



# Memorandum

**TO:** TRANSPORTATION  
AND ENVIRONMENT COMMITTEE

**FROM:** Joseph Horwedel

**SUBJECT:** SEE BELOW

**DATE:** September 22, 2008

Approved

Date 9/29/08

**COUNCIL DISTRICT:** City-Wide  
**SNI AREA:** All

**SUBJECT: CITY-GENERATED ZONE TOWING REQUEST FOR PROPOSALS**

## **RECOMMENDATION**

It is recommended that Transportation and Environment Committee:

1. Approve elements of a Request for Proposals ("RFP") for City-generated zone towing agreements substantially maintaining the current requirements; and,
2. Approve establishment of eight tow zones modified along Police patrol district lines; and,
3. Direct the City Manager to release a Request for Proposals ("RFP") for City-Generated zone towing in order to establish agreements with a five-year term and the option of two (2) one-year extensions.

## **OUTCOME**

Approval of these recommendations will set forth new boundaries for tow zones along Police patrol district lines and establish the term of future tow services agreements. Recommendations will ensure selected contractors provide the highest levels of customer service.

## **BACKGROUND**

The City has had agreements for City-generated zone towing since April 1, 2003 with six (6) contractors, one for each of the six (6) zones. The current six contractors were approved by the Council as a result of a competitive RFP process and have performed well to date.

Each tow zone (Attachment A, *Current Tow Zones*) serves a separate portion of the City and provides the contractor the exclusive privilege to provide services for City generated tows in that geographic zone. This includes towing services for the Police Department for accident and vehicle violations; the Department of Transportation for abandoned, inoperable and illegally stored vehicles on the public right-of-way; and, Code Enforcement Division for the Neighborhood Clean-up Program. Towing of City fleet vehicles is not included in these agreements. The City generates approximately 24,000 tow requests annually. In exchange for a substantial, predictable revenue stream tow contractors are expected to provide high-quality service to members of the public whose vehicles have been towed.

## ANALYSIS

The current agreements for tow services will expire on March 31, 2009. The recommendations in this staff report will establish the framework for the "*City-Generated Zone Towing*" Request for Proposals ("RFP"). An evaluation panel comprised of City technical and management personnel and others designated by the City will evaluate proposals based upon quality of the proposal, cost to the City, capability and expertise of the contractor, and adherence to applicable City policies and service requirements. The major elements of the *City-Generated Zone Towing RFP* are the: 1) scope of services; 2) term of the agreements; 3) compensation to the City; 4) dispatch and zone boundaries; and, 5) City requirements.

### *Scope of Services*

The ability of tow contractors to provide the highest levels of customer service is of utmost importance to the City of San Jose and is the main reason for awarding agreements. Staff will bring forward a RFP in which the services to be provided, standards of service, and equipment and facility standards are substantially unchanged. As in the current agreement, breaches of standards will result in successive assessments of liquidated damages or termination of the contract.

In the RFP qualified tow contractors would be required to own a minimum of five tow vehicles and be able to store at least one hundred vehicles per City zone. Contractors would be allowed to operate multiple storage facilities. All storage facilities would be required to be located within the City of San Jose. A primary storage facility, with a customer service office, would be designated by each tow contractor as the location for the public to retrieve vehicles. Tow contractors would be given the ability to bid on a maximum of three (3) zones as long as they are able to provide the twenty-five (25) minute service response. This would give contractors the ability to group their zones to gain efficiencies of scale and operational flexibility to decrease their response times (a critical factor in this process) by massing equipment to allow them to get equipment back in service more quickly after they have delivered towed vehicles to their storage yard(s). These requirements will maximize competition and maintain customer service.

### *Term of Agreements*

Staff recommends a term of agreement with a five-year term and the option of two (2) one-year extensions. There is a high cost to do business in the Bay Area and the City requires a high level of service from tow company contractors. Longer term agreements provide the tow contractors more

financial certainty and encourage investment in equipment and facilities thereby improving service for customers.

#### *Rates charged to vehicle owners*

City Council approved Resolution 74303 on March 25, 2008 setting the new *Fee Schedule for Tow Service Agreements*. A new *Fee Schedule for Tow Service Agreements* has been in effect since April 1, 2008. City tow service charges were aligned with the maximum annual rates set by the State of California Department of Highway Patrol Tow Services Agreement for the Golden Gate Region – San Jose Office in order to provide for consistency and customer rate predictability within the City of San Jose. The new *Fee Schedule for Tow Service Agreements* provides for future annual rate adjustments thereby pushing back the periodic need for rate reviews and extending the period of the tow agreements. It also standardizes the rates for customers so that tows generated by the San Jose Police Department, California Highway Patrol, and the Santa Clara County Sheriffs Office are the same. Current rates are \$140 for basic tow services and \$40 for vehicle storage.

#### *Compensation to the City*

The agreements resulting from this RFP process will require that the tow contractors initially pay the City a flat rate of \$60 per tow for consideration for providing over 24,000 City-generated tows and a flat rate of \$6 per dispatch to reimburse the City for the cost of providing tow dispatch services. In the new agreements these rates would increase or decrease at the same percentage as the maximum annual rates as set forth by the State of California Department of Highway Patrol—Golden Gate Region. The California Department of Highway Patrol—Golden Gate Region rates are established on an annual basis. The City of San Jose will review and establish tow and dispatch rates during the annual *Fees and Charges* process.

#### *Dispatch and Zone Boundaries*

Requests for tow service are requested through Police Communications. Eight dispatchers monitor two Police districts each and phone the tow zone contractor directly to request service. The twenty-five minute response time commences when a dispatcher contacts the tow contractor. Currently, tow zones do not align with Police districts and this can create a 5 to 10 minute delay as dispatchers determine the appropriate tow zone contractor to contact while handling other assigned duties, including emergency calls. This delay oftentimes results in a tow vehicle arriving more than 25 minutes after a tow is requested in many instances. The general public and the City will benefit from a more timely response to tow requests and the ability of the CAD system to generate the data needed to more accurately measure performance data by overlaying tow zones with Police patrol districts as Police Communications will be able to dispatch calls in a more efficient manner. It is proposed that the number of tow zones be increased from six (Attachment A, *Tow Zone Map*) to eight (Attachment B, *New Tow Zone Map*) thereby allowing alignment with the current sixteen Police patrol districts. Each new tow zone would be comprised of two Police districts. This would ensure the City's ability to efficiently monitor dispatching and also audit performance.

### *City Requirements*

Staff recommends no substantial change to most City requirements including compliance with City living wage and insurance requirements. Tow contractors will continue to be required to dispatch well maintained equipment in compliance with all California Vehicle Code maintenance and operation requirements. Contractor's employees will be properly trained, neat in appearance, well identified, and trained to provide a high degree of courteous and professional service to the public. Storage facilities will continue to meet City security standards to protect vehicles from theft and damage. Customer service offices will continue to afford the public shelter, telephone, and restrooms facilities. Customers will be able to gain the release of their vehicles twenty-four (24) hours per day and tow rates will be displayed in a prominent manner. The current agreement has a formal process to address customer complaints and remedy performance issues that would be maintained.

Proposed modifications to be made to the new tow agreement include requiring Geographic Positioning System ("GPS") technology be installed in tow vehicles to confirm arrival times, bringing primary storage facility staffing hours into alignment with those of the Police Auto Desk, and modifying security deposit requirements to the following:

1. A minimum deposit of \$40,000 for each zone.
2. For each additional zone awarded to the same contractor, the deposit would increase by an increment of \$20,000. This means that if one tow contractor is awarded two zones, the total deposit would be \$60,000 (\$40,000 + \$20,000). If three zones, the total would be \$80,000.
3. The increment of \$20,000 for each additional zone, which brings the total to either \$60,000 or \$80,000, would not be limited to any particular zone. It will be treated as a single deposit for all zones that the tow contractor is contracted for. The City may use all or any of portion of the security deposit if the contractor breaches provisions of the agreement.

Staff recommendations for the *City-Generated Zone Towing RFP* will:

- Increase competition and attract more proposals from a diverse group of interested San Jose tow companies;
- Improve response times;
- Maintain the quality of customer service
- Enable tow contractors to maintain adequate levels of cost recovery.

### *Evaluation Factors*

The factors and weights to be utilized in evaluating proposals will include the following:

DESCRIPTION	WEIGHT
Proposal Responsiveness	Pass/Fail
Compliance with City Service Requirements/Policies	35%
Quality of Services	35%
Capability/Experience of Contractor	20%
Local Business Enterprise	5%
Small Business Enterprise	5%

Cost will not be an evaluative factor in evaluating proposals because the City will not be paying for service and the Fee Schedule for Tow Services will be those set annually by the State of California Department of Highway Patrol per the criteria in City Council Policy No. 9-08.

### **EVALUATION AND FOLLOW-UP**

Upon completion of the *City-Generated Zone Towing Request for Proposal* staff will return to Council with recommendations to award agreements to successful proposers.

### **ALTERNATIVES**

**Alternative #1:** Maintain existing tow zone boundaries.

**Pros:** Tow zones will remain unchanged ensuring that tow contractors are not impacted by declining tow volumes or redemption issues that could occur if the zones were reduced in size.

**Cons:** Tow zones would not be aligned with Police patrol districts thereby improving dispatch efficiency and response times. Limiting the number of tow zones reduces competition. If this option is selected the number of vehicles required to be stored per zone would be increased from 100 to 150 to maintain the same Citywide vehicle storage capacity.

**Reason for not recommending:** This recommendation will result in better service for customers by improving dispatch efficiency. The increased number of zones will improve competition by allowing tow companies to bid on multiple zones.

**Alternative #2:** Establish agreements with a three-year term and the option of a single one-year extension.

**Pros:** This could increase competition by opening agreements for bid more often, aligns the termination date of the new agreements with the opening of the new Police substation in South San Jose and possible Police patrol district re-evaluation.

**Cons:** Shorter term agreements could decrease profitability for tow contractors and impact investments in customer service improvements.

**Reason for not recommending:** Longer term agreements provide the tow contractors more financial stability and encourage investment in equipment and facilities thereby improving service for customers.

**Alternative #3:** Establish centralized vehicle storage at a City owned facility.

**Pros:** The City would operate a storage yard on City property and subcontract with a vendor for yard operation. The Department of General Services had previously proposed this option in 1997 as a

means for generating revenues for the City. This alternative would generate approximately \$940,000, or approximately half of the tow contractor's revenue stream, annually according to the 1997 study.

**Cons:** The City has not identified a suitable location for a City-operated tow yard and would need to enter into short term agreements with the current tow operators as a study is conducted to implement this proposal. The City would have to study the revenue impact(s) upon the tow contractors to determine whether their operations would remain whole and would potentially have to decrease the flat rate charged to make up for some of the lost revenue stream and ensure the contractors earn a fair return on investment.

**Reason for not recommending:** The City would have to identify a site, conduct environmental reviews, and make investments in site improvements. This action, if approved, would decrease the profitability of the agreement for tow contractors as they derive a substantial return on vehicle storage. The City would have to study whether tow contractor operations would remain whole with respect to revenues and update the 1997 study to determine the exact revenue stream the City would receive.

### PUBLIC OUTREACH

- Criteria 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criteria 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the city. **(Required: E-mail and Website Posting)**
- Criteria 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Not applicable. Staff holds regular meetings with the current tow contractors to solicit their perspective of the current program, resolve customer service issues, and improve efficiencies.

### COORDINATION

This memorandum was coordinated with the City Attorney's Office, Department of Transportation, Finance and the Police Department.

T&E COMMITTEE

September 22, 2008

**Subject:** City-Generated Zone Towing RFP

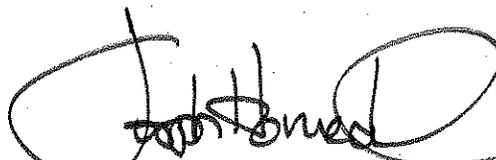
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### **COST IMPLICATIONS**

On March 25, 2008 City Council adopted a resolution setting the Fee Schedule for Tow Service agreements to be effective April 1, 2008. It is anticipated that the City will collect approximately \$1,450,000 in General Fund revenue for tows and \$149,000 in revenue for dispatch annually.

### **CEQA**

Not a project.

A handwritten signature in black ink, appearing to read "Joseph Horwedel", written over a faint, larger version of the same signature.

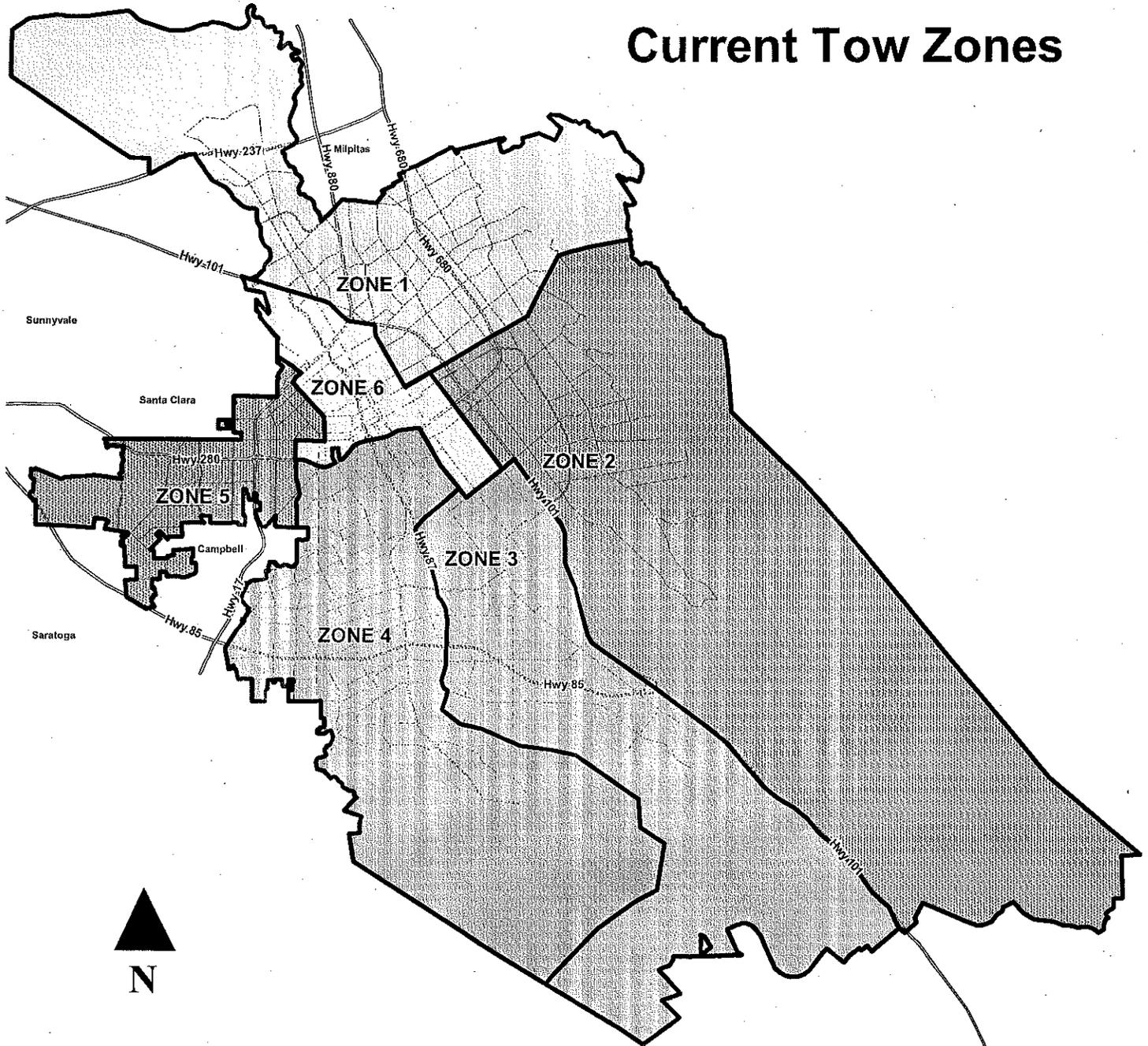
JOSEPH HORWEDEL, DIRECTOR  
Planning, Building and Code Enforcement

Attachments

For questions, please contact Michael Hannon, Code Enforcement Official, at 277-4703.

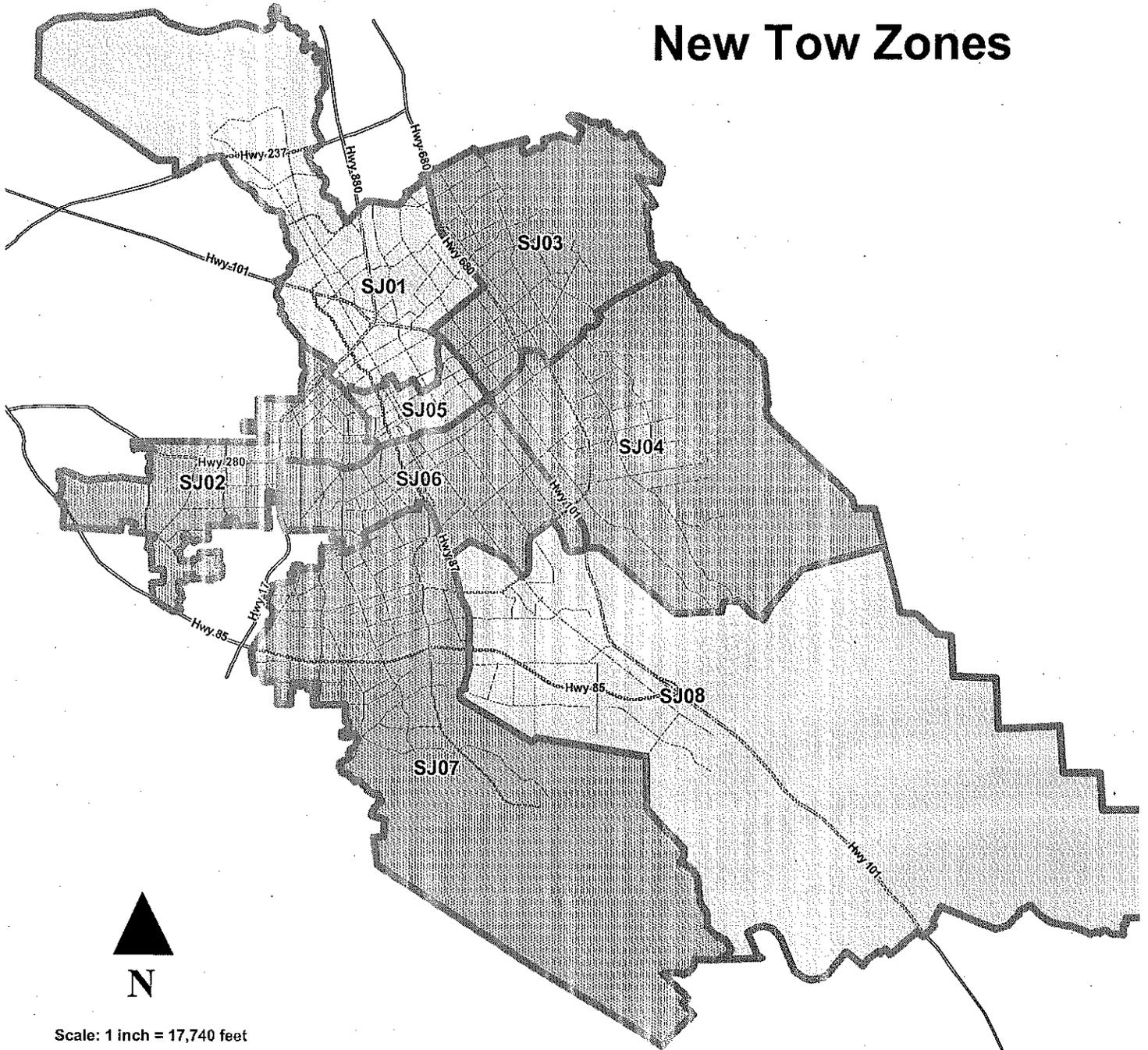
# City of San Jose

## Current Tow Zones



# City of San Jose

## New Tow Zones



Scale: 1 inch = 17,740 feet



Proposed New Tow Zones