



Report to: General Committee

Report Date: June 24, 2013

SUBJECT: Award of Request for Proposal 019-R-13
Supply and Delivery of Soft Drinks and Related Equipment

PREPARED BY: Rosemarie Patano, Senior Buyer, Purchasing

RECOMMENDATION:

- 1) **THAT** the report entitled “Award of Request for Proposal 019-R-13 Supply and Delivery of Soft Drinks and Related Equipment” be received; and
- 2) **THAT** Request for Proposal 019-R-13 for the Supply and Delivery of Soft Drinks and Related Equipment be awarded to the highest ranked / highest revenue return bidder, PepsiCo Beverages Canada for a term of five (5) years with financial returns as per Attachment “A”; and
- 3) **THAT** the Director of Recreation and Senior Manager of Purchasing & Accounts Payable in consultation with the City Solicitor be authorized to approve the final terms and conditions of the agreement; and
- 4) **THAT** the \$5,000.00 annual revenue towards beverage exclusivity be credited to Corporate Items – Other Revenue (Operating Budget account 890 890 9397) and the \$10,000.00 signing bonus be transferred to Life Cycle Replacement & Capital Reserve Fund (account 087 2800 200); and
- 5) **THAT** the \$5,000.00 annual sponsorship revenue be allocated as follows: \$2,500.00 credited to the Markham Theatre Corporate Sponsorship (Operating Budget account 530 534 8831) and \$2,500.00 towards the Tony Roman Memorial Hockey Tournament as outlined in financial consideration section of the report; and
- 6) **THAT** a commission amount of thirty percent (30%) of Annual Gross Sales in the estimated annual amount of \$33,540.00 be credited to the Vending Machine Operating Budgets accounts for Recreation, Library and Roads; and
- 7) **THAT** the Director of Recreation and Senior Manager of Purchasing & Accounts Payable be authorized to extend the contract for an additional five (5) years subject to annual increases of 2% in each year commencing in year 6 of this agreement;
- 8) **AND THAT** Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to recommend the award of the contract for the Supply and Delivery of Soft Drinks and Related Equipment.

BACKGROUND:

The current contract for the Supply and Delivery of Soft Drinks and Related Equipment, as awarded to the incumbent Coca Cola Refreshment Canada, expires on June 30, 2013. The City issued a Request for Proposal (RFP) to market to solicit bids for the supply and delivery of soft drinks and related equipment for vending machines and concession operations at the City.

Responsibilities (Soft drink provider)

- Supply and deliver various soft drinks to various City locations
- Responsible for the installation and maintenance of all equipment
- Perform preventative maintenance on the equipment at least twice a year in order to keep the equipment in good operating condition
- Delivery of product on an as required basis
- Provide in-kind products to be used for Community events
- Provide revenue to the City, such as
 - Signing Bonus (One-Time)
 - Beverage Exclusivity Allowance
 - Commission
 - Community support and sponsorship allowance

City's Responsibilities

- During the term of the contract, the soft drink provider will have exclusive rights to supply soft drinks to all City locations, including the Markham Civic Centre, except the cafeteria located in the Markham Civic Centre
- Supply the required power and plumbing for the water lines, as well as the costs for the parts and labour associated with these lines as may be required
- Recognize the soft drink provider support and sponsorship at events

BID INFORMATION

Advertised	Electronic Tendering Network
Bids closed on	April 11, 2013
Number picking up bid documents	10
Number of companies responding to bid	3

PROPOSAL EVALUATION:

The RFP was evaluated by an evaluation team consisting of staff from Recreation Services, Finance, Corporate Communication and Community Engagement Departments and Purchasing staff acting as the facilitator.

The proposals were evaluated based on pre-established evaluation criteria as listed in the RFP: 5% Past (relevant) experience of the Proponent in the marketplace for contracts of similar size and scope; 5% Quality and Suitability of the Proposals; 5% Price of beverages; 5% Provision of logoed Gymnasium Electronic Score Clocks; 20% Lump Sum Signing bonus 25% exclusivity rights on sales Commission payable to the City on vending sales; 35% Annual Revenue Offering (including annual exclusivity and performance allowance; provide

“in-kind” product allowance; Concession Marketing Fund; Community initiatives marketing fund and annual community support and sponsorship allowance), with a total score out of 100.

Bidder	Scoring (out of 100)	Rank
PepsiCo Beverages Canada	92.44	1
Coca Cola Refreshment Canada	66.32	2
Imperial Vending Services	28.50	3

After tabulating the scores, the results confirmed the Evaluation Team’s conclusion that PepsiCo Beverages Canada met the City’s requirements and was therefore recommended for the award.

With this recommendation, Staff further reviewed the overall financial impact compared to the previous contract pricing under Project 172-R-07. Over a 5-year term, the City will receive a 51% (or -\$240,000) less in revenues and 45% (or 227,500) less to in-kind contribution.

	Previous Contract Amount	PEPSI Amount	Variance Increase / (Decrease)
	(\$)	(\$)	(\$)
<u>Revenue</u>			
Signing Bonus (one time)	50,000	10,000	(40,000)
Beverage Exclusivity Allowance (per year)	30,000	5,000	(25,000)
Sponsorship (per year)			
Tony Roman Hockey Tournament	5,000	2,500	(2,500)
Markham Theatre	5,000	2,500	(2,500)
Mayor's Dinner for the Arts	10,000	0	(10,000)
Commission (30%) - 2012 based on actual revenue	33,540	33,540	0
Year 1 impact	133,540	53,540	(80,000)
5 year impact	467,700	227,700	(240,000)
<u>In-kind (per year)</u>			
Product Fund	2,500	10,000	7,500
Concession Marketing Fund / Score Clocks	2,500	0	(2,500)
Community Initiatives Fund	2,500	0	(2,500)
Year 1 total including Revenue & in-kind	141,040	63,540	(77,500)
5 year impact including Revenue & in-kind	505,200	277,700	(227,500)

As allowed under the bid document, Staff negotiated with the highest ranked bidder (Pepsi) after the evaluations were complete, to try and minimize the gap between the 2007 contract and the proposed revenue offering under this proposal. However, no further revenue incentives were provided to the City during these negotiations. The market analysis conducted by staff prior to negotiations confirms that there has been a significant shift in offered revenues to

municipalities as compared to previous years. This is indicative of the current market climate and trends that the City has encountered with our other revenue contracts with the vending services (snacks) and concession suppliers.

OPTIONS/ DISCUSSION:

The City of Markham will continue to offer in all high traffic community centres with healthy alternatives, carbonated beverages and sports drinks. The offered products will include (but not limited to): Aquafina Water, Aquafina Plus, Dole 100% fruit juices (orange and apple), Lipton Iced Teas (including Green), Gatorade and G2.

FINANCIAL CONSIDERATIONS:

As outlined in Attachment “A” there will be an annual beverage exclusivity allowance of \$5,000.00 which will be credited to Corporate Items – Other Revenue (Operating Budget account 890 890 9397), and a one-time signing bonus of \$10,000.00 be credited to account Life Cycle Replacement & Capital Reserve Fund account 087 2800 200. PepsiCo Beverages Canada has offered to support the Markham Theatre and the Tony Roman Hockey Tournament with a total annual cash contribution of \$5,000.00, of which \$2,500.00 will go towards Markham Theatre to be credited to the Corporate Sponsorship Operating Budget account 530 534 8831 and \$2,500.00 to be utilized towards the Tony Roman Memorial Hockey Tournament to be credited to account 031 222 0009.

The proposal also includes a 30% commission on vending sales which equates to an estimated \$33,540 per annum. In addition, PepsiCo Beverage Company has offered an in kind Product Allowance (\$10,000 per annum) to support events like Canada Day, RBC Markham Milliken Children’s festival, a Community Initiatives fund that could be utilized for staff incentives, volunteer appreciation, internal promotions & charity events.

ENVIRONMENTAL CONSIDERATIONS:

The PepsiCo Beverage Company recognizes their responsibilities to the environment and as such, proposed Energy Star Tier1 coolers for all facilities, which offer energy savings of 54% over traditional coolers. PepsiCo Beverages Canada has received sustainability recognition from Supply Chain & Logistics Association Canada (SCL CAL), Natural Resources Canada, and GE Infrastructure Water and Process Technologies.

The vending equipment proposed have a energy management system that automatically learns the City’s operating hours, consumer patterns and will turn off cooling and lighting during off peak hours.

ACCESSIBILITY CONSIDERATIONS:

None

BUSINESS UNITS CONSULTED AND AFFECTED:

Recreation Services, Finance, Corporate Communication and Community Engagement Departments have been consulted and involved in this project.

RECOMMENDED BY:

19/06/2013

6/19/2013

X 

Mary Creighton
Director, Recreation

X 

Brenda Librecz
Commissioner, Community & Fire Services