

1 FRANK H. O'GAWA PLAZA • OAKLAND, CALIFORNIA 94612

Office of the City Auditor
Roland E. Smith, CPA
City Auditor

(510) 238-3378
FAX (510) 238-7640
TDD (510) 839-6451
www.oaklandauditor.com

Finance & Management Committee Meeting Date: April 11, 2006

IGNACIO DE LA FUENTE, PRESIDENT
CITY COUNCIL
OAKLAND, CALIFORNIA

SUBJECT: REPORT AND RESOLUTION REQUESTING AUTHORIZATION TO EITHER NEGOTIATE A CONTRACT WITH B&B VEHICLE PROCESSING LLC AND RETURN TO COUNCIL FOR AWARD, OR TO REJECT THE PROPOSAL FROM B&B VEHICLE PROCESSING LLC AND PROCEED WITH A NEW REQUEST FOR PROPOSALS FOR THE CONTRACT FOR TOWING, STORAGE AND DISPOSAL OF ABANDONED, ILLEGALLY PARKED, AND IMPOUNDED VEHICLES, AND TOWING AND STORAGE OF CITY OWNED, NON-OPERATIONAL VEHICLES.

PURPOSE AND SCOPE

In accordance with Measure H Charter Amendment, which was passed by the voters at the General election of November 5, 1996, we have made an impartial analysis of the above-mentioned Report and Proposed Resolution. In making our analysis, we have discussed various matters with the Oakland City Attorney's Office, the Oakland Police Department, and the Oakland Department of Finance and Management (Purchasing Section).

The City Auditor is elected by the citizens of Oakland to serve as an officer in charge of an independent department auditing City government activities. The City Charter establishes the independence of the City Auditor.

SUMMARY:

The purpose of this report is to make recommendations to the Finance & Management Committee regarding the above-mentioned report and resolution.

We are reporting on the towing contract currently under consideration with the sole bidder, B&B Vehicle Processing LLC ("B&B"). Two senior staff auditors from the Office of the City Auditor were members of the committee that drafted this Request for Proposal. These auditors were chosen to participate in this process based on their special knowledge of the previous towing contracts the City entered into and other reports issued from the City Auditor's office regarding the towing industry. Staff members from the City Auditor's Office, the City Attorney's Office, the Oakland Police Department, and the Oakland Department of Finance and Management reviewed B&B's proposal and concluded it was unacceptable because it significantly and materially altered the specifications of the Request for Proposal. B&B's proposal is now before this committee for further review.

First, the City Auditor recommends that City Council not accept the proposal from B&B since B&B does not exist. More specifically, B&B has not yet come into existence as a legal entity, and therefore, it lacks the legal capacity to enter into any contracts. Essentially, as of today, B&B has no corporate offices, corporate officers, buildings, employees, agents, equipment, and no Federal, State, or local tax reporting responsibility. Under basic contract law, City Council simply cannot enter into a contract with a company that does not in fact exist.

Second, the City Auditor recommends that City Council extend its existing contract with A&B for an additional two years with the stipulation that A&B make available to the City Auditor on a quarterly basis its General Ledger (which represents the core of a company's financial records), monthly Financial Statements, monthly Cash Receipts and Cash Disbursements Journals, and all documents supporting these amounts. The City Auditor is requesting that financial records be made available to it under the standards set forth by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB), which is the authoritative body that sets governmental auditing standards throughout the United States, requires that governmental auditors, at a minimum, have access to a company's financial records to ensure that government services are being provided efficiently, economically, and in compliance with city contracts and applicable laws.

Although B&B is owner and operated by the same management team as A&B Tow Co. Inc. (the predecessor contractor), it is unclear as to the percentage of ownership of the shareholders of B&B. Therefore, the City Auditor recommends that the Committee investigate the relationship between B&B and A&B by determining the percentage of ownership of each company's shareholders.

The City Auditor is making the above recommendations to ensure that the City is contracting with a viable and established legal entity, and to prevent an interruption of the City's towing services.

FISCAL IMPACT

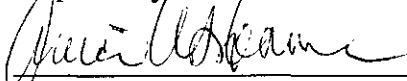
Under B&B's proposal, the City would receive an annual amount of approximately \$442,000 [24,000 vehicles towed (an estimate provided by the City's police department) x \$18 (a rate proposed by B&B)]. Incidentally, the \$18 rate proposed by B&B is just \$3 more than the City received under its 1970 towing contact with Oakland Tow Car Association (now known as A&B Towing Co. Inc.).

SUSTAINABLE OPPORTUNITES

First, the City Auditor recommends that the City immediately launch a committee to investigate whether similar municipalities have considered operating their own towing operations, whether the City can hire other towing companies/subcontractors to tow vehicles to City-owned property, whether the City should use its vacant properties as storage facilities for towed vehicles to generate storage revenue, and whether it should sell unclaimed towed vehicles stored on its lots to scrap metal companies.

The City Auditor makes the above recommendations based upon its own study of the towing industry. The City Auditor projects that if approximately 24,000 vehicles are towed per year (an estimate provided by the City's police department) by subcontractors hired by the City, and the City charges a \$45 towing rate, the City would receive \$1,080,000 [24,000 x \$45] in towing revenue. In addition, if the City charges a \$45 daily storage fee and approximately 40% of the vehicles towed remain unclaimed for 2 days, the City would receive storage revenue of \$864,000 [24,000 x 40% x 2 days x \$45]. For those vehicles that remain unclaimed, the City would receive additional revenue by auctioning off those vehicles or by selling them to scrap metal companies, and the City Auditor estimates that the City could generate \$7,200,000 in disposal revenue. [24,000 x 60% x \$500 (average selling/disposal price per vehicle) = \$7,200,000]. If the City operates its own towing services, it can generate annual revenues totaling \$9,144,000 [\$1,080,000 (towing fees) + \$864,000 (storage fees) + \$7,200,000 (disposal fees)], in addition to providing additional employment opportunities for the citizens of Oakland.

Prepared by:



Anica Ashbourne, JD
Chief Deputy Auditor

Issued By:



Roland Smith, CPA, CFS
City Auditor

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND</u>		<u>Impact on City if B&B's Proposal is Adopted</u>
			<u>SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	
1	2.1.1	Referral Fee	Referral fee of \$40 for every towed vehicle	Referral fee of \$18 for every towed vehicle	City will lose revenue of \$528,000 under B&B's proposal. [24,000 cars x \$22 (\$40-\$18)]
	2.1.1	Referral Fee	Storage fee of \$30.50	B&B will not remit this fee.	The City will lose revenue totaling \$732,000 under B&B's proposal. [24,000 cars x \$30.50]
2	2.1.3	Collection of Administrative Fees	City and Contractor will develop a plan to collect all administrative fees due from vehicle owners by the end of the 3rd year of the contract, and before any extensions of the contract are granted.	B&B's proposal wants the due date to implement such a plan to include extensions.	If the contract is continually extended, the Contractor will not have any set due date to collect the fees.
3	2.1.3	Collection of Administrative Fees	Contractor will collect the City's administrative fees on all abandoned, seized or unclaimed vehicles that are sold.	B&B will collect Administrative Fees on unclaimed vehicles only.	B&B will collect administrative fees from vehicle owners on all abandoned and seized vehicles. The loss of revenue to the City could be significant if the number of vehicles abandoned and seized is significant.
5	2.1.4	Reimbursement for Services	Contractor will be required to pay 50% of the salary and benefits of one full-time employee. Such payments will not exceed the cost of one top-step officer. Payments will come from Tow Contractor. The Storage Contract shall reimburse the City for the regular services of a licensed auctioneer hired to conduct lien sales.	B&B will only reimburse the City an amount of \$100,000 for services the City provides to it. Out of that amount, \$10,000 must be set for costs B&B will incur to pay for audited financial statements. B&B will also require that the City spend the \$90,000 on police presence and City assistance at B&B's lien sales. The City will be responsible for any costs exceeding the \$90,000 amt paid by B&B.	B&B is shifting its normal operating costs to the City. B&B is also stating that the \$90,000 it pays the City must be used for police presence and assistance at its auction and lien sales.
6	2.1.5	Payment & Deposit of of Administrative, Referral, Gross Percentage and Collected Fees Late fees	Administrative and Referral fees must be sent to the City no later than the 5th day of the following month.	B&B will send Administrative and Referral Fees to the City by the 10th day of the following month.	The additional 5 day delay will result in interest income for B&B that rightfully belongs to the City.
6	2.1.5	Payment & Deposit of of Administrative, Referral, Gross Percentage and Collected Fees Late fees	All fees shall be deposited into a bank account specified by the City without prior demand and without any deduction, offsets, or counterclaim whatsoever. A late fee in the amount of \$100 plus interest at the rate of 10% accumulated and compounded daily, will be owed and payable to the City for each business day the deposit of Administrative Fees, Referral Fees, or Gross Percentage Fee is delayed.	B&B deleted this specification from its proposal.	B&B has no financial or legal obligation under its proposal to timely remit Administrative Fees, Referral Fees, or Gross Percentage Fees to the City. Interest revenue accruing on these amounts would then be collected by B&B, instead of by the City.

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
7	2.2	Service Requirements	No later than thirty calendar days after the end of each quarter, the Storage Contractor shall submit to the City a quarterly report showing the vehicles released to owners and those vehicles sold by B&B. Such information should contain, among other things, the date of lien sale, name and address of purchaser, and total monies received as a result of the sale.	B&B wants the City to formally request this information at the end of each quarter, instead of B&B automatically submitting such information.	B&B's proposal unreasonably burdens the City by making it formally request such information at the end of each quarter.
8	2.2.2	Dispatch: Hours Service & Method	Contractors must be able to answer calls from OPD within 6 rings without callers encountering a busy signal. The Tow Contractor must also have at least two dedicated telephone lines and three Nextel direct-connect lines for communication with OPD The Tow Contractor must have a recording system that automatically records all tow dispatches, followup communications for a tow dispatched and receive tow calls and mark such calls with time and date stamp and notify towing subcontractors, tow truck drivers, dispatch staff, and OPD of recording in progress. The OPD will determine how long such records will be kept, not to exceed a period of 120 days. Failure to provide adequate staffing at the dispatch facility will result in a \$500 fine per occurrence, but not to exceed \$1,000 in a given 24-hour period. Failure to provide the above-mentioned telephone lines, will result in a \$500 fine every 24 hours. Failure of the Contractor to provide the City with the recordings and and recording systems will result in \$500 daily fines.	B&B proposal eliminates the 6 rings and no busy signal requirements, and provides for only 1 dedicated phone line. It will only install a second dedicated phone line if B&B determines that it is necessary. B&B's proposal will only maintain records for all dispatch calls for a period not to exceed 120 days. Its proposal does not contain the recording system requirement. B&B's proposal reduces the fine to \$50 per occurrence, not to exceed \$100 per occurrence. Before the payment of any fines, the matter must be arbitrated. B&B's proposal eliminates this requirement.	B&B's proposal eliminates the RFP's requirement that it respond timely and efficiently to call from OPD. It fails to meet the City's stated quality customer service standards. B&B's proposal eliminates the RFP requirement that it create certain documents during its communication with OPD and that it maintain such records for at least 120 days. B&B has reduced the daily fines by \$450 and has made the matter subject to arbitration. B&B has eliminated its responsibility to provide the City with these recordings.
9	2.2.3	Tow Response Time	Contractor must respond to an OPD call within 30 minutes. This time can be extended for an additional 15 minutes, provided that the Contractor notify OPD as to the reason for the delay and receives OPD approval for the 15 minutes extension. Violation of the provision will result in \$100 for every 20 minute delay, but not to exceed \$500 per occurrence. Violation of this provision for expedited tows (vehicles located in areas that present hazards or affect safety) will result in \$500 per occurrence.	B&B's proposal allows for it to respond in 35 minutes. B&B's proposal reduces the fine to \$50, but not to exceed \$100 per occurrence and the matter must be subject to arbitration, unless the officer makes other arrangements.	A 5 minute delay can often mean the difference between life and death for OPD. B&B is requiring matters to go to arbitration which may prove costly to the City in terms time spent in arbitration hearings and monies paid to City employees to attend such hearings.
	2.2.3		Failure to maintain an adequate number of trucks is subject to a \$500 fine.	B&B's proposal eliminates these fines.	B&B has eliminated its responsibility to have adequate equipment to perform this contract.

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City If B&B's Proposal is Adopted</u>
	2.2.3		Failure to show up at an agreed upon start time and location is subject to a \$100 fine, not to exceed \$500 per tow operator.	B&B's proposal requires that the City notify it 48 hours in advance of "special" tow programs. "Special" is not defined in B&B's proposal. It states that B&B will be able to accommodate upto 400 cars in a single day.	B&B has eliminated the fines provision here. It requires 48-hour notification and has limited the number of vehicles to be stored to 400 in a single day.
10	2.2.5	Drop of Vehicle	Failure of the Tow Contractor to unhook a vehicle will result in when instructed by an on-site officer to do so will result in fines penalties.	B&B's proposal eliminates this provision.	B&B's proposal eliminates the authority of an on-site police officer to direct procedures regarding the unhooking of vehicles from a tow trucks. to do so.
11	2.2.6	City-Owned Vehicles	Tow Contractor, at no cost to the City, will remove these vehicles or render roadside service within 30 minutes of a call. Failure to provide the above service will result in \$100 per occurrence including costs paid by the City to expedite the return of the vehicle to the City.	B&B's proposal passes on 60% of the tow rate to the city, and offers only to start stalled vehicles and change flat tires under this provision. All costs related to disable heavy duty trucks are billed to the City.	B&B's proposal passes on most of the towing and storage costs of disabled City-owned vehicles to the City.
12	2.2.7	Police Evidence Holds	Contractor, at no cost to the City, shall tow vehicles designated as Police Evidence Holds, without passing on any waived costs to the owners. OPD has the authority to waive all costs related to these tows.	B&B's proposal passes on 40% of towing and storage costs to the owners.	B&B's proposal allows it to pass on 40% of all costs to the owners.
13	2.2.9	Tow Release Procedures & Customer Service	Claimant is required to provide evidence satisfactory to the Storage Contractor that he or she is entitled to receive the vehicle. Responsibility for the release of the vehicle to the person without such evidence devolves fully on the Storage Contractor. Failure to follow this provision will result in a \$500 fine per occurrence.	B&B's proposal eliminates its liability for improper releases. In addition, B&B states that it will release personal property to a vehicle owner upon receipt of a Property Release by OPD. B&B's proposal has also eliminated the fine provision.	Because B&B eliminates its liability under this provision for improper releases, the City may be liable to registered owners for improper releases.
14	2.2.10	Method of Payment and Transfer of Fees to the City of Oakland	Failure of Contractor to deposit funds collected under this contract will result in a fine of \$500 each day such funds are not deposited. Improper releases, sales, or auctions of vehicles with an OPD hold will result in a fine of \$1,000 per occurrence. In addition, Contractor shall liable to the owner of the vehicle.	B&B's proposal eliminates this provision. B&B's proposal eliminates this provision.	B&B's proposal eliminates its responsibility to make timely deposits of collected funds. B&B's proposal eliminates fines imposed by the City for improper releases and sales.
15	2.2.11	Customer Service	Contractor must submit a "Customer Service Plan" outlining how it intends to meet the highest level of customer service under this contract. There are 6 items that must be included in the Customer Service Plan. The City will alert the Contractor as to what changes should be made in its Customer Service Plan. Contractor has 10 days to implement such changes. Failure to meet the customer service standards outlined herein will result in a \$100 fine per occurrence per day.	B&B's proposal eliminates the requirement that it submit a Customer Service Plan. Feedback surveys, reasons for why the vehicle was towed, and layout of its waiting area will not be provided by B&B under its proposal. B&B's proposal eliminates all the fines and the 10 day requirement under its proposal.	Without adequate feedback from its citizens who interact with B&B, the City will be uninformed as to what additional changes need to be made. Also, citizens have a right to know why their vehicles were towed and to be provided with an adequate waiting area while at B&B's location.

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
16	2.2.12	Message Center	<p>The City must approve the Contractor's automated message center and how these reports are generated. Such reports must be sent to the City by the 5th day of the following month.</p> <p>Failure to submit the reports by the due date will result in a \$50 daily fine.</p>	<p>B&B's proposal eliminates City approval of its messaging center and any due dates for reports. It states that the reports will be made available to the City upon its request.</p> <p>B&B's proposal eliminates this fine.</p>	<p>B&B's proposal eliminates the City's managerial oversight by removing City approval of its automated message center and due dates for submission of reports. It puts a burden on the City by making the City requests reports, instead of submitting those reports to the City by the 5th day of the following month.</p>
17	2.2.13	Customer Receipts	<p>Contractor must inform customers of their right to a tow hearing within 30 days.</p>	<p>B&B's proposal eliminates this requirement.</p>	<p>B&B's proposal fails to notify customers of their hearing rights thereby undermining the City's quality customer service standards.</p>
18	2.2.14	Complaint/ Claim Tracking	<p>Contractor's complaint forms and claims process must be approved by the City. Its forms and process must be complete enough to provide the City with sufficient information to document claims for damage, theft or other such complaints. The forms and process must also show the status and resolution of such complaints/claims.</p> <p>OPD's Tow Unit must receive copies of all complaint forms within 5 days of receipt.</p> <p>Records detailing the investigation and adjudication of the complaint must be made available to the City Tow Officer during normal business hours.</p> <p>Contractor must respond to all complaints within 10 working days and deliver copies of the complaints and resolutions to the City Tow Detail every week.</p> <p>Failure to comply with this provision will result in \$100 daily fines.</p>	<p>B&B's proposal eliminates this requirement.</p> <p>B&B's proposal eliminates this requirement.</p> <p>B&B's proposal modifies this requirement for claims that it "settles" with the owner.</p> <p>B&B's proposal eliminates the requirement that it must submit copies of the complaints and resolutions to the City Tow Detail.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>B&B's proposal eliminates the City's managerial oversight of this contract. It makes it impossible for the City to monitor the type and number of complaints against the Contractor.</p>
19	2.2.15	Posting Required	<p>The posting must contain a copy of the tow agreement, information on Contractor's insurance broker, information on auction sales of unclaimed vehicles, notice explaining tow hearing rights before the City, notice of vehicle impound rights, and notice of procedures for filing damage claims against the City and Contractor.</p> <p>Fines for failure to follow the above provision are also imposed.</p>	<p>B&B's proposal eliminates the requirement that it provide information on its insurance broker, notice explaining tow hearing rights, notice of vehicle impound rights, and notice of procedures for filing damage claims against the City and Contractor.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>B&B's proposal eliminates the City's managerial oversight of this contract. It also violates the City's quality customer service standards by not provide notice of important rights to vehicle owners.</p>

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
20	2.2.16	Records of Services	<p>Contractor shall maintain detailed records of services in electronic format which should be available to download online by the City. Proprietary software which would prevent the City's access to such records cannot be used.</p> <p>Record of services must be sent to the City on a monthly, quarterly and annual basis.</p> <p>Fines for failure to follow the above provision are also imposed.</p>	<p>B&B's proposal eliminates the requirement of on-line access.</p> <p>B&B's proposal eliminates this requirement.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>The City will not be able to timely access record services online. It will make it difficult for the City to provide timely responses to customer complaints against the Contractor.</p>
21	2.3.2	Computer Hardware and Software	<p>City will have real time access to an online database of all towed vehicles at any time.</p>	<p>B&B's proposal eliminates the Internet-access requirement.</p>	<p>The City will not be able to timely access record services online. It will make it difficult for the City to provide timely responses to customer complaints against the Contractor. The City will also be unable to identify whether a vehicle has been towed by Contractor on a timely basis. It eliminates the City's managerial oversight of towed vehicles.</p>
22	2.3.4	Records of Lien Sale or Auction Purchasers	<p>Contractor is required to maintain an online database of the purchasers of all lien sales and auction purchasers for the entire term of this contract, including extensions. This information shall be accessible by the City via internet.</p>	<p>B&B's proposal eliminates internet-access by the City. Also, the proposal does eliminates the time requirement for maintaining records of the lien sales and auction purchasers.</p>	<p>B&B's proposal eliminates the City's managerial oversight sales of towed vehicles.</p>
23	2.3.6	Electronic Storing and Retrieval of Tow Inventory Slips	<p>Tow inventory slips must be electronically stored so that the City has on-line retrieval accessibility.</p> <p>Fines for failure to follow the above provision are also imposed.</p>	<p>B&B's proposal eliminates the requirement of on-line access.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>B&B's proposal eliminates the City's managerial oversight of this contract. The City loses the ability to timely track towed vehicles.</p>
24	2.3.8	Computerized and Spot Inventory	<p>Contractor must have an online computerized vehicle inventory and locator system for the entire term of this contract. The system must be accessible by the City on a daily basis.</p> <p>Contractor must conduct an inventory at the time the vehicle is towed with the OPD onsite verifying the contents and condition of towed vehicle.</p> <p>Fines are imposed for failure to follow these provisions.</p>	<p>B&B's proposal eliminates the online accessibility of the City.</p> <p>B&B's proposal makes the City responsible for conducting spot vehicle inventories.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>B&B is shifting the operating costs of its towing business to the City.</p> <p>B&B's is shifting the responsibility of conducting inventories to the City. The City will incur additional employee costs to conduct such inventories.</p>

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	CITY OF OAKLAND <u>SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
25	2.3.9	Annual Audit	Both the Tow Contractor and Storage Contractor are required to pay for and furnish to the City Auditor audited financial statements on an annual basis. The CPA firm who audits these contractors will also be required to submit a management letter to the City Auditor and oversight committee within 120 days after the audit. In addition to audited financial statements, these contractors must also submit compliance reports to the City Auditor and oversight committee.	See 2.1.4 - B&B will only pay up to \$10,000 for an audit by a CPA firm. Also, it will send the management letter to the OPD instead of to the City's oversight committee.	B&B is shifting the costs of its auditing fees to the City. In today's market, \$10,000 will only cover a fraction of the cost to audit a company of this size. In future years, the cost to audit will only increase, thereby causing the City to pay more of the audit costs for B&B.
26	2.3.12	Inspection of Books & Records Right to Audit/ Offset	<p>City shall have the right to inspect Contractor's books for a period up to 4 years after the contract terminates or 2 years after the closure of a disputed matter.</p> <p><i>If Contractor's books and records show that the City overpaid contractor on any invoice, then Contractor must immediately refund any excess amounts to the City. If the excess is more than 1% of the invoice or grant amount, then Contractor must reimburse City for all costs incurred in conducting the audit.</i></p>	<p>B&B's proposal substitutes "statute [sic] of limitations" for the 4- and 2-year periods.</p> <p><i>B&B's proposal eliminates this requirement.</i></p>	B&B is removing all penalties and sanctions related to its noncompliance relating to its books. Under the terms of earlier contracts, B&B was successful in fending off the City Auditor's efforts to obtain its financial information. This was due, in part, to inadequate provisions in the contract.
27	2.3.13	Record Retention	Contractor is to retain records for up to 4 years after the contract terminates or 2 years after the closure of a disputed matter, whichever is later.	B&B's proposal substitutes "statute [sic] of limitations" for the 4- and 2-year periods.	B&B does not define what statute of limitations it is referring to. Therefore, it is unclear how long B&B will make these records available to the City.
28	2.3.14	Web Based Information	Contractor is required to provide the public online access to general information regarding vehicles towed by the Contractor.	B&B's proposal requires the City to set up an online system for the public.	B&B wants the City to incur costs to set up an online system that will inform the public of vehicles towed by Contractor.
29	2.4.2	Telephone Operators	<p>Contractor must ensure that calls from the public are responded to within 6 rings and that the public encounter no busy signals. Callers should not be put on hold for more than 2 minutes 98% of the time during nonpeak hours.</p> <p>During peak hours Mon through Fri, 8AM to 5PM, call must be responded to within 3 minutes 97% of the time.</p> <p>Fines are imposed for failure to follow these provisions.</p>	<p>B&B's proposal eliminates the 6 rings and 2 minute hold time requirements.</p> <p><i>B&B's proposal eliminates the 3 minute response time requirement.</i></p> <p><i>B&B's proposal eliminates the fines provision.</i></p>	B&B's proposal does not follow the objectives of the City's quality customer service standards.
30	2.4.3	Window Staff	<p>Contractor must have available window staff to ensure that wait time for a customer is no longer than 3 minutes. A system will also be put in place to monitor wait times.</p> <p>Fines are imposed for failure to follow these provisions.</p>	<p>B&B's proposal eliminates the 3 minute wait time and monitoring system requirements.</p> <p><i>B&B's proposal eliminates the fines provision.</i></p>	B&B's proposal does not follow the objectives of the City's quality customer service standards.

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
31	2.4.4	Customer Service Representative	Contractor will have at least one customer service representative on duty from 6AM - 8PM to answer questions from the public. This person will be in addition to the window and management staff. On duty hour are for Mon thru Fri. Fines are imposed for failure to follow these provisions.	B&B's proposal changes the hours on duty from 8AM - 7PM.	B&B's proposal does not follow the objectives of the City's quality customer service standards. Since most people work between 8AM and 5PM, it will be difficult for B&B to provide service to them during its proposed times.
32	2.4.5	Tow Truck Operators	Tow Truck Operators will be required to attend at least 24 hours of customer service training. Fines are imposed for failure to follow these provisions.	B&B's proposal eliminates this provision. B&B's proposal eliminates the fines provision.	B&B's proposal does not follow the objectives of the City's quality customer service standards.
33	2.4.6	Subcontractors	Contractor may hire subcontractors, but must submit a copy of all such agreements with its subcontractors to the OPD Tow Detail, along with proof of insurance documents. Fines are imposed for failure to follow these provisions.	B&B's proposal eliminates the requirement that it submit copies of its agreements with subcontractors to OPD. B&B's proposal eliminates the fines provision.	B&B's proposal eliminates the City's managerial oversight of this contract. The City will have no oversight of who B&B's contract with or if these subcontractors are properly insured.
34	2.4.7	Licenses & Permits	Contractor is responsible for insuring that all of its subcontractors have valid licenses and permits. It should, at a minimum audit such subcontractors quarterly to ensure such. All claims arising out of a subcontractor's failure to have a valid license or permit is borne by the Contractor.	B&B's proposal makes the City responsible for verifying that B&B's subcontractors have valid licenses and permits. Also, the City will be responsible for all claims arising out of invalid licenses and permits.	The City will absorb the costs of insuring that B&B's independent contractors are properly licensed. The City will liable for all damage claims arising out of invalid licenses/permits of B&B's subcontractors.
35	2.4.8	Uniforms	Contractor personnel must wear, at a minimum, a standard City approved apparel and a tag that shows the employee's name. Contractor's or subcontractor's name should be on the back of the shirt. Fines are imposed for failure to follow these provisions.	B&B's proposal eliminates the requirement for City approved apparel, the name tag, and the business' name on the back of the shirt. B&B's proposal eliminates the fines provision.	Safety here becomes an issue. At a minimum, the public has the right to know the name of the person and company towing its vehicles.
36	2.4.9	Training	Contractor must provide at least 32 hours of City approved training. Certificates of completion for these training classes must be sent to the OPD Tow Detail and placed in each employee's personnel file.	B&B's proposal eliminates this provision.	Safety here becomes an issue. The City could be liable for lawsuits for damaged vehicles.
37	2.4.10	Policy and Procedures Manual	Contractor must submit a copy of its Policy and Procedures Manual, and all other revisions that it makes to the manual, to the City for approval. Fines are imposed for failure to follow these provisions.	B&B, which currently have such a manual, retains the right to final approval. B&B's proposal eliminates the fines provision.	B&B's proposal deprives the City of managerial and operational oversight.

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
38	2.4.11	Staffing and Management	Contractor must have adequate staffing to meet all the service and performance needs of the contract. It must submit a plan to City explaining how it meets the staffing needs of the contract by including the number of employees, number of positions, and amount of time dedicated to this contract. The City can demand that the Contractor hire additional employees if it finds that staffing is insufficient to meet the needs of this agreement.	B&B's proposal eliminates the requirement that it submit a staffing plan to the City for approval. Also, it removes the City's right to demand that it hire adequate staffing to meet the service needs of this contract.	B&B's proposal deprives the City of managerial and operational oversight.
39	2.4.12	Manager	Contractor must have a manager on duty or available by phone within 10 minutes to resolve issues arising under the contract. Fines are imposed for failure to follow these provisions.	B&B's proposal makes the manager available only during normal business hours. B&B's proposal eliminates the fines provision.	B&B's proposal deprives the City of managerial and operational oversight. It also deprives the public of quality customer service.
40	2.4.13	Contract Administration	The City will hire an individual to monitor the contract and lien vehicles. The Contractor will be responsible for reimbursing the City for a portion of the cost of this monitor. Contractor must also notify the City within 3 days which vehicles that it intends to auction. An assigned Appraiser will value all vehicles to be auctioned. Fines are imposed for failure to follow these provisions.	B&B's proposal eliminates this provision. Instead it delegates the monitoring duties to OPD. If OPD is unavailable for such monitoring, B&B will then assign garage keeper to value the vehicle for auction or lien sale. B&B's proposal eliminates the fines provision.	B&B's proposal deprives the City of managerial and operational oversight.
41	2.4.14	Vehicle Auctioneer	The City will hire an auctioneer who will report directly to the City. Both the City and the Contractor will pay for the Auctioneer's costs. Contractor's payment for services is due by the 5th of the following month. Fines are imposed for failure to follow these provisions.	Under B&B's proposal, B&B will hire the Auctioneer, not the City. B&B's proposal eliminates the fines provision.	B&B's proposal deprives the City of managerial and operational oversight.
42	2.5.1	Tow Trucks	Tow truck operators are not to be paid on a commission basis per tow. Fines are imposed for failure to follow these provisions.	B&B's proposal eliminates this provision. B&B's proposal eliminates the fines provision.	Tow truck operators working on a commission are more likely to tow vehicles that should not be towed. Furthermore, they are more likely not to follow the on-site officer's directive to unhook a vehicle. See Section 2.2.5.
43	2.5.2	Two-Way Radio Communications Equipment	All communications are to be recorded and stored for 6 months.	B&B's proposal eliminates this provision.	B&B's proposal deprives the City of managerial and operational oversight.
44	2.6	Facilities Requirements	Contractor must maintain a 24-hour camera-based security system making its lobby and yards available via the Internet to the OPD Tow Officer. Fines are imposed for failure to follow these provisions.	B&B's proposal eliminates this provision. However, it adds the requirement that OPD assist in its auction and lien sales. B&B's proposal eliminates the fines provision.	B&B's proposal deprives the City of managerial and operational oversight.

**CITY OF OAKLAND
COMPARISON OF REQUEST FOR PROPOSAL (#03-968-90-01) AND B'S PROPOSAL
BY CITY AUDITOR'S OFFICE**

<u>No.</u>	<u>Section</u>	<u>Section Title</u>	<u>CITY OF OAKLAND SPECIFICATIONS PER REQUEST FOR PROPOSALS</u>	<u>B&B'S PROPOSAL</u>	<u>Impact on City if B&B's Proposal is Adopted</u>
45	2.6.1	Primary Storage	<p>Contractor is responsible for removing debris and trash associated with its facility and vehicles towed under this agreement.</p> <p>Contractor is to ensure that only employees and City personnel have access to its storage facility.</p>	<p>B&B's proposal makes the City responsible for removing trash and debris on B&B's facility under this contract.</p> <p>B&B's proposal would grant access to people other than its employees and City personnel.</p>	<p>B&B is passing its cleaning and maintenance costs to the City.</p> <p>B&B's proposal deprives the City of managerial and operational oversight.</p>
46	2.6.4	Protection of Vehicle and Vehicle Contents	<p>Contractor must store personal property contained in towed vehicles in a locked and secure storage area. Contractor is responsible for ensuring that the property is safely secure and easily retrievable when the vehicle is released. Contractor must inventory the personal items on forms approved by the City.</p>	<p>B&B's proposal eliminates all of this language. It makes OPD responsible for inventorying personal property and eliminates its responsibility to store the items in a safe and secure area.</p>	<p>The City bears the risk for lost or stolen items from vehicles. It also must pay additional costs to have City employee inventory all items found in towed vehicles. Historically, there have been</p>
47	2.6.5	Police Evidence Hold Vehicles	<p>Contractor must have a vehicle hoist lift in its storage area for Police Evidence Hold Vehicles.</p> <p>Contractor will receive no fees for the towing and storage of Police Evidence Hold Vehicles, unless the number of these vehicles exceeds 150 at any given time.</p> <p>Contractor must continue to store these vehicles until notified by OPD. The City will pay storage fees for vehicles held for more than 14 days.</p> <p>Fines are imposed for failure to follow these provisions.</p>	<p>B&B has eliminated this provision.</p> <p>B&B will charge the City for these vehicles under Section 2.2.7 of the contract.</p> <p>B&B will sell these vehicles on the 15 day if B&B does not receive notification from OPD on an extended hold.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>A lack of a hoist hinders OPD investigations.</p> <p>The City will have to pay for the towing and storage of Police Evidence Holds.</p> <p>If OPD fails to timely notify Contractor of an extended hold, vehicles containing evidence will be sold to the public.</p>
48	2.6.6	Dispatch Office	<p>Contractor's dispatch office must respond to calls from the City within 6 rings, and have recording equipment with date and time stamps all recordings.</p> <p>Towing records should include the agency and badge number of person at site of tow and type of holds on vehicle by the City.</p> <p>Records of calls to the Dispatch Office must be made available online to the City.</p> <p>Fines are imposed for failure to follow these provisions.</p>	<p>B&B's proposal eliminates these requirements.</p> <p>B&B's proposal eliminates these requirements.</p> <p>B&B's proposal eliminates these requirements.</p> <p>B&B's proposal eliminates the fines provision.</p>	<p>B&B's proposal deprives the City of managerial and operational oversight. It also ensures that B&B will not meet the City's quality customer service standards.</p>
49	Page 1 of RFP	Contract Term	<p>Contract term is for 3 years with 2 one year extensions.</p>	<p>B&B has changed the contract term to 5 years with 2 two year extensions.</p>	<p>Under B&B's proposal, the City will be locked into a 5 year contract with specifications that the City initially found unacceptable.</p>