



To: HPS Members utilizing the HPS School Food Purchasing Program

From: HPS School Food Purchasing Advisory Committee

Date: June 10, 2022

Re: HPS School Food Purchasing Program (MI) – Contract #99

On behalf of the HPS member school systems and other related entities, the HPS School Food Purchasing Advisory Committee recently sent out a Request for Proposal for the HPS Michigan School Food Purchasing Program to find a source that would provide the best overall value to HPS Members. The period this RFP covered was July 1, 20122, through June 30, 2023, with an option to renew for up to two additional terms of one year each - July 1, 2023 through June 30, 2024, and July 1, 2024, through June 30, 2025.

Procurement for Child Nutrition Program Recipients:

The HPS Michigan School Food Purchasing Program RFP was conducted in accordance with Program and Government-wide regulations, the federal rules governing the management of grant funds from the USDA, including Buy American, cost reimbursable required contract provisions and using government-wide approved procurement methods. The contract was awarded with a fixed price or cost reimbursable contract to the most responsive and responsible vendor with price as the primary factor and included the required contract provisions in Appendix II to 2 CFR Part 200, and 7 CFR Parts 210, 215, 220, 225 and 226. The HPS School Food Purchasing Advisory Committee only accepts proposals that are in accordance to recognized pricing mechanisms for child nutrition program recipients. HPS does this procurement on behalf of all of the Member SFAs and all documents are available to you on the HPS website www.hpsgpo.com.

HPS Michigan School Food Purchasing Program – SY2022-2023

The pressures on the Supply Chain have caused an unprecedented shift in the K12 industry. The effects of COVID 19, the Great Resignation, plant efficiencies, inflation and staffing challenges have created issues not seen in the Food Service industry before. This coupled with the war in eastern Europe, truck driver shortages, historic diesel prices and the overall demand volatility has created a perfect storm of inflation and uncertainty in the Manufacturing and Distribution markets and how they deal with the K12 Industry.

Through our research we knew that we would have to change certain aspects of our contracts that have been pretty consistent for the previous 20+ years. These changes are necessary because of changing manufacturer and distribution landscape and to secure the source of supply that gives our Members the confidence to run their operations for the length of our contract. Please review your distribution contract or contact your HPS representative for specific questions but listed below are some notable terms and conditions and highlights of the contract that is effective 7-1-2022.

Contract Recap:

Price Protection Period. Given the uncertainty of the agriculture industry and the early date of the HPS RFP, the awarded distributor will be given the opportunity to make a one-time adjustment effective 8-1-22. After that date all subsequent price adjustment dates will remain firm for the four-month price protection periods. Those periods are: July 1 – October 31; November 1 – February 28/29; and March 1 – June 30, commencing on July 1, 2022.

Drop Size Requirement. The drop size requirement is \$750. We worked with Gordon Food Service to account for those situations when \$750 cannot be achieved and we are happy to announce that GFS added the following language to address those special circumstances: An agreement may be arranged between the Member and GFS for a \$500. Min Delivery.

Inflation Pressures. Based on the overall weighted average of the HPS Contracts you can expect between 12-15% inflationary increase in your Pricing for the school year 2022-2023. These are historic increases in food cost and HPS is committed to work with Gordon Food Service and our manufacturers to ensure we have the most competitive program for our operators.

All Non-Bid items are now covered by the HPS Contract. GFS has provided a detailed description of the pricing mechanism used to determine the "non-firm priced items" net pricing. The mechanism provides net pricing that reflects the competitive market and is available to all HPS Institutions. The HPS bid now includes a Fixed Fee per case schedule for all items not listed on the HPS Bid. What this means that all items you buy from GFS are covered by the HPS contract.

Nutritional Statements

The landscape of school food service continues to change. Our Committees worked with manufacturers to ensure that HPS has many of the non CN items you use and documentation from the manufacturer that depicts the exact credit those items will contribute to the meal plan. You can find the documentation on the HPS website at www.hpsgpo.com.

Buy American Statements:

On our website www.hpsgpo.com HPS now stores documentation from Manufacturers to validate the Buy American status of their products. HPS will work with its awarded Distributor (Gordon Food Service) and the Manufacturing community to build our library of documents. If you are looking for a HPS bid item that we do not have, please inform your HPS representative so we can work with the Manufacturer community to build the Buy American library.

Training Modules for Professional Standards:

HPS has worked with Gordon Food Service to make training modules available to the HPS membership. Each topic includes a presentation with all the needed materials to present to your staff. These in-services are designed to help you implement internal training programs in compliance with federal regulations.

Each module includes:

Pre and post-tests, attendance sheets, PowerPoint presentations, presentation notes, activity ideas and copy-ready certificate of completion. The training categories are:

- General Nutrition
- Administration
- Communication and Marketing
- Operations

Topics are available at no charge on Gordon Experience®, or call the HPS office if you have any questions.

Bid List Notes:

The column marked “Notes” on the bid list, will allow you to easily identify **NEW items** to the bid, **discontinued items, replacement items**, as well as those items we have **nutritional**, or **Buy American statements** for. For a complete list, including all bid items with pricing, contact the HPS office at 1-800-632-4572.

Column key:

B	Buy American Documentation
D	Item is discontinued
F	Force majeure
N	Nutritional Statement
P	Pack Size Change
T	Transitioned

Pricing:

Commercial Items

Firm-priced items will be honored for the duration of the four-month price protection periods. Those periods are: July 1 – October 31; November 1 – February 28/29; and March 1 – June 30, commencing on July 1, 2022.

- These items are derived from the purchase history of HPS Members.
- Four Month periods are broken up as: July-October, November-February and March-June.
- Due to the early nature of the RFP a one-time Price adjustment will be allowed for 8-1-2022 only. All future extensions will follow the four-month price protection period.
- HPS will be notified 15 days prior to price adjustments on firm-priced items.
- Other market sensitive high volume school items will be priced using a mechanism of “cost plus a fixed fee dollar amount.”
- All other items will be determined using Fixed Fee per case schedule for all items not listed on the HPS Bid. All items that are not on the firm bid list will now have delivery price per case for the utmost transparency and compliance with federal regulations.

USDA Foods Pricing:

- All bid items that are eligible for USDA value pass through have been bid.
- HPS provides NOI Commodity Price or the HPS CNOI Commodity Price Column. This represents your bid price with the Commodity Fair Market Value per case taken out; it is the price you will see on your invoice. (Please note for USDA FOODS that have multiple Material codes, the Commodity Price will reflect all eligible draw down options, if you do not use all eligible draw downs your invoice price will vary).
- The HPS RFP also establishes the per case delivery fee for CNOI, MFFS (Manufacturer Fee for Service), and Non-Processed items, if available in your state.
- HPS has requested processing agreements and volume discounts forms for all bid awarded USDA Foods processors.

Rebates:

GFS Committed Purchasing Incentive: Any HPS Member who agrees to commit 90% of its purchasing, by dollar volume, to Gordon Food Service will receive a 1.25% committed volume rebate on all purchases from GFS. In addition, HPS members who are eligible to receive commodity products from GFS will receive an extra .25% incentive on all purchases from GFS.

The rebate shall be paid bi-annually (December and June).

Quick Pay Incentive: This is a 1% 10 day early pay incentive. Advanced notification to your GFS sales person of your intent to participate in this incentive must be made. After GFS has been notified, you may deduct 1% off your payment of invoices, if the mailing is postmarked within 10 days of the invoice.

Volume Discounts HPS has worked with key manufacturers to develop a tiered schedule that rewards HPS Members based on the total utilization (cases) from that manufacturer, as HPS reaches a new tier every HPS Member will earn incremental amounts based on the number of cases your district purchased from that manufacturer.

New Item Process:

The HPS CAT program, has an automated process for our Members to request non-bid items to be added to the HPS bid as well as, to add products that currently are not in distribution to our Food contracts. The program opens May 1 and runs through October 31. Working together with other HPS Members that utilize your Distribution Center, HPS can aggregate the demand to determine if it will meet the requirements to have a new item stocked. If you are not already signed up for the HPS Contract Analysis Tool program you can do so by visiting www.hpscat.com.

Thank you for your continued support of the Michigan HPS School Food Purchasing Program. If you have any questions on these new contracts with Gordon Food Service, please contact the HPS office at 800-632-4572.