SPV contract has set payment at 15 days from receipt of invoice.
24. All SPV customers will be enrolled in all applicable manufacturer rebates, allowances, coupons, and food show programs. Most of these will be PPL off invoice allowances which will be documented in the quarterly business reports, some will be coupons directly rebated back to the facility from manufacturers and others will be rebated quarterly by PV to each facility.

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25. Management reports can be generated by each facility through PV's Internet electronic link and others will be provided as part of the quarterly business review with the PV's account representative.
26. Pricing audits will be performed periodically. Facilities may request a general audit or auditing of a specific item through the VA SPV contract specialist. Invoice data may be required from facilities to identify specific purchase date. Audit results will be shared with audited facilities. Facilities should report any unresolved pricing issues for further follow-up.
27. Each distribution center has specific emergency preparedness plans. PV's account representatives will share this information with each facility and prepare additional plans that meet the facility's specific requirements. At a minimum each facility should have a listing of appropriate PV contacts and phone numbers for use if an emergency arises. Areas prone to weather related emergencies should establish food orders to be implemented or confirmed when a weather emergency is eminent. Each facility also needs to provide PV a phone number and/or position that can be reached 24/7 in the event of an emergency. For VAMCs the AOD would be used after closing and the NFS Chief or designee during working hours.
28. PV account representatives will review quality assurance plans that include all the metrics necessary to evaluate contract performance during the quarterly business reviews. Facilities can ask for additional data to be added for review as needed.
27. A variety of Value Added Services are offered by the PV as part of their enhanced services program to VA SPV customers. Most of these programs are free for a facility to use; others require a fee for use. PV representatives can provide further details on these programs.
28. PV as part of this contract has offered a special pricing incentive program based on the increased volume of a facility's purchase of PV's Exclusive Brands (EB) over previous quarters EB purchases. The greater the purchase of EB products over previous quarters EB purchases the greater the rebate. These rebates will be provided to the facilities quarterly by the PV. The PV representative will provide a specific schedule for this rebate.
29. PV will collect the cost recovery fee for the VA from all SPV customers. The fee is 1% of product cost and is rolled into product price when viewing on line or invoice. PV will submit this fee quarterly to VA. .
30. Only the VA SPV contracting officer can modify the conditions of this contract. OGAs that require any special modifications must discuss and obtain approval for any contract changes from the VA SPV Contracting Officer.
31. Each SPV facility has a designated PV account representative and each VISN leader has a designated regional manager who will coordinate all SPV contract issues and/or initiatives regardless of distribution center. OGAs are encouraged to contact the VA VISN leader in their area to discuss contract performance and enhance contract capabilities. Joint VA-OGA sharing meetings can be convened to discuss new products and programs.
32. Refer all questions concerning this contract to:

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