



CITY OF CARSON

Legislation Text

File #: 2021-608, Version: 1

Report to Mayor and City Council

Tuesday, August 03, 2021

Consent

SUBJECT:

CONSIDER APPROVAL OF AMENDMENT NO. 2 TO CITY OF CARSON TOWING AND STORAGE NON-EXCLUSIVE FRANCHISE AGREEMENT WITH KAM'S AUTOMOTIVE, INC., DOING BUSINESS AS FALCON TOWING, AND APPROVAL OF CITY OF CARSON TOWING AND STORAGE NON-EXCLUSIVE FRANCHISE AGREEMENT WITH KRUGER TOWING, INC. FOR TOWING AND STORAGE SERVICES (CITY COUNCIL)

I. SUMMARY

On November 6, 2017, the City Council awarded two Non-Exclusive Towing and Storage Franchise Agreements, one to Falcon Towing ("Falcon") and the other to Kruger Towing ("Kruger"), to handle City of Carson-initiated towing and storage requirements (excluding towing and storage requirements initiated by the Los Angeles County Sheriff's Department Carson Station). Both agreements provided that all non-cancelled tows requested by City will be dispatched on a one-to-one rotating basis between Falcon and Kruger. Both agreements were for three-year terms commencing September 2017 with two City options to extend for additional one-year periods. Both agreements required franchisees to pay an annual franchise fee of \$25,000 and both operators made one payment to City in the amount of \$25,000 during the first year of the agreements.

The Falcon agreement, dated September 28, 2017, was to expire August 31, 2020; it was extended once after City exercised its first option to extend and is currently set to expire August 31, 2021. The Kruger agreement was terminated by Kruger a little more than one year into the agreement term. Both Falcon and Kruger were unable to pay the required full amounts of their respective fees owed due to various unforeseen and uncontrollable circumstances causing both operators to operate at a loss, as Falcon is currently delinquent in the amount of \$75,000 and Kruger is delinquent in the amount of \$25,000.

The Ad Hoc Committee, comprised of Mayor Davis-Holmes and Councilmember Hilton, is recommending that the City exercise the second of its two options to extend the Falcon agreement for one year, thereby extending the Falcon agreement term to August 31, 2022, and entering into a new agreement with Kruger for a one-year term expiring August 31, 2022. In both instances, City would treat the original 2017 agreements as though the

annual franchise fee amount was \$5,000 instead of \$25,000 and in doing so, there would be no franchise fee owed by either operator -- for Falcon, for the balance of the one-year term and for Kruger, for the one-year agreement term, as both operators would be credited for the \$25,000 payments made in 2017.

II. RECOMMENDATION

1. APPROVE Amendment No. 2 to City of Carson Towing and Storage Non-Exclusive Franchise Agreement with Kam's Automotive, Inc. doing business as Falcon Towing; AND
2. APPROVE City of Carson Towing and Storage Non-Exclusive Franchise Agreement with Kruger Towing, Inc. for towing and storage services; AND
3. AUTHORIZE the Mayor to execute the both Amendment No. 2 and new contract after approval as to form by the City Attorney.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The Ad Hoc Committee (Mayor Davis-Holmes and Councilmember Hilton) recommended this item for City Council approval.

The City's "police powers" permit it to contract for activities related to services provided to the City and residents of the City. Among those activities is the legal authority to tow vehicles. Typically the City will be required to tow abandoned vehicles, non-operable vehicles, illegally parked vehicles, and vehicles involved in accidents or traffic stops. The City's Code and Parking Control Officers request and authorize the towing of vehicles in the City. Both Falcon Towing ("Falcon") and Kruger Towing ("Kruger") are part of the Los Angeles County Sheriff's (LASD's) approved list of tow operators.

On November 6, 2017, the City Council awarded two Non-Exclusive Towing and Storage Franchise Agreements, one to Falcon and the other to Kruger, to handle City of Carson-initiated towing and storage requirements (excluding towing and storage requirements initiated by the Los Angeles County Sheriff's Department Carson Station). Both agreements provided that all non-cancelled tows requested by City will be dispatched on a one to one rotating basis between Falcon and Kruger. Both agreements were for three-year terms commencing September 2017 with two City options to extend for additional one-year periods. Both agreements required operators to pay an annual franchise fee of \$25,000 and both operators made one payment to City in the amount of \$25,000.

The Falcon agreement, dated September 28, 2017, was to expire August 31, 2020; it was

extended once after City exercised its first option to extend and is currently set to expire August 31, 2021. The Kruger agreement was terminated by Kruger a little more than one year into the agreement term. Both Falcon and Kruger were unable to pay the required full amounts of their respective fees owed due to various unforeseen and uncontrollable circumstances after encountering an exponential rise in the number of RVs and other “atypical” vehicles abandoned in the City which, according to the operators, resulted in vastly higher costs to operators from towing and eventual demolition of these RVs as compared to costs from towing and handling more “normal” vehicles that is the scenario that was contemplated under the original franchise agreements, thereby placing operators in a situation of operating their businesses at a loss. Falcon is currently delinquent in the amount of \$75,000 and Kruger is delinquent in the amount of \$25,000.

The Ad Hoc Committee is recommending that the City exercise the second of its two options to extend the Falcon agreement for one year, extending the Falcon agreement term to August 31, 2022, and entering into a new agreement with Kruger for a one-year term expiring August 31, 2022. In both instances, the City would treat the original 2017 agreements as though the annual franchise fee amount was \$5,000 instead of \$25,000 and in doing so, both operators would be credited against the current agreements being approved by the City Council in the amounts previously paid and there would be no franchise fee owed by either operator. The \$75,000 owed by Falcon for years 2-4 would be waived by City, and the \$25,000 owed by Kruger for year 2 would be waived. As an aside but still important to note, such waivers will help enable Falcon and Kruger to continue to provide services in the City. The result is that for Falcon, fees would not be owed under the proposed amendment because \$5,000 fees paid over a period of five years equates to \$25,000, which Falcon paid in 2017, and for Kruger, fees would not be owed under the new one-year agreement because \$5,000 fees paid over a period of two years equates to \$10,000, and Kruger paid \$25,000 in 2017.

Once the agreements expire August 31, 2022, City would plan to thereafter enter into new agreements with both franchisees for more extended periods.

V. FISCAL IMPACT

There is no fiscal impact associated with this item. While the franchise fee amounts for both the Falcon amendment and new Kruger agreement are \$5,000 each (for total of \$10,000), since the City already received payments from the operators that are being used to credit both operators from those payments received, the City will not receive any further payments.

VI. EXHIBITS

1. Amendment No. 2 with Falcon Towing (pgs. 5 - 10)
2. Agreement with Kruger Towing (pgs. 11 - 31)
3. CHP Tow Service Agreement (pgs. 32 - 70)

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