

CASE STUDY 5: The Case of the Crummy Contract

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The new director described in the “vanishing volunteers” case has also received another charge from the county administrator and commissioners. Due to budgetary pressures and tax resistance, the county must emphasize financial stringency. Two new county commissioners have just been elected after campaigns emphasizing that they would seek to cut the county’s budget and find more efficient ways of managing programs and departments. Among other proposals, they are calling for more “privatization” and “contracting-out” to improve the efficiency of county operations. They and others have emphasized this priority in discussions with the new Parks and Recreation director.

These pressures already existed before the new director and new commissioners arrived, and the former commissioner had responded to some degree. He had contracted with a local operator of fast food franchises to take over the food concessions at the three county parks and two county recreation centers. The county had previously operated these food service outlets, but normally broke even on them. The new operator contracted to run them and pay the county a small fee. When the contract was let, the former director told the commissioners that this fee would allow the county to actually make a little money instead of breaking even on the food concessions.

The contract is coming up for renewal soon. The new director receives word that one of the concessions in one of the parks has essentially shut down. They are only offering candy and cokes and similar food items, and not the hot dogs, hamburgers, and cooked items that they had previously offered. The contractor informs the new director that the stoves and refrigerator have broken down, and that the county must repair them for the cooked food service to resume. The contract did not specify who was to be responsible for maintaining the equipment, and the operator is arguing that it is the county’s responsibility. The expenses involved in performing the maintenance will erase the county’s small gain through the fee from the contractor.

In addition, the new director is receiving reports of complaints about the quality of the food, and of accumulating litter and trash near the food service outlets. In talks with the contractor, she finds that he takes the position that cleanliness outside the food service outlets is not his responsibility. He says she needs to assign more maintenance personnel to clean up.

Some people have called to complain that they used to plan picnics based on using the food from the outlets, but the food and service had deteriorated and they would not do so any longer. The new director increasingly forms the impression that the contractor, experienced in running fast food franchises supervised and supported by national corporations, was not prepared for some of the new conditions in the county food services (for example, no central supply of foods and other supplies, or central support on equipment maintenance). From her conversations with the contractor, she worries that he may renege on the fee to the county, since he has hinted that if he loses money he does not have to pay the fee. The contract is loosely drawn, and she intends to talk to the county attorney about whether the contractor could get away with this action. The county attorney is also a private contractor with the county, and is not very responsive to requests for his time. Talking with the attorney, moreover, will not really solve the problem. Even if the food services contractor did not have sound legal grounds, she is loathe to get into a legal and public dispute with him, since he is a prominent local businessman with connections to the new county administrators and other members of the business community.

In addition to these headaches with food services, the new director finds that the two new county commissioners and some of their friends in the business community are leading a push for more privatization. They have issued a policy statement from their Association of Brilliantly Efficient and Effective Business Entrepreneurs that calls for such steps, and their association president has appeared at a county commission meeting to promote the report and its main priorities. The statement asserts that county business organizations can provide services more efficiently and effectively than government-operated services, and that government operation of services that local businesses could perform represents unfair competition. Lauding the successful privatization of some county food services activities, they call for further initiatives in such areas as grounds maintenance, equipment maintenance and operation, and the operation of other facilities such as parks, swimming pools, and recreation centers. The

county has a putt-putt golf range at one of the parks and the report specifically targets that activity for privatization.

Again, the new director finds that the county's contracting process has been run rather informally and personally by the beloved former director. There is no evidence of any illegality, but the process needs better management.

Again, also, your group, good-hearted professional public servants that you are, has agreed to serve as a poorly compensated advisory group to try to help out a fellow professional and public servant.

Source: This case was written by Hal G. Rainey, Alumni Foundation Distinguished Professor, Department of Public Administration and Policy, University of Georgia

Discussion Questions

1. What does the new director know or need to know? Prepare a list of key questions or points of information about the current situation that you and she need to consider, in assessing the current situation and preparing a response to it. Please list at least five key questions or points and explain how they relate to ideas and concepts covered in the course.
2. Where does the new director need to go? What should she strive to achieve, in the organization and processes for contracting in the department? What conditions, arrangements, policies, and procedures should she definitely try to establish? Please list at least five priorities and explain how they relate to matters covered in the course.
3. How does the case involve the implications of managing in a public sector environment?

4. What could other levels of government and authority do to support her management of privatization and contracting?