



Corporate NO: R168

Report COUNCIL DATE: July 17, 2000

REGULAR

TO: Mayor & Council DATE: July 5, 2000

**FROM: General Manager
Parks, Recreation and Culture
Acting General Manager
Finance, Technology and HR Department FILE: 0314-001**

SUBJECT: Request for Proposal Number: Q56 - 99 Integrated, Carbonated and Non-carbonated Cold Beverage Vending, Beverage Supply and Facility Sponsorship Agreement

RECOMMENDATION

It is recommended that:

1. Council endorse continuance of negotiations to complete an exclusive integrated, carbonated and non-carbonated cold beverage vending, beverage supply and facility sponsorship agreement with **Coca Cola Bottling Ltd.**
2. Council endorse a **five (5) year agreement** with provisions for an **optional five (5) year extension.**

BACKGROUND

For many years, the City of Surrey has competitively bid two separate contracts for its beverage needs. One contract was for Fountain and OTC (over-the-counter) beverages sold through City facility concessions. The other contract included canned beverages sold through contractor-owned vending machines located throughout civic premises.

Following the adoption of the Corporate Sponsorship Policy/Program, a Request for Proposal process was conducted to establish an exclusive contract for beverages. The City expects to significantly enhance its current net revenues from existing contracts which are currently at approximately \$30,000 annually. This figure does not include food service beverage profit and sponsorships.

Score of Request for Proposal

The scope of work for this Request for Proposal includes the supply of all fountain beverages and equipment, including maintenance and repair services, OTC (over-the-counter) beverages; and, multi-pricing coin operated beverage vending equipment including maintenance and repair services. The goal is to increase existing and generate additional revenue streams for the City.

This will be accomplished by establishing a long-term relationship with a vendor that will be mutually beneficial. Opportunities to meet these goals have been identified through improvements to equipment, increased number of vending locations, improved commissions and deeper trade discounts for concession products and vendor advertising promotions in the form of signage opportunities and sponsorship.

As a result of the Request for Proposal process, the City successfully solicited proposals from two major competitors to establish an exclusive contract for beverages.

EVALUATION

An evaluation Committee appointed by the Manager, Purchasing & Payments, Purchasing Section with representation from the Purchasing Section and Parks, Recreation and Culture Department, evaluated proposals received. Following an in-depth evaluation process, the proposal as received from **Coca Cola Bottling Ltd.** provided the City with improved operational performance and enhanced financial performance prospects.

Preferred Vendor Proposal Highlights

Operational Performance:

- major discussion on growth in volumes and realizations, through the formation of a beverage committee;
- capacity utilization;
- market shares and competitive positioning;
- brand strength positioning;
- discussion of any new projects to be undertaken or under consideration through the beverage committee;
- greater cooperation with the City in improving equipment and graphics; and
- Coca Cola will have first right of refusal on beverage sponsorship of City events.

Financial Performance:

- enhance current net revenues from vending operations in **Year One** by approximately **\$60,000**;
- incremental increases in annual vending commission payments, as retail sales increase through remaining term(s) of the contract to approximately **\$110,000.00** in Year Ten;
- semi-annual commission payments, in advance based on estimated volumes, allows the City to use funds in advance of earning;
- vendors and City managed program to enhance vending retail sales;

- better wholesale cost of products (average 11% reduction);
- improved the net revenue on fountain and OTC sales;
- offering of facility accessory equipment (i.e., score clocks);
- improved vendor participation to increase transactions through promotional activities (i.e., special events give-aways);
- wholesale fountain and OTC package pricing is guaranteed firm for the first three years of the contract;
- in addition to improvement in commission payments, the City will receive additional monies annually (currently estimated at \$1.00 per 24 units sold) for other mutually agreed upon civic activities/events (activation funding). In Year One of the agreement, Coca Cola agrees to pay **\$11,000.00** up front. The activation payment, in each year thereafter, will be determined by the previous year's sales.

CONCLUSION

Based on a Request for Proposal process and an extensive review of the two proposals received, it is recommended that Coca Cola Bottling Ltd. be endorsed as the successful proponent. Staff would enter into final negotiations of the agreement based upon Council's endorsement. There are significant benefits to the City from a financial and operational perspective.

Vivienne Wilke, Acting General Manager Don Hunter, General Manager
Finance, Technology and HR Dept. Parks, Recreation and Culture

c.c. - Violet McGregor, CMA, CPP
Manager, Purchasing & Payments
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