

commissions by entering into a revenue sharing agreement that provides significant benefits.

DISCUSSION

In August 2005, the City issued a Request for Proposal [RFP] for the provision of cold drink beverages for cold drink vending machines and over-the-counter [fountain and pre-packaged] products for resale including maintenance and repair services. In addition, Proponents were requested to examine revenue-generating opportunities in existing locations.

Proposals received on September 15, 2005 were from the following companies:

1. Pinetree Vending Company Ltd.
2. Creed Holdings Ltd. dba Lewis Vending
3. Pepsi Bottling Group [PBG]
4. Coca Cola Bottling Company [CCB]

All four Proponents are very well established and each of them has extensive experience in cold beverage vending which is the fundamental driver of a program of this nature.

The goals and objectives of the RFP were to:

- (a) provide a selection of high quality products, with appeal to all;
- (b) increase the City's current 31.5% "Healthy Choice" selections to at least 50%;
- (c) provide a broad selection of services;
- (d) optimize revenues generated from the retail program;
- (e) to achieve innovative, high impact facility machine equipment designs, replacing 50% of carbonated soft drink beverage vendor fascias with "Healthy Choice" beverage fascias;
- (f) provide the appropriate level and type of support to ensure efficient retail operations [over-the-counter];
- (g) improve flexibility of the beverage program to react to changes in retail trends and in the needs and preferences of the facility market; and,
- (h) maximize facility patron participation in buying at the facility.

Duration of Agreement

The City will award a twelve (12) month term with the option to renew for additional twelve (12) month periods to a maximum of sixty (60) months. The RFP required that Proponents submit proposals based on a five-year term.

RFP Evaluation Process

The following discussion summarizes the evaluation results against each of the following criteria:

A. Experience in the provision of Cold Drink Beverages and Healthier Choice products

All four proponents have experience with the provision of cold drink beverages. PBG and CCB have the most experience with a combined cold drink beverage sales and vending services program.

Today's consumers are looking for Healthier Choices; therefore, the RFP requested that Proponents offer healthier choice products. All Proponents provided a variety of "Healthier Brands" and products.

PBG commitment to the City:

- 50% of all new products that PBG brings to market will meet the "smart spot" criteria;
- communicate healthier options through the graphics on vending and other cold equipment;
- proactively providing the City's facilities with a complete spectrum of beverage choices; and,
- providing to the City marketing funds that can be used to design activity programs that encourage physical fitness as a lifelong habit.

PBG established the "smart spot" program for North America. This is a detailed nutritional guideline used to communicate to consumers products that contain the "smart spot" logo, and meet all of the criteria established by a panel of nutritionists.

PBG will provide recreational channel beverages, which means that over 70% of beverages, displayed in vending machine fronts showcase "Healthier Brands" and products. PBG will provide innovative, high impact facility machine equipment designs, replacing 50% of carbonated soft drink beverage vendor fascias with "Healthy Choice" beverage fascias. It should be noted that water was our #1 selling cold beverage at 26% of all cold beverage vending sales volume in 2005.

B. Coordinated Suite of Over-the-Counter and Vending Equipment

Three out of the four proponents offered a coordinated suite of over-the-counter and vending equipment customized for various facility themes [ice sports/water sports]. The three proponents are Creed Holdings Ltd. dba Lewis Vending, Pepsi Bottling Group [PBG], Coca Cola Bottling Company [CCB].

The fourth Proponent, PineTree Vending Ltd., is not able to provide over-the-counter beverage equipment [fountain units, coolers, etc.]. Therefore, their Proposal could only be evaluated on the vending services portion.

Currently, the City has 61 full service beverage vendors. Proponents were requested to review this equipment inventory and include a plan for equipment change recommendations that will provide refreshment services that is responsive to the City's needs.

In addition, Proponent's were requested to review the City's over-the-counter business to ensure that the City sells the highest quality product in packages that are right for the facility including suggested equipment updates. Proponents offered equipment that is aesthetic and functional for each facility.

PBG commitment to the City:

Proposed Vending Equipment [Type/Installation Program];

- ✓ **Reliable:** PBG will provide brand new/near new state of the art vending machines in all facilities.
- ✓ **Maintain:** PBG will ensure that the equipment is up-to-date, the latest model, and fresh looking (latest graphics) throughout the term.
- ✓ **Appearance:** All banked vending machines will be of the same height.
- ✓ **Installation:** PBG will meet with the City contacts at each facility, conduct a thorough site tour, discuss existing placements, fascia type (graphics), machine style and timing.
- ✓ **Seamless:** Thorough rollout plan will be sent to the City and each facility. PBG will work closely with the incumbent during the transition to ensure a seamless exchange.
- ✓ **Healthier choices:** There will be a special focus on healthy choice graphics. PBG will work with the City to ensure that the vending machine fronts showcase the healthier brands and products. This may include up to 100% of the graphics as "healthier choices"

C. Service and Maintenance Standards

All the proponents offered a two (2) to six (6) hour response time for repairs and maintenance.

Overall Evaluation

All companies are very well established and each of them have extensive experience in beverage sales and vending services.

Based on an extensive review of the four (4) proposals received, PBG provides products of superior quality and greater commitment to “healthier choice” brands and products, provision of coordinated and customized facility equipment fascias to meet facility aesthetics, and the highest expected revenue to the City. There are significant benefits to the City from a financial and operational perspective. The projected total revenue is based on the Proponent estimated revenue generated through beverage vending sales and rebates, over-the-counter rebates [where applicable], and direct financial support to the City in place over a 5-year period. In addition, PBG is offering a price guarantee of three (3) years for over-the-counter purchases.

CONCLUSION

Based on the above discussion, it is recommended that Council:

Authorize staff to take all necessary actions to enter into final negotiations based upon Council’s endorsement of a cold beverage supply and vending services Agreement with PBG.



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- c.c. - General Manager, Finance, Technology & HR Dept.
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