



Legislation Text

File #: 11-1201, **Version:** 1

Recommendation to adopt resolution adopting the City of Long Beach Healthy Beverage Vending Policy, and defer considering adoption of such Policy until a Request for Proposal (RFP) for vending machine operations is completed to determine the fiscal impacts of the Policy's implementation.
(Citywide)

On April 19, 2011, the City Council requested the creation of a healthy food and beverage policy that promotes good nutrition and healthy environments within City facilities and at City-sponsored meetings/events. This action was recommended due to the significant health consequences associated with the growing rate of overweight and obese youth and adults in Long Beach.

As originally proposed, this policy was to include the following standards:

- 100% of the snacks and beverages sold in vending machines on City property and/or where City programs operate shall meet specified nutrition standards;
- 100% of the beverages and snack foods served at meetings/events/celebrations led or coordinated through the City staff shall meet specified nutrition standards;
- Specified nutrition standards will be based on nationally recognized and accepted guidelines, similar to those used for foods and beverages sold in California schools (SB 12 and SB 965); and
- The standards are to include limits on sugar, fat, sodium and calories for snack foods, as well as the elimination of sugar-sweetened beverages, and limits on artificially sweetened beverages.

For purposes of clarity and discussion, staff determined the requested policy would be best divided into two distinct policies and presented as separate agenda items. This item pertains specifically to the Healthy Beverage Vending Policy (Policy).

Proposed Healthy Beverage Vending Policy

The attached Policy applies only to the beverage vending machines on City-owned property, which are under the direct control of the City and that are accessible to the public. The Policy does not apply to:

- Beverage vending machines not accessible to the public, such as those in staff lounges and maintenance yards; and
- Beverage vending machines on City-owned property, but under the control of City lessees and

concessionaires (Le., golf courses, tennis centers, beach/ park concession stands and airport food vendors).

There are different nutritional requirements for those beverage vending machines located in "youth sites" than those in "non-youth sites." Youth sites are those City sites open to the public where there is programming specifically for children and youth, such as community health centers, libraries, parks, community centers, and other spaces that regularly host out-of-school time programs, and athletic facilities that are used by youth teams. Non-youth sites are all City sites open to the public that do not meet the definition of a youth site, such as offices and business areas.

The following chart identifies the beverages that are allowable and non-allowable in beverage vending machines in each type of site:

| Site Type | Allowed | Not Allowed |
|--|---|--|
| Youth, Public (parks, community centers, libraries, health centers, etc.) | <ul style="list-style-type: none"> • 50 – 100% fruit juices, • bottled water, • unflavored low-fat and non-fat and non-fat milk, • most soy milks, • artificially sweetened sports drinks (max 25% of product), • artificially sweetened vitamin waters, and • artificially flavored waters. | <ul style="list-style-type: none"> • sodas, • sports drinks, • fruit flavored drinks, • energy drinks, • vitamin waters, • flavored animal derived milks, • diet sodas, and • diet teas. |
| Non-Youth, Public (offices, business areas, municipal marinas, senior centers, etc.) | Same as above, additionally: <ul style="list-style-type: none"> • diet sodas & diet teas (max 25% of product) | <ul style="list-style-type: none"> • sodas, • sports drinks, • fruit flavored drinks, • energy drinks, • vitamin waters, and • flavored animal derived milks. |
| Non-Public (staff areas, maintenance yards, etc.) | All beverages | None |

Current Beverage Vending Machine Agreement

Agreement No. 27609 with BCI Coca-Cola Bottling Company of Los Angeles (Coke) provides \$240,000 in annual General Fund (GP), \$30,000 in Tidelands Operations Fund (TF401) and \$30,000 in Marina Fund (TF403) revenue in exchange for the exclusive placement of beverage vending

machines on City-owned property and facilities citywide. Currently, there are 103 Coke-provided vending machines, which yield an annual sales volume of approximately 6,700 cases of Coke product each year. The current Agreement is set to expire in January 31, 2012. However, there is a renewal option for another five-year period.

In 2011, Coke informed the City that it would waive the renewal option on the current Agreement, and subsequently entered into negotiations with staff to amend and restate the Agreement. On November 3, 2011, Coke formally submitted their proposal to amend and restate the current Agreement. As proposed, the amended and restated Agreement would change from a fixed guaranteed revenue model to a tiered commission-based model, wherein the City would receive approximately 25 percent of all revenue from Coke products sold. As proposed, the City would receive between \$22,000 and \$53,000 annually based on actual units sold in the existing vending machines. This would equate to a decrease of between \$247,000 and \$278,000 in revenues annually. Further, representatives from Coke report that when "healthy" policies are adopted, sales decrease 40 to 70 percent.

Staff does not recommend amending and restating the current Agreement, as proposed by Coke, regardless of the adoption of the proposed Policy. The amounts being proposed simply do not equate to a valuable enough sponsorship arrangement for providing citywide exclusivity.

Issue a New Request for Proposal (RFP)

Deferring the adoption of the Policy at this time would provide staff the opportunity to investigate the potential for securing another vending machine contract that may provide revenue similar to what is currently being received. Staff is prepared to develop and issue a RFP to openly and competitively bid vending machine exclusivity. The RFP process, however, cannot take place until the Agreement with Coke expires on January 31, 2012. It is anticipated the RFP process would take 90 days to complete. Upon expiration of the current Agreement with Coke, Coke will have 30 days to remove their machines from City-owned property and facilities. There will be no revenue generated from the time Coke's machines are removed and a new vendor's machines are installed.

In addition to Coke and Pepsi, there are numerous commercial vending machine companies operating in Southern California (e.g., Beach Cities Vending, Pacific Coast Vending, Avalon Vending, First Class Vending) that would be invited to participate. The RFP would be formatted to elicit two proposals from the respondents; one if the Policy were adopted, and one if the Policy were not adopted. If the Policy were adopted at this time, staff would still initiate an RFP process, but would only include the parameters associated with the new Policy.

This matter was reviewed by Deputy City Attorney Linda Trang on November 21, 2011 and by Budget Management Officer Victoria Bellon November 22, 2011.

City Council action is requested on December 6, 2011 in order to receive direction prior to the January 31, 2012 expiration of the Agreement with Coke.

The adoption and implementation of the Healthy Beverage Vending Policy may result in decreased revenues to the General Fund (GP), Tidelands Operations Fund (TF401) and Marina Fund (TF403), although the exact revenue reduction will not be known until the RFP process is completed. Additionally, there will be no revenue generated from the time Coke's machines are removed and a new vendor's machines are installed.

Approve recommendation.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LONG BEACH ADOPTING A HEALTHY BEVERAGE VENDING POLICY

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