

In the Weeds

Securing a Grass-Mowing Contract in Stockton, CA

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For the fourth time that day, Kurt Wilson read through his Request-For-Proposal (RFP) for the 2019 fiscal year (FY19) streetscape and landscape maintenance contract. The numbers were simply not adding up. Wilson, City Manager of Stockton, California, was hired just ten months after the City declared bankruptcy. He had known it would be challenging but had no idea that years later, bankruptcy would still impact nearly every aspect of his job. Wilson was committed to implementing permanent financial control measures to ensure that Stockton remained solvent in the future.

Financial challenges meant that he had to weigh funding for present-day expenditures—parks, streetscapes, police services—against growing future pension obligations and debt-servicing costs. One specific expenditure troubled Wilson that year: he needed a new contract for maintenance along Stockton street medians and landscapes, but there were no vendors at a suitable price. Wilson was concerned that the lack of maintenance would send a message to residents that Stockton could not provide core public services. But he also sensed, perhaps too late, that the state of the grass medians signaled something about the condition of Stockton’s procurement process itself.

Challenging Financial Waters

In July 2012, four years after the 2008 financial crisis, Stockton filed for Chapter 9 bankruptcy with the U.S. Bankruptcy Court.¹ At the time, Stockton was the largest American city to have filed for bankruptcy. The City engaged an outside group, Management Partners, to review its financial health and help develop a Long-Range Financial Plan (L-RFP).² One assumption in the L-RFP was that expenditures would increase by only 2 percent annually, ensuring that the City could reliably fund public goods and honor debt service and pension costs.³

¹ See Appendix 1 for a screenshot of Stockton’s Long Range Financial Plan. The L-RFP page from the City of Stockton’s website includes numerous L-RFP update presentations:

<http://stocktonca.gov/government/departments/adminservices/budLrfp.html>.

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City Manager Kurt Wilson

As City Manager, Wilson was responsible for Stockton's fiscal and management functions. The City's situation was challenging, but Wilson was not a rookie. He had worked in the private and nonprofit sectors and served as City Manager in four other California cities.⁴ He had a calm demeanor and quiet confidence in his work and brought these qualities to procurement negotiations. Stockton's Municipal Code provided that the City award contracts to the "lowest and best regular responsible bidder," or reject all bids.⁵ Wilson was determined to ensure that Stockton landed a good streetscape contract.

Mowing the Grass: Stockton's Streetscape Contract

Stockton had maintained its parks in-house, paying full-time city employees until 2008, when the City began outsourcing parks maintenance with a contract, as it had long been doing for streetscaping maintenance. This saved Stockton about \$1.5 million, or 30 percent more than the previous year. However, Public Works Director Gordon MacKay noted that these contracting services left the City prone to market fluctuations.⁶ In the 2018 fiscal year (FY18), MacKay paid \$1.2 million from Stockton's general fund for a streetscape contract with Odyssey Landscape to mow grass and maintain medians.⁷ However, Odyssey struggled to provide the agreed-upon services at this cost. The company did not request an extension of the contract, and given the performance issues, the City would not have granted the extension even if they had requested it.⁸

Wilson hoped for a new contract at the FY18 cost of \$1.2M. At worst, he thought, Stockton could spend no more than \$1.3 million on the contract and still fit within the L-RFP's budget projections, which would account for an annual 2 percent increase over five years (10 percent total increase).⁹ MacKay knew that costs had gone up in the California labor market since the recession, and in the back of his mind, he expected they could go up by as much as 50 percent. "I would not have been surprised if vendors offered \$1.8 million. Offering \$1.6 million would have been great," said MacKay.

Wilson also knew that negotiating this contract would be hard. "[Vendors] are at the peak of the business cycle right now. They can't find skilled laborers to mow the grass. These workers have the Bay Area in a commutable distance, where they could get a 30-50 percent pay increase. And after the recent wildfires, construction workers are in such high demand too."¹⁰ The highest possible offer he would consider was \$1.6 M.

The city issued its RFP and received three proposals. The bids were well above what Wilson and McKay hoped for, and far above what Stockton could afford, at \$2.26M, \$2.27M, and \$2.48M.¹¹ Wilson was unsure how to proceed. There was no way Stockton's L-RFP could entertain an overrun of \$600,000.

A Second Attempt

Wilson and his colleagues rejected the three bids in April 2018. Wilson justified his choice by writing the following in city legislative text: "Although an increase in the contract price was anticipated, the [lowest-price] bid was higher than expected and there are insufficient funds to award the contract."¹² Wilson thought about other approaches: he could have let the grass go untended that year and tried again the following year, especially if cost increases were short-term; he could have asked local

nonprofits or civic groups to “adopt” specific medians; he could have engaged state correctional facilities for community-service work agreements; finally, he could have worked with private companies to “sponsor” medians.

By focusing solely on the price Stockton would pay, Wilson had not examined vendors’ perspectives. There was no longer enough time to implement other ideas, so he issued a new RFP, signaling to vendors that Stockton could not afford higher prices. It included a lower “base” scope of service with eight modular components; the City could choose to accept or decline them depending on cost.

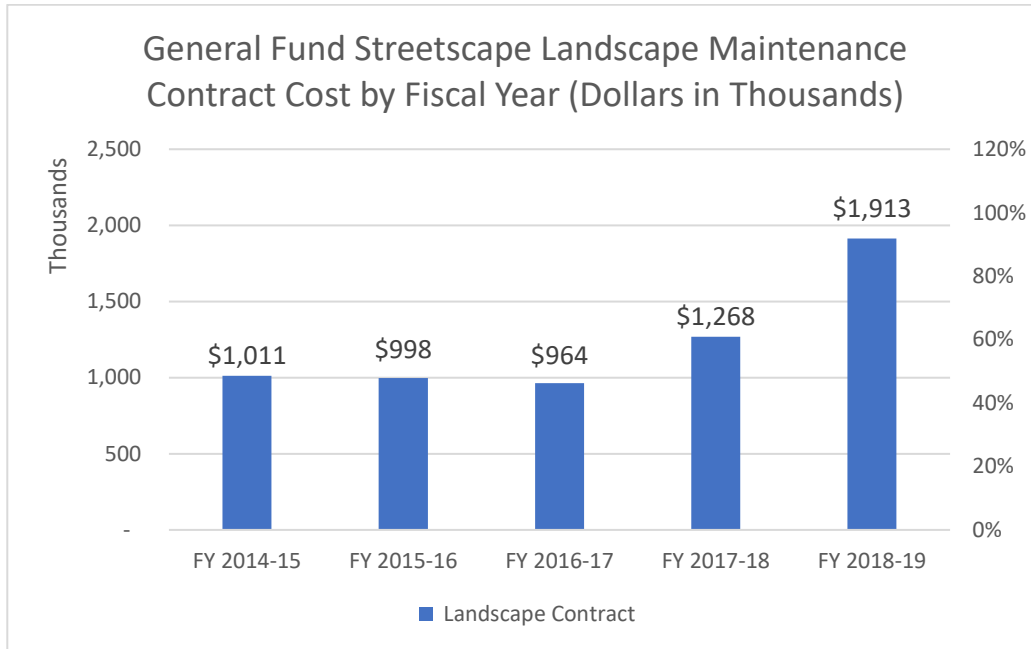
The lowest bid ultimately came from Al Fresco Landscaping. Stockton, using the modular approach, settled on paying Al Fresco \$1.78 million for a year’s worth of basic services. The City also agreed to pay for extra services such as weeding in alleys, tree pruning, and trash removal, bringing the contract to \$1.91 million in October 2018.¹³

Stockton city officials were concerned. There were tall grasses on city medians, even as costs had increased 89 percent annually since FY17.^{14,15} Wilson wondered why the traditional procurement-negotiation tools had not worked for Stockton with this contract. What could the City have done differently to anticipate the bids they received for this contract?

Appendices

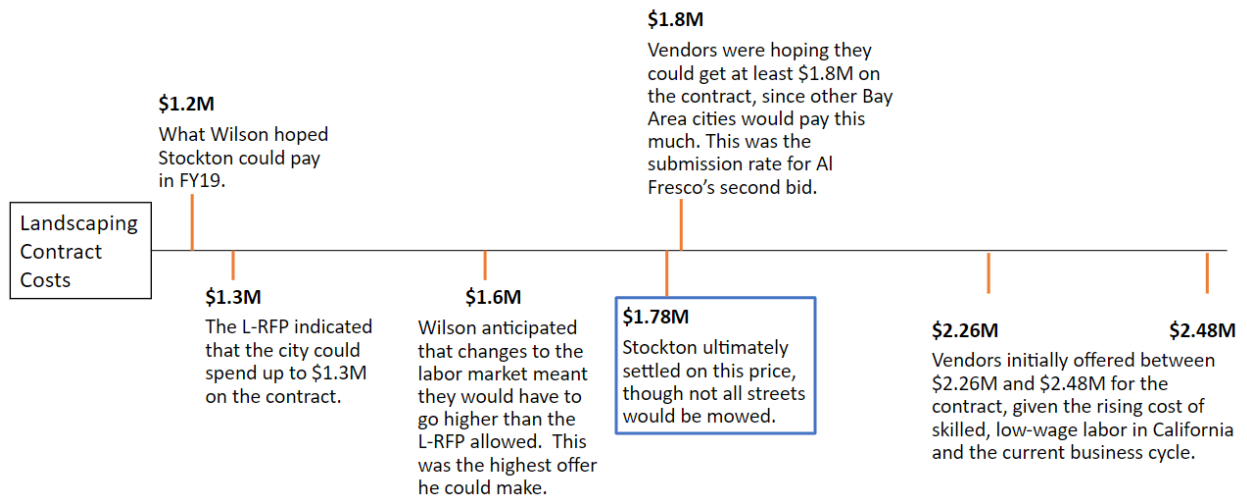
Appendix 1 The Long-Range Financial Plan and the Grass-Moving Contract¹⁶

Wilson hoped to land a contract at around **\$1.2 million** (the same as in FY18) and would have been okay spending up to **\$1.3 million**, within a 2 percent annual increase over five years from FY18. But he ended up spending **\$1.78 million** for the base grass-moving contract with Al Fresco, and later **\$1.91 million** with additive modular services in Stockton. This represented an **89 percent year-over-year increase** since FY17.



Source: Stockton Budget Officer Kim Trammel

Appendix 2 Negotiating the Grass-Cutting Contract



Source: Case authors interviews with City of Stockton officials

Endnotes

¹ Holeywell, Ryan, "Stockton, Calif., is Largest City to File for Bankruptcy," *Governing*, June 27, 2012, accessed June 15, 2019, <https://www.governing.com/topics/finance/gov-stockton-california-bankruptcy.html>.

² Leland, Robert, "Forecasting for an Uncertain Fiscal Future," *Western City Magazine*, November 1, 2015, accessed June 13, 2019, <http://www.westerncity.com/article/forecasting-uncertain-fiscal-future>.

³ Budget Officer Kim Trammel, interview by authors, July 8, 2019.

⁴ The Stockton Record, "NAACP honors community leaders," *The Stockton Record*, November 26, 2014, accessed August 5, 2019. <https://www.recordnet.com/article/20141126/News/141129644>.

⁵ "Reject Bids For The Streetscape Landscape Maintenance Project," *City of Stockton: Legislation Text*, File #: 18-4824, Version: 1, accessed July 20, 2019.

⁶ Public Works Director Gordon MacKay, interview by authors, July 24, 2019. All further quotes by this individual from this interview unless otherwise noted.

⁷ "Reject Bids For The Streetscape Landscape Maintenance Project," *City of Stockton: Legislation Text*.

⁸ MacKay, interview by authors.

⁹ "Budget Message," *City of Stockton*, May 15, 2019, accessed July 10, 2019.

¹⁰ City Manager Kurt Wilson, interview by authors, June 21, 2019.

¹¹ "Reject Bids For The Streetscape Landscape Maintenance Project," *City of Stockton: Legislation Text*, File #:18-4824, Version: 1, accessed July 20, 2019.

¹² Ibid.

¹³ "Approve Motion To Award A Service Contract For The Streetscape Landscape Maintenance Project," *City of Stockton: Legislation Text*, File #: 19-5124, Version: 1, accessed July 20, 2019.

¹⁴ "Budget Message," *City of Stockton*, May 15, 2019, 6, accessed July 10, 2019.

¹⁵ Trammel, Kim, "L-RFP Simple Graph," *City of Stockton*, accessed July 12, 2019.

¹⁶ Figure courtesy of Stockton Budget Officer Kim Trammel.