



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Rick Bruneau
Chris Burton
Anthony Mata

SUBJECT: SEE BELOW

DATE: July 24, 2023

Approved

Date

7/31/23

**SUBJECT: REQUEST FOR PROPOSAL FOR CITY-GENERATED TOW SERVICE
ADMINISTRATION**

RECOMMENDATION

Accept the report on the Request for Proposal and adopt a resolution authorizing the City Manager or designee to:

- (a) Negotiate and execute an agreement with AutoReturn US, LLC (Las Vegas, NV) for City-Generated Tow Service Administration, including tow management software and associated professional and tow operator services, with an initial term beginning on or about August 16, 2023 and ending August 31, 2025, or as may be adjusted to align with the software renewal term, with a maximum compensation not to exceed \$1,139,000 for the initial term, subject to the appropriation of funds;
- (b) Negotiate and execute amendments and change orders for unanticipated changes in requirements for a contingency amount not to exceed \$200,000 during the initial term, subject to the appropriation of funds; and
- (c) Exercise up to eight one-year options to extend the term of the agreement through August 31, 2033, or as may be adjusted to align with the software renewal term, subject to the appropriation of funds.

SUMMARY AND OUTCOME

Authorizing the City Manager to take these actions will provide the City with City-Generated Tow Service Administration in alignment with the [City Auditor's Report: Audit of Towing Services: Changes to Contract Terms and Consolidated Oversight Could Improve Operations](#) and as directed by the Transportation and Environment Committee.

BACKGROUND

The City currently requires an average of 13,000 City-generated tows annually and directly manages agreements with six tow companies to provide the tow services. The agreements, as well as six subsequent amendments to address various tow performance issues such as late tows and tow refusals, service delivery improvements, offset junk vehicle costs to operators and provide financial relief, and implement or partially implement several audit recommendations, were approved by City Council between March 2016 and December 2022¹. These agreements have been extended through the exercise of options and are currently in option year three of five which ends March 31, 2024. Each tow operator provides tow services exclusively in one of six designated geographic zones within the City. The City requests towing services from public property for a variety of reasons such as accidents; vehicle violations; evidence in criminal cases; or abandoned, inoperable, and illegally stored vehicles on the public right-of-way. City-generated tows have historically been performed at the request of the San José Police Department and the Department of Transportation and do not include tows on behalf of private property owners such as those from shopping center parking lots and private driveways. In recent years, however, the need for tow services by other departments such as the Department of Parks, Recreation and Neighborhood Services in support of its [BeautifySJ](#) program has increased.

In 2018, the City Auditor performed an audit of City-generated, zone-based towing services to review the City's monitoring of tow services agreements and to evaluate the current program structure. The [City Auditor's Report](#) provided 17 recommendations, including conducting a Request for Proposals (RFP) to develop and implement a new modernized towing services delivery model that includes streamlined data tracking, billing, and reporting capabilities, modifications to performance measures and program requirements, and transferring oversight of the tow program to the Police Department with an evaluation of the resources needed to perform this responsibility. The Administration Response included four primary goals:

1. Address all 17 tow audit recommendations
2. Develop a new City-Generated Tow Service Delivery Model
3. Conduct the RFP
4. Transition the new tow services program from the Department of Planning, Building, and Code Enforcement to the Police Department

Since 2019, staff has provided six status reports² to the Transportation and Environment Committee on the implementation of the tow audit recommendations, the expected work plan, the proposed new City-Generated Tow Services Delivery Model, and the RFP.

¹ City Council Resolutions 2016 – 2022: <https://records.sanjoseca.gov/Resolutions/RES77697.PDF> (March 2016), <https://records.sanjoseca.gov/Resolutions/78398.pdf> (October 2017), <https://records.sanjoseca.gov/Resolutions/RES79197.pdf> (June 2019), <https://records.sanjoseca.gov/Resolutions/RES79442.pdf> (March 2020), <https://records.sanjoseca.gov/Resolutions/RES79637.pdf> (June 2020), <https://records.sanjoseca.gov/Resolutions/RES79943.pdf> (March 2021), <https://records.sanjoseca.gov/Resolutions/RES80800.pdf> (December 2022)

² Transportation and Environment Committee City-Generated Tow Services Status Reports: <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4134323&GUID=7CC75CD4-B284-4DDF-AF04-0F1EA1EEFB9B> (November 2019), <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4306983&GUID=80A4BA93-4936-4A69-AAD4-928BFCCD2B87> (February 2020), <https://sanjose.legistar.com/LegislationDetail.aspx?ID=4902352&GUID=E9072A96-8158-456A-83CE-B911171A029C> (May 2021), <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5571880&GUID=C979E983-D7BD-4458-B64B-D45C5E8A4BB4> (June 2022), <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5722292&GUID=D3F446DB-5D9D-4CCE-97A8-E0C0D2D72E4B> (August 2022), <https://sanjose.legistar.com/LegislationDetail.aspx?ID=5971547&GUID=1477CDAB-B90C-4D3C-A8DF-03317F155CE3> (February 2023)

ANALYSIS

In February 2023, the Finance Department released an RFP for the City-Generated Tow Services program on behalf of multiple customer departments, including Planning, Building, and Code Enforcement, Police, Transportation, and Parks, Recreation, and Neighborhood Services, through the City's e-procurement system, Biddingo. The RFP was divided into two packages:

- **Package A: Tow Administrator Services** – turnkey, tow services to administer and manage towing services for City-generated tows, including contracting directly with and managing the tow providers and providing infrastructure, tools, software, and staffing to ensure compliance with all City requirements.
- **Package B: Tow Management Software** – tow management software, including an online, public-facing, self-service portal, to enable the City to continue to administer and manage its tow program.

Each package included a unique scope of services, and proposers could submit proposals for either or both packages. As noted in the RFP, the City preference was to award based on the results for Package A but, in the event the City was unable to make a best value award under Package A, the City would then evaluate responses to Package B to make a best value award. Over 9,900 vendors were notified of the bid opportunity, and nine companies viewed the RFP. Two vendors submitted proposal responses among the two packages prior to the submittal deadline as summarized below:

	<u>Package A:</u> Tow Administrator Services	<u>Package B:</u> Tow Management Software
AutoReturn US, LLC	X	X
UR International, Inc.		X

Evaluation Process: In accordance with the RFP, the Package A proposal response from AutoReturn US, LLC was reviewed by a four-member evaluation team comprised of representatives from the City’s Police Department; Department of Transportation; and Planning, Building, and Code Enforcement Department to ensure it was responsive to the City’s requirements as set forth in the RFP. The vendor then participated in an oral interview and system demonstration and a follow-up questionnaire to clarify its proposal response, demonstrate and discuss its proposed services and software, and allow the City to gather more in-depth information. Following the oral interview, the vendor participated in a pass/fail assessment with representatives from the City’s Information Technology Department to verify its compliance with the City’s information technology, cybersecurity, payment card industry, and privacy and disclosure requirements and policies. The vendor received a pass for this assessment.

Local and Small Business Enterprise Preference: In accordance with City of San José Municipal Code, [Section 4.12.320](#), 10% of the total evaluation points were reserved for the local and small business preference. Neither proposer requested the local or small business preference.

Protest: The City RFP process included a ten-day protest period that began when the City issued the Notice of Intended Award on June 20, 2023. No protests were received.

Award Recommendation: Based on the results of the RFP, staff recommends award of contract to AutoReturn US, LLC as the sole responsive and responsible proposer to Package A for the RFP.

References: Staff conducted reference checks with the City of Fort Worth (TX) and the City of Kansas City (MO). Both references provided positive feedback.

Summary of Proposed Agreement: The agreement with AutoReturn US, LLC will be executed based on the City’s standard term and conditions and will include the following provisions:

- A detailed scope of work to ensure the provided services comply with City requirements;
- Project implementation plan/schedule (estimated 90 days);
- Fixed, not-to-exceed pricing for the initial term ending August 31, 2025 and the first three options ending August 31, 2028; and
- Eight one-year options to extend the agreement through August 31, 2033, or as may be adjusted to align with the software renewal term, with vendor requests for price adjustments after Option 3 to be considered by the City in accordance with the Consumer Price Index, but not to exceed three percent over the previous year.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

COST SUMMARY/IMPLICATIONS

The agreement recommended in this memorandum will be funded by the City-Generated Tow Services Program appropriation in the General Fund. The agreement includes an initial two-year term and three option terms with fixed pricing plus five additional one-year options beginning in year six where the vendor may submit requests for price adjustments in accordance with the Consumer Price Index, but not to exceed three percent over the previous year.

1. AMOUNT OF RECOMMENDATION (Initial Term) \$1,139,000

2. COST ELEMENTS:

Fixed Annual Tow Administrator Fees (Initial Term – Years 1 and 2)

- Year 1 Annual Fee	\$569,500
- Year 2 Annual Fee	569,500

Contractor Subtotal (Initial Term – Years 1 and 2)	\$1,139,000
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Contingency*	200,000
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GRAND TOTAL NOT-TO-EXCEED TOTAL (Years 1 and 2)	\$1,339,000
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Fixed Annual Tow Administrator Fees (Options 1-3 – Years 3-5)**

- Year 3 (Option 1) Annual Fee	\$586,585
- Year 4 (Option 2) Annual Fee	604,183
- Year 5 (Option 3) Annual Fee	622,308

Subtotal for Options 1-3 – Years 3 through 5 \$1,813,076

GRAND TOTAL NOT-TO-EXCEED TOTAL (Years 1-5) \$3,152,076

*Subject to an executed change order or amendment.

**After Option 3 (Year 5), the vendor may submit requests for price adjustments in accordance with the Consumer Price Index, but not to exceed three percent over the previous year.

In addition, there is a one-time cost of approximately \$85,000 for a necessary software integration that will be funded by the City-Generated Tow Services Program appropriation in the General Fund. The Police Department will also be requesting a temporary position in 2023-2024 to provide oversight of the contract. The ongoing costs to support the program will be re-evaluated as part of the 2024-2025 budget process.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the contract recommended as part of this memorandum.

Fund #	Appn #	Appn. Name	Total Appn	Amount. for Contract*	2023-2024 Proposed Operating Budget Page**	Last Budget Action (Date, Ord. No.)
001	226M	City-Generated Tow Services Program	\$655,000	\$569,500	N/A	06/20/2023, 30933

*Amount for Contract reflects the costs for 2023-2024. Year 2 funding for 2024-2025 (\$569,500) and contingency (\$200,000) is subject to the appropriation of funds.

**The 2023-2024 Adopted Operating Budget was adopted on June 20, 2023 by the City Council.

COORDINATION

This memorandum has been coordinated with the City Attorney’s Office and City Manager’s Budget Office.

PUBLIC OUTREACH

This memorandum will be posted on the City’s Council Agenda website for the August 15, 2023 City Council meeting.

COMMISSION RECOMMENDATION AND INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, Public Project Number PP17-003, Agreements/Contracts (New or Amended) resulting in no physical changes to the environment.

PUBLIC SUBSIDY REPORTING

This item does not include a public subsidy as defined in section 53083 or 53083.1 of the California Government Code or the City's Open Government Resolution.

/s/
RICK BRUNEAU
Director of Finance

/s/
CHRIS BURTON
Director of Planning, Building,
and Code Enforcement

/s/
ANTHONY MATA
Chief of Police

For procurement- and contract-related questions, please contact, Albie Udom, Deputy Director of Finance – Purchasing and Risk Management, at albie.udom@sanjoseca.gov. For program-related questions, please contact Rachel Roberts, Deputy Director of Planning, Building, and Code Enforcement, at rachel.roberts@sanjoseca.gov or Jaime Jimenez, Deputy Chief of Police, at jaime.jimenez@sanjoseca.gov.