



**Purchasing Contract
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 9
AGENDA DATE: Thu 05/26/2005
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SUBJECT: Authorize negotiation and execution of a five-year revenue agreement with THE PEPSI BOTTLING GROUP, Austin, TX, for an exclusive beverage vending service agreement in an estimated revenue amount of \$3,362,879, with two 5-year extension options in an estimated revenue amount of \$3,362,879 per option, for a total estimated revenue agreement amount of \$10,088,637.

AMOUNT & SOURCE OF FUNDING: \$258,352 estimated revenue for Fiscal Year 2004-2005. Estimated revenue for the remaining 55 months of the original contract period and extension options is contingent on future volume of beverage consumption.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

**REQUESTING Purchasing
DEPARTMENT:**

**DIRECTOR'S
AUTHORIZATION: Vickie Schubert**

FOR MORE INFORMATION CONTACT: Rosemary Ledesma, Senior Buyer/974-2011

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: Best evaluated proposal of three proposals received.

MBE / WBE: This contract will be awarded in compliance with Chapter 2-9 of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

The City issued a Request for Proposal (RFP) solicitation on July 26, 2004, seeking proposals from qualified and experienced beverage distributors to provide exclusive beverage vending services in City-owned and occupied facilities. This agreement will provide revenue to the City and will consolidate the management, servicing and accounting of beverage vending sales for all City-owned and occupied facilities under a master contract. Three proposals were received on September 30, 2004.

The City identified approximately 226 current beverage vending machines located in City-owned or controlled property and buildings, parks etc. These existing beverage machines are currently owned and serviced by a number of vendors who dispense multiple products and brands at various prices. Some of these vendors have written contracts with the departments they serve and some have verbal agreements. A number of departments are currently receiving revenue through commissions. These commissions are being used for various purposes as determined by the individual departments. There is currently no citywide policy regarding the collection, or use of these funds. This consolidated contract will substantially increase the return on beverage sales to the City and will provide standardized controls and guidelines for the management and use of the revenue. If the City Council approves award of this agreement, the City will notify the current vendors in writing that their beverage vending contracts/agreements will be terminated, and they will be asked to remove their equipment from City premises.



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The City Council approved a contract on July 17, 2003 with The PathFinder Group in Atlanta, GA for marketing consultant services to explore potential revenue for the City from the development and implementation of marketing income partnerships. Pathfinder's first responsibility was to help develop a beverage vending partnership using a formal RFP process. An evaluation panel reviewed and evaluated the responding proposals and recommended The Pepsi Bottling Group (Contractor) as the best proposer. The panel ranked the proposals based on letter of interest, financial commitment, projected revenues to the City, operational plan, project concept, proposed solution, contract management, demonstrated applicable experience, and evidence of good organization and management practices.

The proposal from Pepsi Bottling Group includes commissions on sales and an annual guaranteed up-front marketing rights fee of \$50,000 for the first year and \$50,000 plus an escalator for each subsequent year of the contract. Additional incentive payments will be paid if certain sales goals are exceeded. In addition, Pepsi has proposed annual scholarships and free product for each year of the contract, both to be used at the City's discretion.

The beverage vending agreement will primarily include product sales through vending machines on City premises. Case sales, and possibly fountain beverages, will also be available to departments through this agreement. The vendor will provide a wide variety of beverages including bottled water, isotonic "sports drinks", carbonated beverages, iced tea and coffee drinks, energy drinks, and fruit juice-based products. The Contractor will be expected to install vending machines with attached energy-saving devices (energy misers) at all City locations where vending is requested or determined to be appropriate. The energy misers will be supplied by Austin Energy. The City will work with the Contractor to designate optimum placement of machines. The Contractor will be responsible for replenishing the machines with beverages and for providing service and maintenance for the beverage machines as may be required. The products to be dispensed shall be determined by the Contractor and the City based on customer requests, location of the machines, and sales projections. Contractor will be required to submit to the City, monthly written reports with details regarding the commissions due. Any adjustments in unit prices or commission rates will require negotiation between the parties.

Pathfinder has provided similar successful services in other cities and schools systems, such as San Diego, Dallas and Denver Public Schools, which have entered into a similar exclusive beverage agreement.

MBE/WBE Solicited: 6/1

MBE/WBE Bid: 0/0

PRICE ANALYSIS

- a. Best cost/revenue proposal of three proposals received.
- b. Sixty-three notices were sent including six MBEs/one WBE. Nineteen solicitations were issued including no MBEs/WBEs. Three proposals were received.

APPROVAL JUSTIFICATION



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- a. Best evaluated proposal.
- b. The Finance and Administrative Services Department concurs with the recommendation.
- c. Advertised in the Austin American-Statesman and on the Internet.