

1 [Contract Amendment - TEGSCO, LLC - Vehicle Towing, Storage, and Disposal Services for
2 Abandoned and Illegally Parked Vehicles - Not to Exceed \$158,800,000]

3 **Resolution approving the 10th Amendment to the contract between the Municipal**
4 **Transportation Agency and TEGSCO, LLC, for services related to the towing, storage,**
5 **and disposal of abandoned and illegally parked vehicles, to increase the contract**
6 **amount by \$22,100,000 for a total contract amount not to exceed \$158,800,000; and to**
7 **extend the contract term by nine months with up to six additional one-month**
8 **extensions, for a potential new term of April 1, 2016 through June 30, 2027, effective**
9 **upon approval of this Resolution.**

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11 WHEREAS, Charter, Section 9.118(b), requires that contracts entered by a department
12 involving anticipated expenditures of \$10,000,000 or more, and amendments to such
13 contracts exceeding \$500,000 be approved by the Board of Supervisors by Resolution; and

14 WHEREAS, On March 15, 2016, the Board of Supervisors pursuant to Charter,
15 Section 9.118(b), and under Resolution No. 99-16, approved Contract No. 2014-48 (Contract)
16 between the San Francisco Municipal Transportation Agency (SFMTA) and TEGSCO, LLC
17 (Contractor), for towing, storage, and disposal services for abandoned and illegally parked
18 vehicles, with an initial term of five years and an initial not to exceed amount of \$65,400,000
19 and an option to extend the term for an additional five years; and

20 WHEREAS, On April 7, 2021, the Board of Supervisors pursuant to Charter,
21 Section 9.118(b), under Resolution No. 153-21, approved the Third Amendment to the
22 Contract, which exercised the five-year extension option through March 31, 2026, and
23 increased the contract amount by \$22,800,000 for a total not to exceed amount of
24 \$88,200,000 to pay for the first two years of the extended term; and

1 WHEREAS, On February 25, 2025, the Board of Supervisors pursuant to Charter,
2 Section 9.118(b), and under Resolution No. 066-25, approved the Ninth Amendment to the
3 Contract, which increased the contract amount by \$15,300,000 for a total not to exceed
4 amount of \$136,700,000 to fund the balance of the second year and final three years of the
5 extended term; and

6 WHEREAS, Since the Contract was originally executed, it has been amended ten
7 times, including two amendments both labeled the “First Amendment,” addressing separate
8 operational and property-related matters; and

9 WHEREAS, Towing operations are essential to maintain available legal parking
10 spaces, support smooth traffic and transit flow, and assist the San Francisco Police
11 Department in handling vehicles involved in traffic incidents and criminal activities; and

12 WHEREAS, On November 11, 2024, Caltrans, the lessor of the 7th Street Primary
13 Storage Facility used under the Contract, imposed revised insurance requirements increasing
14 general liability coverage, including umbrella, from \$5,000,000 to \$20,000,000; and

15 WHEREAS, On June 24, 2025, the SFMTA and TEGSCO amended the license
16 agreement for the 7th Street site to incorporate these new insurance terms, with TEGSCO
17 responsible for obtaining the increased coverage, estimated at \$200,000 annually; and

18 WHEREAS, To ensure uninterrupted tow operations at this critical facility and avoid
19 exposing TEGSCO to unanticipated costs beyond the original contract scope, the SFMTA
20 determined it would reimburse TEGSCO for these additional insurance expenses, reflecting
21 the agency’s role as lessee of the property and its commitment to maintaining stable,
22 compliant operations under lease terms imposed by the State that neither the SFMTA nor
23 TEGSCO could have reasonably anticipated at the time the contract was awarded; and

24 WHEREAS, The tow program is limited by cost-recovery laws to charging owners of
25 towed vehicles no more than the actual cost to the SFMTA; in recent years, because of both

1 increased costs and the implementation of several waiver programs, the SFMTA is not
2 recouping all program costs but is rather spending about \$8 million to run the tow program;
3 and

4 WHEREAS, The SFMTA proposes to extend the Contract term by nine months, with up
5 to six additional one-month extensions, to allow time to fully explore various cost-saving
6 options and to conduct a cost-saving solicitation for the next contract; and

7 WHEREAS, The Contractor has agreed to waive annual cost-of-living adjustments
8 (COLA) during the extended term, resulting in estimated savings of \$471,000; and

9 WHEREAS, The proposed Tenth Amendment would increase the contract amount by
10 \$22,100,000 for a total not to exceed amount of \$158,800,000 to fund the extended term and
11 cover the increased insurance costs imposed by Caltrans; and

12 WHEREAS, The proposed amendment is on file with the Clerk of the Board of
13 Supervisors in File No. 251206; now, therefore, be it

14 RESOLVED, That the Board of Supervisors authorizes the Director of Transportation of
15 the SFMTA, on behalf of the City, to execute the Tenth Amendment to the contract between
16 the SFMTA and TEGSCO, LLC, to increase the contract amount by \$22,100,000 for a total
17 not-to-exceed amount of \$158,800,000 and to extend the contract term by nine months with
18 up to six additional one-month extensions, for a potential new end date of June 30, 2027; and,
19 be it

20 FURTHER RESOLVED, That the amendment shall be subject to certification as to
21 funds by the City's Controller, pursuant to Charter, Section 3.105; and, be it

22 FURTHER RESOLVED, That within 30 days of full execution of the amendment by all
23 parties, the final documents shall be provided to the Clerk of the Board for inclusion in the
24 official file.

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