



# CITY OF LONG BEACH

DEPARTMENT OF FINANCIAL MANAGEMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

May 18, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**SUBJECT:** Adopt Proposition "L" Ordinance and Award Contracts for Specifications No. PA-00304 for Providing Landscape Maintenance Services at Various Sites (Citywide)

## DISCUSSION

The Three-Year Financial Strategic Plan (Plan) was endorsed by the City Council on March 25, 2003. In an effort to reduce costs while maintaining City services, the Plan included expansion of contracting opportunities. The FY 04 Budget adopted by the City Council on September 16, 2003 included the contracting of landscape maintenance.

On November 4, 2003, the City Council adopted specifications and authorized the City Manager to advertise for bids to provide landscape maintenance services at various designated sites citywide. An extensive employee service delivery review process was initiated at the same time.

### Sites Currently Contracted:

- Heartwell Area Parks
- Civic Center Complex
- Rancho Los Cerritos Historic Site
- North Long Beach Area Parks
- Central and West Area Parks
- Southeast Area Parks
- El Dorado Park Turf Maintenance

### New Sites and Services:

- El Dorado Park Landscape Maintenance
- Street Medians Landscape Maintenance
- Tidelands Turf and Landscape Maintenance
- Ball Field Renovation at Sites Not Previously Contracted
- Parks Refuse and Green Waste Removal at All Sites

## The Bid Process and Specifications

In conformance with the established contracting-out evaluation process, employees currently performing the services were involved in providing suggestions in developing the landscape maintenance specifications and reviewed them prior to the release of those specifications. The specifications were prepared with employee input and consolidate all of the existing contracted areas and additional locations into one bid process to enable the City to benefit from economies of scale. The specifications also incorporate an organizational change that includes the designation of the Parks, Recreation and Marine Department as the primary contract administrator.

HONORABLE MAYOR AND CITY COUNCIL

May 18, 2004

Page 2

The bid was advertised on November 11, 2003 and opened on December 12, 2003. The bid documents were available from the Purchasing Division located on the Plaza Level of City Hall and on the Purchasing Division website at [www.lbpurchasing.org](http://www.lbpurchasing.org). Thirty-five potential bidders were notified by mail, ten of which are Long Beach businesses, twelve are Minority-owned Business Enterprises (MBEs) and five are Women-owned Business Enterprises (WBEs). In addition, an electronic notification was sent to all subscribers of e-Notify. Finally, an open forum was held for all potential local, women and minority bidders to review the details of the specifications and learn of the requirements to bid. Azteca Landscape, a MBE/WBE of Ontario, Midori Gardens, a MBE of Santa Ana, and WM. Vandergeest Landscape Care, Inc., of Santa Ana, were determined the lowest responsible bidders.

The bid specifications include a requirement that Proposition "L" contractors provide health care benefits, pay \$1.25 per hour in lieu of such benefits or pay prevailing wages (which already include a component for health benefits) to their full-time and part-time employees working under contract with the City. In addition, the specifications require the contractors to provide supplemental information, such as the number of employees, types of tools and vehicles used under the contract.

The bid specifications also require all bidders to submit evidence indicative of their ability to finance, provide and sustain the specified services to the satisfaction of the City. This evidence includes a minimum of two consecutive years of recent experience providing services at facilities and areas similar in nature and scope to those required in this contract, a bidder's bond, client and credit references, financial statements, work history and required licenses. Upon contract award and before the start of the contract, contractors are required to submit a performance bond, insurance certificates for commercial general liability, workers' compensation, auto and all risk property insurance, and an employee honesty bond. Finally, the contract has numerous financial remedies for contractor non-compliance and non-performance that include payment deductions.

The bid specifications are highly detailed to ensure no confusion in the City's expectations. The specifications have bid submittal requirements to ensure that the contractors have the necessary references, fiscal responsibility, qualifications and work history to successfully complete the City's performance conditions. Azteca Landscape and Midori Gardens, as the incumbent contractors for the City, have had a long-standing, positive relationship with the City. Reference checks for WM. Vandergeest Landscape Care, Inc., were conducted and found to be positive.

#### Employee Review of Service Delivery Alternatives

During the bid process, Non-Profit Management Solutions, a team facilitator, assisted an employees' group to evaluate service delivery alternatives that achieve cost savings and meet performance expectations. The employees' group also validated the costs for

HONORABLE MAYOR AND CITY COUNCIL

May 18, 2004

Page 3

the City workforce to accomplish the proposed scope of work. This validation ensures that the estimation for the completion of the scope of work by the City workforce is valid and that the Proposition "L" analysis performed by the City Auditor reflects a fair comparison between the City's estimated costs and the private sector contractors' bid.

An initial meeting with all impacted employees and union representatives was held on November 7, 2003 to kick-off the employee review process. Employees who volunteered to participate in the review process met eight times as a group with the facilitator to develop their service delivery alternatives into a proposal.

The employees' proposal was submitted to the City Auditor staff at a meeting with the employees to discuss the proposal in detail. In addition, City Auditor staff obtained the assistance of Agonia and Associates, an industry consultant, to assist in reviewing the operational viability of the employees' proposal. The City Auditor staff, industry consultant and department representatives met with the employees to review the employees' proposal. The employees' final proposal, along with City costs and contractor bid summaries, were presented to the City Auditor for their review and evaluation.

The employees chose to prepare a proposal for only certain areas identified in the specifications. The bid sections submitted are as follows:

Areas Included In Employees' Proposal:

- Northeast Streets
- Southeast Streets
- El Dorado and Vicinity Parks
- Tidelands Parks
- Tidelands Streets

Areas Not Included:

- Northwest Parks
- Northwest Streets
- Northeast Parks
- Southwest Parks
- Southwest Streets
- Southeast Parks

City Auditor's Report

In comparing the employees' cost proposal for the areas that the employees submitted, the attached City Auditor's report certifies that the City's current cost to provide landscape maintenance services is \$2,808,066, the employees' proposal is \$2,015,164, and the total contractors' cost is \$1,129,273 for annual services.

According to the City Auditor's analysis, the contractors' cost is \$1,678,793, or 59.8 percent, less when compared to the City's cost and \$885,891, or 44.0 percent, less when compared to the costs submitted by the employees for the same areas.

For the areas that were not submitted in the employees' cost proposal, the City's cost is \$4,996,956 and the contractors' cost is \$1,686,214. According to the City Auditor's analysis, the contractors' cost is \$3,310,744, or 66.3 percent, less when compared to

HONORABLE MAYOR AND CITY COUNCIL

May 18, 2004

Page 4

the City's cost. The following table provides a comparison of City costs, employee alternatives and the contractors' proposals.

CITY AUDITOR'S COST COMPARISON	<u>City Cost</u>	Employee	Contractors	Use of	Contractors	Contractors	Contractors
		Proposed	Cost	vs.	Cost vs.	Cost vs.	Cost vs.
		Cost	Cost	City	City	Employee	Employee
				Savings	Cost	Cost	Cost
					Percent	Savings	Percent
Employee Submitted Areas	\$2,808,066	\$2,015,164	\$1,129,273	\$1,678,793	-59.8%	\$-885,891	-44.0%
Areas Not Submitted	\$4,996,956	\$0	\$1,686,214	\$3,310,742	-66.3%		

The City's costs are based on the operational requirements needed to provide the level of service required in the specifications. Industry standards are applied to ensure that the landscape maintenance services adhere to the City's performance expectations. The employees' proposal was also required to meet the specification standards and this matter was addressed when they began evaluating service delivery alternatives. Although their proposal achieves cost savings, the City Auditor's industry consultant did not believe the proposal could meet the performance requirements of the specifications without adding four positions. The employees should be commended for their efforts to present a thorough and detailed proposal; however, the industry consultant's conclusion was that additional staffing would be required to meet performance requirements.

The costs shown for the employees' proposal were not adjusted by the City Auditor to include four additional positions that were recommended by the industry consultant as additions to the employees' proposal. The additional positions would add a cost of \$222,190. This additional amount would increase the employees' proposal from \$2,015,164 to \$2,237,354 or an increase in the difference between the contractors' cost and employees' proposal from 44.0 percent to 49.5 percent.

Recommendations

Cost

Based on the cost comparisons and City Auditor's review, it is recommended that the City Council award contracts for one year, with three one-year renewal options to Azteca Landscape, Midori Gardens and WM. Vandergeest Landscape Care, Inc., at the annual amount not to exceed \$3,285,810. The proposed annual amount is 15 percent above the \$2,815,487 contract bid cost to provide for optional and supplemental tasks, non-scheduled work and emergency functions to ensure public safety with an additional \$48,000 for as-needed repair and improvement of street median irrigation systems. The optional and supplemental tasks include irrigation repair, plant replacement, turf renovation, and special event preparation and repair for other areas. These tasks shall be evaluated by the City and performed on an as-needed basis, upon request.

HONORABLE MAYOR AND CITY COUNCIL

May 18, 2004

Page 5

**Labor Impacts**

Of the 39 permanent positions, originally budgeted in these areas, as of April 27, 2004, 21 positions are vacant as the result of the hiring freeze and 18 are filled and will be impacted as a result of awarding these contracts to the recommended bidders. Of those, six employees will be retained for contract monitoring.

City staff has been working with the remaining employees to place them in alternate positions. Employee transition meetings, coordinated by the Department of Human Resources, have been held to assist employees in identifying transfer opportunities. Since many of the employees working in these areas have seniority in their positions, upon contract award, an "order of layoff" will be conducted to enable City staff to place less senior impacted employees in alternate positions. An order of layoff is a required Civil Service process to enable the movement of classified employees to vacant positions. It is anticipated that no permanent employees will be laid off as a result of issuing these contracts.

The attached Ordinance provides for the findings required by City Charter Section 1806, that confirm that the services provided can be performed as efficiently, effectively, and at an estimated lower cost to the City than if said work or services were performed by employees of the City, and that said contract will not be detrimental or adverse to the best interest of the City.

The Ordinance, if approved by a two-thirds vote of the City Council, authorizes the City Manager to execute contracts for landscape services with Azteca Landscape, Midori Gardens and WM. Vandergeest Landscape Care, Inc., for a period of one year, and also authorizes the City Manager to execute three separate renewals for a period of one year each, provided the contractors supply satisfactory services. Should the City exercise its right to extend the contracts, the cost differentials between the City's cost and the contractors' cost during the renewal terms are expected to remain unchanged. If the City agrees to an increase, it will not be more than the annual change in the Consumer Price Index (CPI). If the cost differential is not consistent, then upon renewal, a full Proposition "L" analysis would be required as would City Council authorization. Additionally, any changes to the contract resulting in potential reductions in the City's workforce would require City Council authorization.

On April 27, 2004, Ms. Janet Wright, President of the International Association of Machinists and Aerospace Workers, was notified by mail of the plans to award contracts for landscape maintenance services and that it is anticipated that no permanent employees will be laid off as a result of issuing these contracts.

This matter was reviewed for contract and Proposition "L" issues by Deputy City Attorney Donna F. Gwin on April 13, 2004 and by Budget Manager Michael Killebrew on April 29, 2004.

HONORABLE MAYOR AND CITY COUNCIL  
May 18, 2004  
Page 6

TIMING CONSIDERATIONS

City Council action to award the contracts to the lowest responsible bidders is being requested on May 18, 2004 to ensure that the new contracts are in place by July 1, 2004. The current landscape services contracts expire on June 30, 2004.

FISCAL IMPACT

The total amount of the contracts, in the estimated annual amount of \$3,285,810, is 15 percent above the contract bid cost to provide for optional and supplemental tasks, non-scheduled work and emergency functions to ensure public safety with an additional \$48,000 for as-needed repair and improvement of street median irrigation systems. The amount is budgeted in the General Fund (GP) and Tidelands Fund (TF) in the Department of Parks, Recreation and Marine (PR). There is no guarantee that all funds will be expended each year.

IT IS RECOMMENDED THAT THE CITY COUNCIL:

- 1) Adopt the attached Proposition "L" Ordinance, which pursuant to Section 1806 of the City Charter makes findings and determinations regarding contracting of landscape maintenance services, and award contracts to Azteca Landscape, Midori Gardens and WM. Vandergeest Landscape Care, Inc.
- 2) Authorize the City Manager to execute contracts for a one-year period after the Proposition "L" Ordinance becomes effective, in the amount not to exceed \$3,285,810, and make three successive one-year extensions.

Respectfully submitted,



ROBERT S. TORREZ  
DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:



GERALD R. MILLER  
CITY MANAGER