

Memorandum



CITY OF DALLAS

DATE December 4, 2015

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Beverage and Snack Vending

On Monday, December 7, 2015 the Budget, Finance and Audit Committee will be briefed on Beverage and Snack Vending. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink, appearing to read 'Jill Jordan'.

Jill A. Jordan, P.E
Assistant City Manager

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager

Joey Zapata, Assistant City Manager
Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

Beverage and Snack Vending

Budget, Finance and Audit Committee
December 7, 2015



Purpose

Obtain policy direction on healthy choice criteria to be used in upcoming food/drink – related procurements



Outline

- **Background**
- **Recommendations for discussion**
- **Next Steps**
- **Committee Feedback and Input**



Refreshments at City Facilities

Beverages

Beverages

Pouring
Rights

Vending
Machines

Snacks

Vending Machines

Snacks

Background – Pouring Rights

- Pouring rights authorize the holder to sell and dispense beverages through fountain machines and provide significant advertising opportunity for the holder (signage, cups, etc.)
- Limited City facilities have pouring rights opportunities - examples include
 - City Performance Hall
 - Bahama Beach Waterpark
 - Dallas Convention Center
 - Morton H. Meyerson Symphony Center
- Pouring rights venues typically
 - Have operating agreements
 - Entertain a primarily public/visitor customer base
 - Generally require admission fees for customers/patrons
- Pouring rights are bundled with exclusive beverage vending agreement to leverage volume



Background – Vending Machines

- **Most City facilities (including the pouring rights venues discussed above) have beverage and snack vending machines**
- **Depending on location, machines are used by**
 - **Employees**
 - **Public**
 - **Both employees and the public**
- **Previous contracts have been strictly market-based for both snack and beverage vending machines**
- **Recommended procurement represents a paradigm shift to a much more health-conscious focus while empowering employees and other consumers to make informed choices**
- **Clearly communicating the City’s “healthy options” intent to the vending community is critical for successfully procuring these services**



Background – Vending Industry Trends

- **The American Beverage Association (including The Coca Cola Company, Dr. Pepper Snapple, PepsiCo, and hundreds of other beverage bottling companies) in association with the Alliance for a Healthier Generation implemented the Balance Calories Initiative designed to help fight obesity by reducing beverage calories consumed per person nationally by 20% by 2025**
- **The National Automatic Merchandising Association (NAMA) implemented FitPick[®], a healthy vending and micro market labeling program designed to help operators and consumers identify products that meet recognized nutrition standards**



Background

- Health and wellness initiatives continue to gain momentum and there are many examples of criteria used to define healthy options for vending machines (see examples from San Antonio and federal programs in appendix)
- Most criteria
 1. Eliminate industrially produced trans fat
 2. Limit calories per serving
 3. Limit sodium content
 4. Limit sugars
 5. Limit saturated fat

GOAL: Increase the availability of healthy and affordable beverage and packaged food options at City facilities



Recommendations

Two Requests for Proposals:

1. **Beverages**
 - **Pouring Rights**
 - **Vending Machines (includes setting healthy standard)**
2. **Snacks (includes setting healthy standard)**



Recommendations – Beverage Vending Criteria

Beverage Category (Nutritional Standard)	Dallas Recommended Product Mix of total offerings per machine, not all machines will carry all
Diet Soda	Up to 20%
Full-flavored Soda	Up to 10%
Plain or Carbonated Water (0 calorie, 0 grams of carbohydrates, 0 grams of sugar)	25% or more
100% Fruit or Vegetable Juice (no added sweeteners, <250mg Sodium)	Up to 15%
Non-carbonated, Low (< 40) Calorie (can include teas, sports / energy drinks, and non-dairy, fortified options)	Up to 20%
1% or Non-fat White, Unflavored Milk	Up to 10%

Recommended product mix is consistent with guiding principles and allows flexibility based on location – **only water** is required to be in each machine

Pouring rights are not impacted by the product mix above



Recommended Beverage Vending Criteria – Example Products

Lower-calorie, healthier options to make up 90% of offerings



Recommendations – Healthy Snack Vending Criteria

Phasing is recommended for Dallas

- Supports balancing of guiding principles
- Reduces potential challenges experienced by others in their implementations
- Supports strategic partnership with selected vendor
- Allows opportunity to assess for 6-8 months, report back to committee, and make adjustments as necessary for year two and beyond

	Year 1 - 75% of offerings Year 2 and beyond - 100% of offerings
Serving size	≤ 200 calories
Total fat	≤ 35% of calories ¹
Trans fat	0 grams ¹
Saturated fat	≤ 10% of calories ¹
Sugars	≤ 35% of calories ¹
Sodium	≤ 250 mg
Fried snacks?	Not allowed

¹Excludes nuts, seeds, whole/dried fruits, cheeses and yogurts

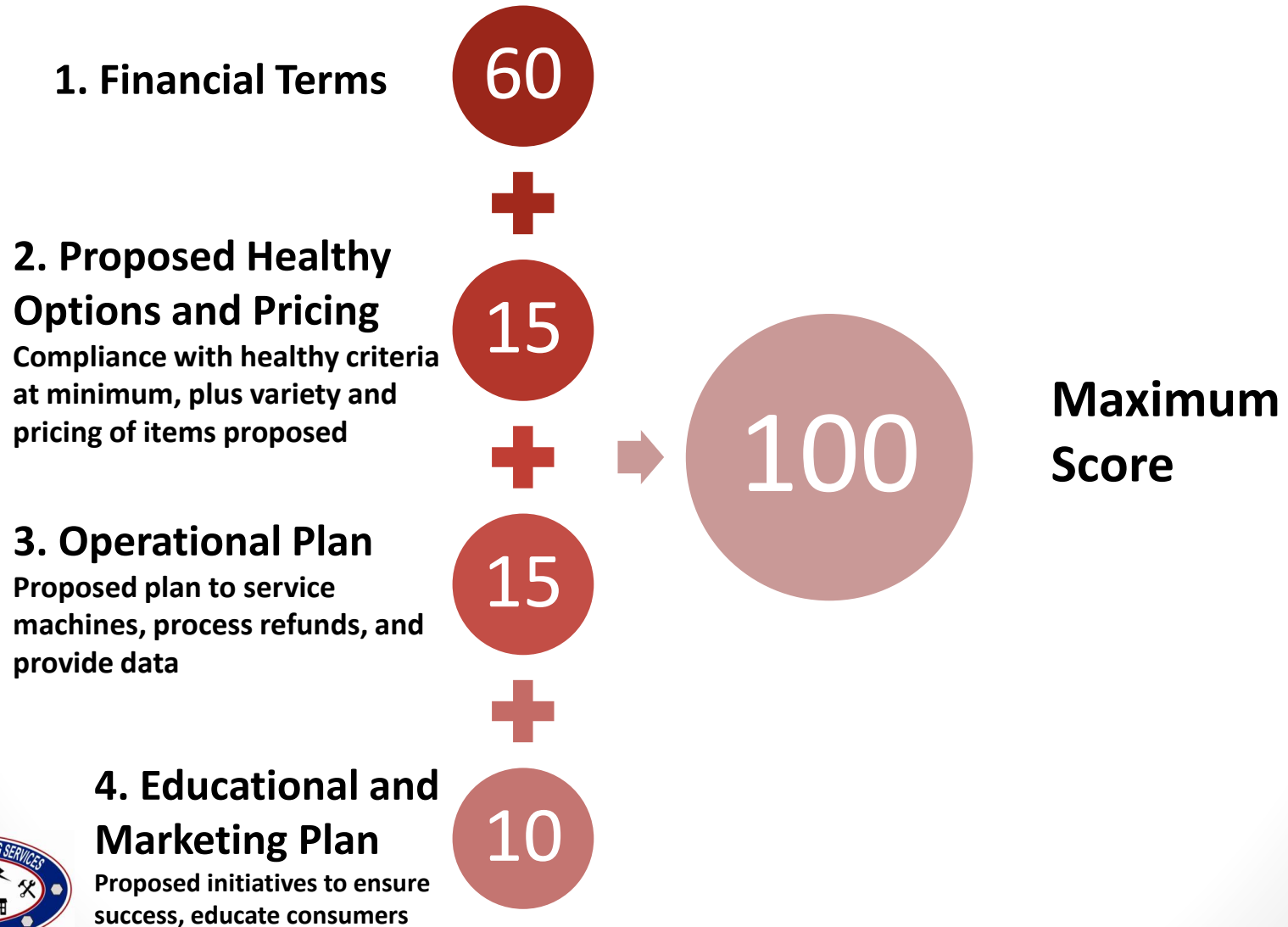


Recommended Snack Vending Criteria – Example Products



Recommendations – Evaluation Criteria

No points are awarded for anything “given” to the City



Recommendations – Financial Terms Evaluation Criteria

60 points in this category (Beverage RFP)

- Minimum Annual Guaranteed Payment (20 points)
- Commission (40 points)
 - Case sales
 - Pouring Rights

For the Snack RFP, all 60 points are based on commission proposed



Key Decision Points for Financial Terms

Policy direction needed on the following:

- Annual Guaranteed Payments for exclusive rights?
- Commission based payments?
- Combination of the Annual Guarantee and Commission?
- Upfront payment?
- Preferred pricing for products for community events?



Next Steps and Tentative Schedule

- December 17, 2015 – advertise updated RFP based on committee input/feedback
 - January 14, 2016 – hold pre-proposal meetings
 - January 28, 2016 – vendor proposals due
 - February 12, 2016 – complete vendor presentations and staff evaluations
 - March 4, 2016 – complete negotiations and finalize contract(s)
 - March 28, 2016 – Committee briefing on results and recommendation(s) for award(s)
 - April 13, 2016 – Council consideration of contract(s)
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Questions and Discussion



APPENDIX



Background – Beverage Vending

- **Prior to 2004: departments had their own relationships/contracts with beverage machine vendors – difficult to manage and impossible to leverage**
- **2004: five-year consolidated beverage contract awarded**
- **2009: new, five-year beverage contract awarded**
- **Late 2014: current beverage contract extended one year and new RFP advertised**
- **April 1, 2015: three proposals received**
- **November 2, 2015: Council rejected and authorized new RFP for beverages**
- **November 13, 2015: Council was provided tentative procurement timeline beginning with today's briefing**



Background – Snack Vending

- **Prior to 2005: departments had their own relationships/contracts with snack machine vendors – difficult to manage and impossible to leverage**
- **2005: three-year snack vending contract awarded**
- **2012: new, four-year snacks contract awarded**
- **Early 2015: preliminary draft RFP developed for new snack vending contract**
- **Fall 2015: RFP put on hold pending consensus on healthy options language**



Example Criteria

- **Many example criteria in use across the country appear to overlap significantly with those developed in 2010 by the General Services Administration and US Department of Health and Human Services that govern snack and beverage machine offerings at thousands of federal properties**
- **The Health Collaborative and the San Antonio Metropolitan Health District engaged a coalition of community and public health experts, dietitians, and food distributors to update and strengthen the city's healthy vending guidelines in 2011**



Example: US General Services Administration (GSA) / Department of Health and Human Services (HHS) Collaboration

General requirements for beverages sold at HHS and in all properties managed by the General Services Administration

- At least **50%** of beverage choices must contain **≤ 40 calories per** serving
- Milk - only offer **2%, 1%, and non-fat** milk dairy type products
- Juice - **at least one 100% juice** with no added caloric sweeteners
- Vegetable juice must contain **≤ 230 mg** sodium per serving

Above the Standard Suggestions

- For beverages with **more than 40 calories per serving**, only offer servings of **12 oz or less** (excluding unsweetened milk and 100% juice)
- At least **75%** of beverage choices (excluding 100% juice and unsweetened milk) must contain **≤40 calories/serving**
- Offer as a choice a **non-dairy, calcium-fortified** beverage (such as soy or almond)
 - No more sugars than milk (**≤ 12 g** per 8 oz serving)
 - At least same **protein (6 g per 8 oz), calcium (250 mg per 8 oz)**
 - **≤ 5 g total fat** (equivalent to 2% milk)
- Offer **at least one** low sodium vegetable juice (**≤140 mg sodium** per 8 oz)



Example: San Antonio

Healthy Beverage Guidelines: The Healthy Beverage Vending Machine meets the following standards and mix of products:

Beverage Category	Product Mix (of total items in vending machine)	Nutritional Standard
Diet Soda	20%	Diet soda
Plain or Carbonated Water	20%	0 calorie, 0 grams of carbohydrates, 0 grams of sugar
100% Fruit or Vegetable Juice	20%	no added sweeteners
Non-Carbonated Calorie Free	20%	can include a distribution of un-sweetened tea and calorie- free lemonade
1% or Non-Fat White Milk	20%	1% or non-fat white, unflavored milk



Examples – Healthy Snack Vending Criteria

	GSA / HHS	San Antonio
Serving size	≤ 200 calories ¹	≤ 200 calories
Total fat	n/a	≤ 35% of calories ⁴
Trans fat	0 grams	0 grams ⁴
Saturated fat	≤ 10% of calories ^{1,2}	≤ 10% of calories ⁴
Sugars	≤ 35% of calories ^{1,3}	≤ 35% of calories ⁴
Sodium	≤ 230 mg	≤ 250 mg
Fried snacks?	n/a	Not allowed

¹25% of items offered (excluding nuts and seeds without added fats, oils, or caloric sweeteners) are to meet this criterion

²Excludes nuts and seeds without added fats or oils

³Excludes fruits or vegetables without added caloric sweeteners

⁴Excludes nuts, seeds, whole/dried fruits, cheeses & yogurts



Previous Beverage Proposal Evaluation

Previous beverage vending proposals used the following three criteria:

1. Financial Commitment (65%)

Financial value of the proposal – some proposals included an allowance for donated product to be used at community events in each council district

2. Operational Plan (25%)

Vendor’s plan to service the machines, process refunds, etc.

3. Innovative Marketing Ideas (10%)

Vendor’s approach to market, any plans to educate consumers through labeling the machines or other means

Given the similarities in snack and beverage vending, a single RFP that may result in multiple contract awards is recommended using revised criteria that clarify the City’s intent with respect to “healthy options” and clarify that product donations will not be considered

