



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**99-113**

**SYNOPSIS -**

**AGENDA:**  
  
MARCH 22, 1999

Award of single beverage provider Request For Proposal (RFP) bid G99-133 to Pepsi-Cola General Bottlers, Inc. for Parks and Receptions facilities.

**SUBJECT:**  
  
BID AWARD TO  
PEPSI-COLA  
GENERAL  
BOTTLERS, INC.

**FISCAL IMPACT -**

Total financial/equipment benefit of \$730,652 over a three year period. This figure includes the value of specified equipment in the RFP and projected net revenues from fountain and product sales at City operated facilities that were not presented in the first communication to City Council.

**TYPE:**  
  
RESOLUTION  
ORDINANCE  
RECEIVE/FILE

**RECOMMENDATION -**

**Approval and return to Council with a contract on April 5, 1999.**

**SUBMITTED BY:**  
  
DONALD M. TRIPP  
PARK AND  
RECREATION  
DIRECTOR

**BACKGROUND -**

Key assumptions in the Park and Recreation Department's Back to the Basics budget presentation identified that partnerships, public and private, result in new resources and customer ownership. The single beverage provider agreement helps provide clean and safe parks without requiring new tax revenue.

Over the past several years the Park and Recreation Department has prepared to consolidate beverage sales. Existing concessionaire contracts were amended allowing the City to competitively bid for a single beverage provider.

Park and Recreation Department staff met with each contracted concessionaire in the development and review of the RFP. The

consolidation of beverage sales at the Blank Park Zoo, Botanical Center, Aquatic Facilities, Athletic Facilities, Parks, Community Centers, and Golf Courses allows the Parks and Recreation Department to offer multiple vendor locations and sponsorships opportunities to over one million visitors a year.

In June 1998, the three bidding beverage companies attended a meeting to discuss the upcoming RFP and provide input into information to be included in the bid. Between June 1998, and December 1998, the departments of Parks and Recreation, Legal, Risk Management, and Finance (Purchasing) completed the RFP.

The City of Des Moines' Purchasing Division solicited bids by advertisement and mailed an Invitation to Bid G99-133 to four potential bidders, with three bids received. The Park and Recreation Department's selection process for award recommendation is outlined in the beverage comparison described below. American Bottling Company's bid is for a six year exclusive contract (attachment A). This is nonconforming with the RFP and the City's general purchasing division policy.

The major differences in the two bids are vending sales profit and product pricing. The exact financial impact of a full service vending program identified in the RFP is an unknown, since vending machines have not previously been located within City parks. Pepsi-Cola has guaranteed a \$30,000 profit regardless of sales. Such a guarantee was not offered by Atlantic Bottling. The difference in vending profit has been estimated at three levels, Pepsi-Cola's guarantee, Atlantic Bottling's prediction based on City managed facilities, and a median point. Pepsi-Cola prevails in all three total bid comparisons.

	<u>Pepsi-Cola</u>	<u>Atlantic Bottling</u>
Pepsi-Cola Guarantee:	\$703,935	\$692,206
Median Point	\$730,652	\$721,279
Atlantic Bottling estimate (based on City operated facilities)	\$756,228	\$750,328

In the area of product pricing, the following is a comparison of the beverage pricing bids from each company:

	<b><u>Pepsi-Cola</u></b>	<b><u>Atlantic Bottling</u></b>
20 oz soda bottles	\$12.00 / cs	\$14.50 / cs
12 oz soda cans	\$5.50 / cs	\$6.80 /cs
20 oz bottled water	\$9.75 / cs	\$11.00 /cs
Sport drink	\$14.00 / cs	\$15.50 / cs
Pre-mix	\$2.00 / gal.	\$2.40 / gal.
Post-mix	\$5.00 / gal.	\$7.23 / gal.

Each bid contains market share information supporting their respective companies. Coke shows a 4.7 percent advantage over Pepsi in a weekly AC Nielsen report and Pepsi claims dominance in a DataBank annual report showing single serve preference. Department staff have researched market share and have received information from the 1998 Nielsen Rating Service for Grocery Channel Market Share, received from scanned purchases for the Des Moines Metro market. Individual preference in this report shows Pepsi with a 52.8 percent market to Coke's 28 percent.

Due to lower product pricing and the up front guarantee from Pepsi-Cola General Bottlers on the vending commissions of \$30,000 annually, the Park and Recreation Department staff recommends awarding the bid to Pepsi-Cola General Bottlers as the overall best benefit bid to the City of Des Moines and its concessionaires. The individual company bids are on file with the City Clerk.

Attachments