

TORONTO STAFF REPORT

September 26, 2005

To: Economic Development and Parks Committee

From: Treasurer
General Manager, Parks, Forestry and Recreation

Subject: Request for Proposal (RFP) 0613-05-0166
Operation of Snack and Hot Drink Vending
(All Wards)

Purpose:

The purpose of this report is to advise on the results of Request for Proposal (RFP) 0613-05-0166 for the operation of snack and hot drink vending within the Parks, Forestry and Recreation facility locations, and to request authority to negotiate and enter into a five (5) year License Agreement with the recommended Proponent for the period from November 1, 2005 to October 31, 2010 in the East, West and South Districts and for the period May 1, 2006 to April 30, 2011 for the North District, including a three (3) year renewal option for the period November 1, 2010 to October 31, 2013 in the East, West and South Districts and for an additional two and a half years in the North District for the period May 1, 2011 to October 31, 2013.

Financial Implications and Impact Statement:

The RFP terms included continued service levels, healthier food choices and financial considerations. Based on the submission being recommended the Proponent will provide guaranteed payments to the City totalling \$925,000. or an annual commission rate of 39%, whichever is greater for the rights to vend snacks and hot drinks over the five (5) year term. In addition the recommended Proponent will have the rights for bulkhead vending for the same five (5) year term and will provide a one-time payment of \$20,000. and subsequent annual payments based on a location fee per machine or an annual commission rate that varies from 40% to 55% based upon the type of machine that is installed. Projected net revenues from bulkhead vending over the five (5) year term is estimated at \$150,000. which is reflective of the incumbent's past performance operating at the same locations. The Proponent will provide \$25,000. for sponsorship over the same five (5) year term. The total estimated revenue for the five (5) year term is \$1,120,000. which includes the sponsorship money.

Exercising the optional three (3) year license extension for the East, West and South Districts from November 1, 2010 to October 31, 2013 and for an additional two and a half years for the North District from May 1, 2011 to October 31, 2013 would provide an additional guaranteed payment to the City of \$555,000. or an annual commission rate of 39%, whichever is greater for the right to vend snacks and hot drinks. In addition the recommended proponent will provide annual payments for bulkhead vending based on a location fee per machine or an annual commission rate that varies from 40% to 55% based on the type of machine that is installed. Projected net revenues for the bulkhead vending is estimated at \$90,000. The Proponent will also provide \$15,000. for sponsorship over the term. The total estimated revenue to the City for the renewal option is \$660,000. The total estimated revenues to the City for the five (5) year term plus optional three (3) year term is \$1,780,000.

There are no current or additional costs that the City of Toronto will incur with the implementation of the proposed License Agreement. The recommended Proponent shall be responsible for all operating costs and any other related costs for the operation of the vending machines.

Recommendations:

It is recommended that:

- (1) The Proposal submitted by Mr. Vending Inc. be accepted for the period from November 1, 2005 to October 31, 2010 in the East, West and South Districts and from May 1, 2006 to April 30, 2011 for the North District with guaranteed and projected revenues to the City over the five (5) year term estimated at \$1,120,000.
- (2) Authority be delegated to the General Manager of Parks, Forestry & Recreation to negotiate and execute a License Agreement with Mr. Vending Inc. in a form and content, consistent with the RFP and acceptable to the City Solicitor for the period from November 1, 2005 to October 31, 2010 in the East West and South Districts and from May 1, 2006 to April 30, 2011 in the North District and be delegated to exercise the three (3) year option License Agreement in the East, West and South Districts and the two and a half year option License Agreement in the North District with Mr. Vending Inc. under the same terms and conditions, provided that the operation of snack and hot drink vending were performed at a satisfactory level; and in the form and content, consistent with the RFP and acceptable to the City Solicitor for the period from November 1, 2010 to October 31, 2013 in the East, West and South Districts and for the period from May 1, 2011 to October 31, 2013; and
- (3) The appropriate City Officials be authorized and directed to take the necessary action to give effect thereto.

Background:

In July 2000, the City issued an RFP to enter into a license agreement for the operation of snack and hot drink vending for the Parks and Recreation Division. The successful proponents for this RFP entered into a five (5) year license agreement with the City for the period from November 1, 2000 to October 31, 2005 in the East and West Districts and from May 1, 2001 to April 30, 2006 in the North District. These license agreements expire on October 31, 2005 for the East and West Districts and on April 30, 2006 for the North District. The South District did not have a license agreement.

To ensure continuity of service, an RFP was issued on April 12, 2005 through Purchasing and Materials Management for this service that is scheduled to start on November 1, 2005 in the East, West and South Districts and on May 1, 2006 for the North District.

The current five (5) year license agreements have provided commissions over the past four (4) years that have averaged \$101,732. per annum and is projected to yield a total of \$508,662. by the end of the five (5) year term. The RFP provided for the operation of snack and hot drink vending and also included bulkhead vending. Proponents were requested to examine opportunities to market products to a large and diverse customer base within the City of Toronto, Parks, Forestry and Recreation and to form a profitable partnership alliance with the City. Additional opportunities included community event participation/sponsorship and City initiatives on healthier eating choices.

Comments:

Ten (10) firms on the City's Bidders list were invited to submit proposals and the RFP was also advertised on the City's Internet Website. Proponents could bid on all four (4) Districts or any combination thereof and could contain one or more of the three main product categories (e.g. snacks, bulkhead or hot drinks). Eight (8) submissions were received and opened at the public opening on May 6, 2005 from the following proponents:

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| (1) Adventure Vending Inc | (bulkhead vending) |
| (2) Aftica Mortgage Services Inc. O/A Aftica Vend | (bulkhead vending) |
| (3) Keyway Vending Inc. | (bulkhead vending) |
| (4) S.I.R. Investments Inc. | (snack and hot drink vending) |
| (5) Eastwood/Le Jardin Food Service Inc. | (snack and hot drink vending) |
| (6) International Foods & Snacks Corp. | (snack and hot drink vending) |
| (7) Coffee Delight | (snack, hot drink and bulkhead vending) |
| (8) Mr. Vending Inc. | (snack, hot drink and bulkhead vending) |

Using the evaluation criteria specified in the RFP, an Evaluation Team comprised of staff from the Parks, Forestry and Recreation, Corporate Finance and Public Health followed the prescribed three stage evaluation process described below:

- (1) review for mandatory requirements to be provided, which is a “pass/fail” process;
- (2) score technical requirements and financial aspects with a 75 percent minimum score required; and
- (3) an interview/question period if (1) and (2) are satisfied.

The first stage of the evaluation was pass/fail based on whether mandatory requirements were met. The proposal submitted by Eastwood Le Jardin Foods failed to mention four of the six mandatory requirements as indicated below and the bid was disqualified from further evaluation:

- Provide a payment schedule including paying of all taxes (Section 6.1.1);
- Provide quarterly sales and statements and yearly financial statements (Section 6.1.2);
- Indicate that they would provide 25% healthy food choices in the first year of the agreement and by the start of the third year of the agreement 50% healthy food choices would be provided until the end of the agreement (Section 6.1.3); and
- Provide community event sponsorship (Section 6.1.4).

The second stage involved a detailed technical evaluation for the proponents who passed the first stage of the evaluation process. The second stage was based on the proponents’ qualifications and experience, level of service to the public and financial aspects including all net revenues and other financial benefits to the City and was scored out of 100 points. Evaluation criteria was changed from the previous RFP to reflect the City of Toronto’s commitment to ensuring that healthier food choices are available in Parks and Recreation facilities. Staff working with Toronto Public Health established criteria for identifying healthier food choice based primarily on the October 2004 document “Dieticians of Canada – Recommendations for School Food and Nutrition for the Ontario Ministry of Education”. Healthier food choices were based on four components: calories, fat, saturated + trans fat and sugar. Consequently, a minimum of 25% of snack vended must meet be dedicated to healthier foods in the first year of the agreement and will rise to 50% by the start of the third year of the agreement to the end of the agreement period.

Proponents were required to achieve a minimum score of 75 percent to progress to the third stage of the evaluation, which consisted of an interview. The proposal from Aftica Mortgage Services Inc. (O/A Aftica Vend) failed to achieve the 75 percent criteria necessary to obtain an interview.

The third stage was an interview/question period for the six remaining proponents. The proponents presented their proposals and answered a series of questions from the evaluation committee. Each was scored out of 20 points. The total points for the second and third stages combined totalled 120 points. The average scores ranged from 88.1 to 108.3 for the Snack & Hot Drink Vending and from 88.4 to 106.5 for the Bulkhead Vending.

Following the full review, Mr. Vending Inc. achieved the highest overall score and is the recommended proponent for both the snack/hot drink and bulkhead vending in all four (4)

Districts. Mr. Vending Inc. possesses the necessary knowledge, operational experience and financial resources to provide the required services.

The proposal from Mr. Vending Inc. included terms for a guaranteed payment to the City of Toronto of \$925,000. or an annual commission rate of 39%, whichever is greater over the five (5) year term for the snack and hot drink vending. In addition Mr. Vending will pay the City a one-time payment of \$20,000. and subsequent annual payments based on a location fee per machine or an annual commission rate that varies between 40% to 55% based on the type of machine that is installed for bulkhead vending. Projected revenues to the City over the five (5) year term are estimated at \$150,000. Mr. Vending will also provide \$25,000. for sponsorship over the same five (5) year term.

Mr. Vending Inc. has also agreed to comply with the City's requirements to provide 25% of the product in the form of healthier foods. In this regard each vending location will offer 25% available product in the first year of the term and subsequently rise to 50% by the start of the third year of the term to the end of the agreement.

Under the City's option to renew the contract for an additional three (3) years in the East, West and South Districts and an additional two and a half years in the North District, as specified in the RFP, Mr. Vending Inc. would make the same annual guaranteed payments, commissions on sales and sponsorship funds. The potential value of those payments for the term is estimated at \$660,000. Any extension would be predicated on evaluation of performance.

The Fair Wage Office reported that the recommended firm has indicated that it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

Conclusions:

This report recommends the award of the contract to the highest scoring proponent, Mr. Vending Inc. for the operation of Snack and Hot Drink Vending. It also requests authority for the General Manager of Parks, Forestry & Recreation to negotiate and execute a License Agreement in the form and content consistent with the RFP and acceptable to the City's Solicitor for the period from November 1, 2005 to October 31, 2010 in the East, West and South District and for the period from May 1, 2006 to April 30, 2011 in the North District, including the option to renew with the authority delegated to the General Manager of Parks, Forestry and Recreation for the period November 1, 2010 to October 31, 2013 in the East, West and South Districts and from May 1, 2011 to October 31, 2013 in the North District.

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