

SUPREME COURT OF MINNESOTA

Rochester City Lines, Co. v. City of Rochester, First Transit, Inc.

868 N.W.2d 655 (Minn. 2015) · No. A13-1477 · Decided August 19, 2015

SUMMARY

The Minnesota Supreme Court reviews the City of Rochester's best-value procurement process for awarding a municipal bus-service contract to First Transit, Inc. The court holds that the unreasonable, arbitrary, or capricious standard applies to such municipal bidding decisions, that challenges to the request for proposals and alleged organizational conflict of interest fail, and that the district court lacked jurisdiction over the City's quasi-judicial bid-protest decisions. It nevertheless reverses summary judgment on Rochester City Lines' general claim that the award process was unreasonable, arbitrary, or capricious and remands for further proceedings.

CASE DETAILS

COURT	Supreme Court of Minnesota
WRITING FOR THE COURT	Stras, Justice; Gildea, Chief Justice; Dietzen, Justice
JURISDICTION	Minnesota
DECIDED	August 19, 2015
DOCKET	A13-1477
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Rochester City Lines appealed from summary judgment entered for the City of Rochester, city officials, and First Transit, Inc. The court of appeals affirmed. The Minnesota Supreme Court granted review of the applicable standard for reviewing a best-value municipal bidding process and whether summary judgment was proper on the bid-protest claims.
STANDARD OF REVIEW	Summary judgment is reviewed de novo. The court determines whether genuine issues of material fact exist and whether the district court correctly applied the law, viewing the evidence in the light most favorable to the nonmoving party. A municipality's award of a government contract through a best-value bidding process is reviewed under the unreasonable, arbitrary, or capricious standard.
PRECEDENTIAL VALUE	Published Minnesota Supreme Court opinion; precedential.

PARTIES

Rochester City Lines, Co. v. City of Rochester, First Transit, Inc.

TOPICS

bid protests

government contracts

municipal law

judicial review of agency action

writ of certiorari

PRACTICE AREAS

government contracts

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appellate procedure

QUESTIONS PRESENTED

1. What standard governs judicial review of a municipality's award of a government contract through a best-value bidding process?
2. Whether Rochester City Lines forfeited its challenge to the allegedly excessive or unlawful terms of the request for proposals by failing to raise those objections through the RFP's pre-bid protest procedure.
3. Whether the district court had subject matter jurisdiction to review the City's quasi-judicial decisions denying Rochester City Lines' bid protests.
4. Whether First Transit had an organizational conflict of interest that invalidated the bidding process.
5. Whether genuine issues of material fact precluded summary judgment on Rochester City Lines' claim that the City awarded the contract through an unreasonable, arbitrary, or capricious process.

HOLDINGS

1. The unreasonable, arbitrary, or capricious standard from *Griswold v. Ramsey County* governs judicial review of a city's or county's decision to award a government contract through a best-value bidding process.
2. Rochester City Lines forfeited its challenge to the terms of the RFP by failing to raise the challenge before the proposal-opening deadline as required by the RFP's pre-bid protest procedure.
3. The City's decisions denying Rochester City Lines' bid protests were quasi-judicial decisions reviewable only by writ of certiorari in the court of appeals; therefore, the district court lacked subject matter jurisdiction over challenges to those decisions.
4. Rochester City Lines failed to establish that First Transit had an organizational conflict of interest requiring invalidation of the bidding process.
5. Summary judgment was improper on Rochester City Lines' general claim that the City awarded the contract through an unfair, biased, arbitrary, capricious, or unreasonable process because evidence concerning the interview process and references created genuine issues of material fact.

KEY QUOTATIONS

"Accordingly, we hold that the unreasonable, arbitrary, or capricious standard adopted in Griswold is the appropriate standard for reviewing a city's or county's decision to award a government contract after a "best value" bidding process." (661)

“The essential safeguard of competitive bidding is, as we stated in Griswold, to “limit the discretion of contract-making officials” to prevent “such abuses as fraud, favoritism, improvidence and extravagance.””
(660)

“RCL is entitled to a trial on whether the City made the award arbitrarily, capriciously, or unreasonably.”
(665)

FACTUAL BACKGROUND

Rochester City Lines operated Rochester's municipal bus service for more than 30 years under annual contracts with the City. After the Federal Transit Administration advised the City that competitive bidding was required to preserve federal funding, the City issued a request for proposals using a best-value methodology that weighed price and qualitative factors. An evaluation committee selected First Transit, and the City Council awarded it the contract. Rochester City Lines challenged the process, alleging unlawful RFP terms, improper handling of bid protests, an organizational conflict of interest, and favoritism or bias in the award.

PROCEDURAL HISTORY

The City issued a request for proposals for operation of its municipal bus service after the Federal Transit Administration required competitive bidding to maintain federal funding. The City awarded the contract to First Transit, and Rochester City Lines brought claims challenging the bidding process, including claims concerning the RFP terms, bid-protest procedures, organizational conflict of interest, and alleged arbitrary or biased conduct. The district court granted summary judgment to the respondents, and the court of appeals affirmed. The Supreme Court affirmed in part, reversed in part, and remanded for further proceedings on the general arbitrary, capricious, or unreasonable-award claim.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remanded to the district court for further proceedings consistent with the opinion, including trial or other proceedings on whether the City awarded the contract to First Transit arbitrarily, capriciously, or unreasonably.

CASES CITED

- Griswold v. Ramsey Cty., 242 Minn. 529, 65 N.W.2d 647 (1954)
- Sayer v. Minn. Dep't of Transp., 790 N.W.2d 151 (Minn. 2010)
- Telephone Associates, Inc. v. Saint Louis County Board, 350 N.W.2d 398 (Minn. App. 1984), aff'd, 364 N.W.2d 378 (Minn. 1985)
- Hubbard Broad., Inc. v. Metro. Sports Facilities Comm'n, 381 N.W.2d 842 (Minn. 1986)
- Carl Bolander & Sons v. City of Minneapolis, 502 N.W.2d 203 (Minn. 1993)
- Markwardt v. State Water Res. Bd., 254 N.W.2d 371 (Minn. 1977)
- Dietz v. Dodge Cty., 487 N.W.2d 237 (Minn. 1992)

- Village of Edina v. Joseph, 264 Minn. 84, 119 N.W.2d 809 (1962)
- PAI Corp. v. United States, 614 F.3d 1347 (Fed. Cir. 2010)
- Heyer Prods. Co. v. United States, 140 F. Supp. 409 (Ct. Cl. 1956)
- Prineville Sawmill Co. v. United States, 859 F.2d 905 (Fed. Cir. 1988)
- County of Washington v. City of Oak Park Heights, 818 N.W.2d 533 (Minn. 2012)
- Handicraft Block Ltd. P'ship v. City of Minneapolis, 611 N.W.2d 16 (Minn. 2000)
- Jacobs Tech. Inc. v. United States, 100 Fed. Cl. 198 (2011)
- Vantage Assocs., Inc. v. United States, 59 Fed. Cl. 1 (2003)
- Mattson Ridge, LLC v. Clear Rock Title, LLP, 824 N.W.2d 622 (Minn. 2012)
- O'Malley v. Ulland Bros., 549 N.W.2d 889 (Minn. 1996)
- Nord v. Herreid, 305 N.W.2d 337 (Minn. 1981)
- C.S. McCrossan Constr., Inc. v. Minn. Dep't of Transp., 946 F. Supp. 2d 851 (D. Minn. 2013)
- Blue & Gold Fleet, L.P. v. United States, 492 F.3d 1308 (Fed. Cir. 2007)
- DLH, Inc. v. Russ, 566 N.W.2d 60 (Minn. 1997)
- J.E.B. v. Danks, 785 N.W.2d 741 (Minn. 2010)
- Banknote Corp. of Am. v. United States, 365 F.3d 1345 (Fed. Cir. 2004)
- Heritage of Am., LLC v. United States, 77 Fed. Cl. 66 (2007)