



Memorandum

TO: TRANSPORTATION AND
ENVIRONMENT COMMITTEE

FROM: Christopher Burton
Jon Cicirelli
Anthony Mata

SUBJECT: CITY-GENERATED TOW SERVICES DELIVERY MODEL STATUS REPORT **DATE:** May 27, 2022

Approved

Date

5/27/22

RECOMMENDATION

Accept the status report of the City-Generated Tow Services Delivery Model for fiscal year 2021-2022.

OUTCOME

The Transportation and Environment Committee (Committee) will be informed on the status of the City-Generated Tow Services Delivery Model for fiscal year 2021-2022.

EXECUTIVE SUMMARY

On January 15, 2019, Council accepted the City Auditor's "Audit of Towing Services: Changes to Contract Terms and Consolidated Oversight Could Improve Operations" Report and the Administration Response. From January 2019 through March 2021, staff completed several key Tow Audit Work Plan milestones, provided two annual status reports to the Committee, and brought forward to City Council five amendments to the City-Generated Tow Services Agreements to address ongoing issues such as declining releases rates, increase in junk vehicle tows and related disposal costs, and performance breaches.

On May 3, 2021, the Committee accepted staff's third annual status report of the City-Generated Tow Services and approved staff's recommendation to revise the Tow Audit Work Plan to eliminate the proposed software pilot program; add the option for proposers to subcontract with tow operators as part of the Request for Proposal (RFP); and extend the projected work plan completion date to February 2022 due to the continuing impacts of COVID19 on city services. In the months that followed, staff finalized the RFP draft and prepared it for public release. In February 2022, however, staff became aware of the growing need for City-Generated Tow Services to support the BeautifySJ abatement efforts as part of the City's Encampment Management Strategy and Guadalupe Gardens Project and the need to evaluate the potential

impact of the program on the RFP scope, contracted operators, and current City-Generated Tow Services Agreements. Staff concluded that the BeautifySJ abatement work should be incorporated into the City-Generated Tow Service RFP and that a sixth amendment to the City-Generated Tow Services Agreements would be needed to support the expanding City-Generated Tow Services operations. Thus, in March 2022, the City-Generated Tow Services RFP was placed on hold to allow staff time to complete this work.

The projected timeline to complete the work plan is currently unknown as it is dependent on the RFP timeline. The Finance Department is unable to provide an estimated RFP timeline due to the volume of RFPs already in queue and high staff vacancy rate. Staff will conduct outreach to the tow operators in June 2022 and anticipates bringing forward the sixth amendment to the Agreements for Council consideration in August 2022. Staff will continue efforts to complete the remaining open audit of tow services recommendations and preparations to transition the tow program from Planning, Building, and Code Enforcement (PBCE) to the San Jose Police Department (SJPd) including budget proposals for a Program Manager and Analyst to support the City-Generated Tow Services Delivery as part of the mid-year 2022-2023 and/or 2023-2024 proposed budget process as appropriate.

BACKGROUND

On January 15, 2019, Council accepted the City Auditor's "Audit of Towing Services: Changes to Contract Terms and Consolidated Oversight Could Improve Operations" Report and the Administration Response. Key Audit recommendations included issuance of a new RFP for the towing services agreements; continuance of the junk vehicle reimbursement program or new contract fees to account for the costs of junk vehicle disposal; and consolidation of contract administration in SJPd with an evaluation of the resources needed to perform this responsibility. The Administration response to the audit included four key goals as follows:

1. Address all 17 tow audit recommendations
2. Develop a new City-Generated Tow Service Delivery Model
3. Develop Request for Proposals (RFP) and recommend award of contract(s)
4. Transition the new program model from PBCE to SJPd by June 30, 2020

Between 2019 and 2021, staff brought forward second, third, fourth, and fifth amendments to the City-Generated Tow Services Agreements, which were approved by Council. These amendments, to address various tow performance issues such as late tows and tow refusals; made service delivery improvements; offset junk vehicle costs to operators and provided financial relief; and implemented or partially implemented several audit recommendations. Staff also presented three status reports to the Committee.

On May 3, 2021, staff provided the third status report to the Committee on the City-Generated Tow Services Delivery Model and recommended approval of several proposed revisions to the implementation plan and work plan timeline including removal of the pilot program from the implementation framework; the addition of the option to subcontract with tow operators as part

of software and/or contract administration RFP scope of work; and a revised projected completion date of February 2022 due to the ongoing impacts of COVID19 on City services. The Committee accepted the status report and staff's recommendation¹.

Following the Committee action, staff worked in coordination with the Finance Department from June 2021 through February 2022, to revise the City-Generated Tow Services Delivery Model RFP draft scope of work to include the option to subcontract with the tow operators and complete the final RFP scope. During this time, staff also circulated the RFP draft for review and comment by the SJPd and the Department of Transportation (DOT). Release of the RFP to the public, however, was paused in March 2022 pending evaluation of the ongoing BeautifySJ abatement efforts and its impact to City-Generated Tow Services and RFP scope.

ANALYSIS

The following analysis provides updates on key work plan areas and evaluation of BeautifySJ abatements efforts on City-Generated Tow Services and RFP.

Status of City-Generated Tow Services

Tow data shows that, overall, City-Generated tow volume dropped by approximately 21% in 2020 with operators performing 14,665 tows in 2019 and 11,609 tows in 2020. Tow volume rebounded in 2021 with an approximate increase of 18% or 2,136 tows for a total of 13,745 tows. Despite this increase, tow volume for 2021 remained lower than 2019 tow volume by 920 tows.

City-Generated Tow Services also incurred a significant number of high-volume tow events, which are tows involving 12 or more vehicles, largely due to BeautifySJ abatement efforts related to the City's Encampment Management Strategy and Guadalupe Garden Project. The increase in high-volume tow events created the need for additional coordination among City departments and tow operators to ensure resources and tow yard capacity were adequate to handle the volume of tows and abatement timelines did not conflict with or impact other high-volume tow events or daily tow operations. Staff instituted a monthly internal coordination meeting in April 2022 involving SJPd, DOT, Parks, Recreation and Neighborhood Services (PRNS), and Code Enforcement to share information on upcoming high-volume tow events, address tow service issues, and improve overall coordination.

While comprehensive data is not available for this period, staff's operational awareness was able to assess the effectiveness of operators' service delivery based on ongoing communication, coordination, and daily oversight of the program. Based on this assessment, City-Generated Tow Services operators continued to demonstrate the improved service delivery achieved in 2020 regarding late tows and tow refusals and met additional service demands for high volume tow events with minimal disruption. Routine coordination and communication of DOT tow events and issuance of "junk slips" by the SJPd to tow operators also remained ongoing.

¹ [May 3, 2021 Transportation and Environment Committee City-Generated Tow Services Delivery Status Report](#)

BeautifySJ Abatements

In alignment with the City Council Roadmap Priority: Encampment Management Strategy and Safe Relocation Policy and Council direction regarding the Guadalupe Gardens Fencing Project and Activation Alternatives, the BeautifySJ team plans to remove all vehicles from the Guadalupe Gardens area by September 30, 2022, and to continue prioritizing vehicle removal in Direct Discharge waterway zones. So far in fiscal year 2021-2022, staff has removed 92 vehicles, one boat, and one recreational vehicle from public property and waterways as part of BeautifySJ abatement efforts (see Table 1). BeautifySJ efforts planned for fiscal year 2022-2023, estimate an additional 250 vehicle abatements/tows not included in the proposed RFP scope nor clearly identified in the current tow contract agreements.

Vehicles removed from the BeautifySJ project sites listed in Table 1 are typically inoperable, stripped, damaged, hazardous, or very large. This includes recreational vehicles and trailers, which are often filled with debris and waste. Abatement of these types of vehicles, referred to as “junk vehicles”, may require special equipment, additional staff, and refuse removal creating additional costs to the operators for the towing, storage, and disposal. Thus, staff is in the process of exploring a sixth amendment to the City-Generated Tow Services Agreements for City Council consideration. The Amendment would address the ongoing BeautifySJ tow service needs and reduce costs to the operators for related junk vehicle tows (which meet specific criteria) retroactively for fiscal year 2021-2022 and through fiscal year 2022-2023. Similarly, staff is in the process of revising the proposed RFP scope to include the BeautifySJ abatement efforts and related tow service needs to ensure continuity of tow services as the City identifies and responds to emerging challenges related to BeautifySJ efforts.

BeautifySJ Project Sites	Vehicles	Recreational Vehicles	Boats
Coyote Creek	6	0	0
Guadalupe Gardens Stage 1 and 2	34	0	1
Guadalupe Gardens Stage 3	52	1	0
Total	92	1	1

Table 1: Vehicles Removed as Part of BeautifySJ Abatements in Fiscal Year 2021-2022

City-Generated Tow Services Delivery Agreements

In March 2022, the City Manager exercised option 2 of 5 to extend the City-Generated Tow Services Agreements for all six tow operators an additional year through March 31, 2023. As noted, staff identified the need to bring forward a sixth amendment to the agreements to expand the scope to include the BeautifySJ tow service needs and provide reimbursement to operators

for BeautifySJ junk vehicle disposal costs. Staff is exploring reinstating the junk vehicle reimbursement model utilized in the fourth amendment to the Agreements to offset the junk vehicle disposal costs incurred by operators in fiscal year 2021-2022 for 2022-2023 as part of the BeautifySJ work.

Staff is in the process of scheduling outreach meetings with the six tow operators in June 2022 to discuss the components of the proposed sixth amendment and any other potential changes as appropriate. Staff anticipates returning to Council in August 2022 for Council Direction for the City Manager to negotiate and execute the sixth amendment to the Agreements.

City-Generated Tow Services Delivery Request for Proposals

Staff worked to complete the final draft RFP scope for public release between June 2021 and February 2022. However, in February 2022, staff became aware of the growing need for City-Generated Tow Services to support the BeautifySJ abatement efforts as part of the Encampment Management Strategy and Guadalupe Gardens Project. The team began evaluating whether to include BeautifySJ abatements in the City-Generated Tow Services RFP scope of work. Staff held several interdepartmental coordination meetings in March 2022 to identify and discuss the current and projected BeautifySJ abatement tow service needs and how best to address this need under the current tow agreements and proposed RFP scope of work. Staff concluded that the BeautifySJ abatement work should be incorporated into the City-Generated Tow Service RFP and that a sixth amendment to the City-Generated Tow Services Agreements would address the current and ongoing BeautifySJ tow service needs while maintaining existing City-Generated Tow Services operations. Release of the City-Generated Tow Services RFP to the public was paused in March 2022 to support the new direction.

Staff anticipates completing the revisions to the RFP scope by the end of June 2022. The resubmittal of the revised RFP draft to the Finance Department and Procurement Prioritization Board (PPB) for review, consideration, and prioritization should occur in July 2022. Once assigned, staff will complete the final RFP scope and prepare for release to the public. The projected timeline to return to City Council for the final award of contract(s) is unknown currently as the PPB has eight other RFPs in queue pending assignment. Similarly, the implementation of the new technology and software-based platform and/or third-party contract administration is dependent on the RFP award of contract.

Transition of Tow Program from Planning, Building, and Code Enforcement to San Jose Police Department

PBCE and SJPD continue to coordinate on the RFP, completion of the Audit recommendations, and tow program transition plan. The Police Department is prepared to move forward with the transition and management of the program provided appropriate staffing and funding are added for adequate service delivery. Staffing requests would include a civilian Program Manager and an Analyst. Funding requirements would include the cost of purchase and maintenance of the

necessary software to run the system. The Police Department would be able to take over tow services once the requested positions are fully in place, operational and the necessary funding has been allocated. Staff will continue to assess and evaluate the costs, fees, resources, and budget needed to support the new City-Generated Tow Services Contract Administration and software and will propose resource needs as part of the mid-year 2022-2023 and/or 2023-2024 proposed budget process as appropriate.

Open Audit of Towing Services Recommendations

Staff has incorporated several audit recommendations into the RFP scope of work and will continue to work to address the remaining open recommendations. Staff's progress to date on implementation of the audit recommendations can be viewed in the City Auditor's *Status of Open Audit Recommendations as of December 31, 2021*² report provided to City Council on March 18, 2022.

EVALUATION AND FOLLOW-UP

Staff will work to complete the revisions to the RFP scope of work to include BeautifySJ abatement efforts and resubmit the RFP package to the PPB in July 2022 for consideration and prioritization. Staff will conduct outreach to the tow operators in June 2022 and anticipates bringing the sixth amendment to the Agreements to Council for consideration in August 2022. Staff will continue efforts to complete the remaining open audit recommendations and preparations to transition the tow program from PBCE to SJPD. Staff will assess and evaluate the costs, fees, resources, and budget needed to support the City-Generated Tow Services contract administration, software, and program and will propose resource needs as part of the mid-year 2022-2023 and/or 2023-2024 proposed budget process as appropriate.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

PUBLIC/STAKEHOLDER OUTREACH

Staff is in the process of scheduling outreach meetings with tow operators to discuss the status of City Generated Tow Services, the proposed sixth amendment to the Agreements, and BeautifySJ tow service needs in June 2022. Staff met with the tow operator's representative (for 3 of the 6 contracted operators) on April 27, 2022 to discuss the status of the RFP and ongoing service delivery environment of City-generated Tow Services.

² [Status of Open Audit Recommendations as of December 31, 2021, pages 52-](#)

COORDINATION

This memorandum has been coordinated with the City Attorney's Office, Finance Department, and Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item does not have input from a board or commission.

FISCAL/POLICY ALIGNMENT

This action is consistent with the City's 2021-2022 Operating Budget City Service Areas Delivery Framework for Performance-Driven Government for Operational Services.

COST SUMMARY/IMPLICATIONS

Staff plans to utilize funding from the current year budget and next fiscal year budget for BeautifySJ to support the proposed junk vehicle disposal cost reimbursement model as part of the sixth amendment. Staff will continue to assess and evaluate the costs, fees, and budget needed to support the City-Generated Tow Services contract administration, software, and program. These items will need to be worked through and finalized as part of the tow software and/or contract administration RFP process and award of contract to a third-party, and ultimately within the mid-year 2022-2023 and/or 2023-2024 proposed budget process.

CEQA

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

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