



**Date:** September 20, 2011  
**To:** Honorable Mayor and City Council  
**From:** Councilmember Gary DeLong, Chair, Budget Oversight Committee  
**Subject:** **TOWING OPERATIONS**

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The Budget Oversight Committee, at its meeting held Wednesday, September 7, 2011, considered communications relative to the above subject.

It is the recommendation of the Budget Oversight Committee to recommend that the City Council direct the City Manager to proceed with an in-depth analysis of towing privatization, including a Proposition L analysis, to be conducted by the Department of Financial Management.

Respectfully submitted,

BUDGET OVERSIGHT COMMITTEE

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Councilmember Gary DeLong, Chair




**City of Long Beach**  
*Working Together to Serve*

**Memorandum**

**Date:** September 7, 2011

**To:** Patrick H. West, City Manager 

**From:** John Gross, Director of Financial Management 

**For:** Members of the Budget Oversight Committee

**Subject:** Towing Operations

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Each year, the towing and lien sales operation of the City provides a transfer to the General Fund. In recent years the net revenue generated has been about \$2.5 million. However, recently the number of tows has been declining and the question has been asked as to whether privatizing the operation would be better for the City.

The Department of Financial Management, at the direction of the City Council, developed a Request for Proposals (RFP) for Towing Operations for the City. The Department has now completed a major portion of an RFP process to identify the best towing vendor for the City, should the City choose to privatize its towing operation. The RFP process was extensive and time consuming as staff wanted to identify the entire towing process and also ensure that the process was fair and balanced for all vendors.

The RFP process provided for receiving technical proposals reflecting competency, company profile, strategic direction, sustainable practices, financial conditions and organizational information. Contractors were shortlisted following an evaluation of the technical proposal and invited to submit a cost proposal. The cost proposal included total submitted costs and additional projected costs to the City. The City received ten technical proposals and the multi-department evaluation panel qualified five contractors to continue in the process and submit a cost proposal. Subsequent analysis of the cost proposals indicated that except for one, it was not likely that a private vendor would perform better than the current City towing operation. However, one vendor did provide a cost proposal that shows potential for the City to receive a larger transfer from Towing to the General Fund than is currently received.

The analysis done for the RFP and for selecting a top vendor is not, by itself, adequate to draw a final conclusion that privatization of the City's towing operation is in the City's best interests, nor to make a final decision on the finalist vendor. To both reach a correct conclusion and to meet the requirements of Proposition L (Section 1806 of the City Charter regarding privatization), further analysis is needed.

The analysis will include the impact on operations, a full analysis of both revenues and costs, including overhead and indirect costs. A report will be produced making a recommendation based on all relevant factors as to whether privatization works from a financial viewpoint after consideration of all financial factors such as revenues, appropriate overhead, etc. The Budget Office will conduct the needed additional analysis. It is estimated that this process will take approximately 90 days, after adoption of the FY 12 budget, to complete. During this review, staff will be working with the top responsive vendor from the RFP process. This work will require a substantial diversion of budget staff from normal work and will also likely require significant effort on the part of the top prospective vendor. At the end of the process, City Council approval to proceed with contracting out the City's towing operation will require six votes (Charter requirement as a result of Proposition L).

**Recommended Action:**

**The Budget Oversight Committee to recommend that the City Council direct the City Manager to proceed with an in-depth analysis of towing privatization, including a Proposition L analysis, to be conducted by the Department of Financial Management.**