



June 23, 2015

**The Honorable Members of the Board of Supervisors
City and County of San Francisco
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102**

Subject: Extension of Towing Agreement with San Francisco AutoReturn

Honorable Members of the Board of Supervisors:

The SFMTA requests your approval to enter into an eight-month extension of the current towing agreement from August 1, 2015 to March 31, 2016. The purpose of this briefing is to provide information to support the extension and to describe two changes in the extension. No additional funding is required for this extension but the two changes have a financial impact to the agency totaling \$650,000 for the extension term.

Background and Extension Summary

The current towing agreement with San Francisco AutoReturn (AutoReturn), which has been in place since August 2005, will expire July 31, 2015. The SFMTA Board of Directors approved the release of a Request for Proposals (RFP) on June 16, 2015 and it is expected that the proposal evaluation, contract negotiations and (if necessary) transition to a new vendor will take approximately eight months beyond the current expiration date. The release of the RFP took longer than expected because SFMTA conducted a best practices review of towing contracts to determine the best way to approach the scope for these services going forward. This review resulted in a major change to the service model in the new contract.

In addition to allowing for the competitive bidding process during the eight-month extension, the proposed extension will accomplish the following:

1. Establish a stolen vehicle policy for waiver or reimbursement of towing and storage fees for all individuals that will go into effect on December 1, 2015. A summary of the current towing and storage fees, and the current and new waiver/reimbursement policies are below:

Type of Fee (as of July 1, 2015)	Current Waiver Policy (Established by the BOS in 2005)	New Waiver Policy
SFMTA Administrative Tow Fee (\$266.00)	Waived only for SF Residents whose stolen vehicles were towed in San Francisco.	<ul style="list-style-type: none"> • Waived for SF residents whose stolen vehicles were recovered in San Francisco; • 50% waiver for non-SF residents whose stolen vehicles are recovered in San Francisco.
SFMTA Administrative Storage Fee (\$3.00)/day	Waived only for SF Residents whose stolen vehicles were towed in San Francisco.	Waived for all individuals whose stolen vehicles were recovered in San Francisco

Type of Fee (as of July 1, 2015)	Current Waiver Policy (Established by the BOS in 2005)	New Waiver Policy
Contractor's Towing Fee (\$225.75)	All are required to pay.	Waived for all individuals whose stolen vehicles were recovered in San Francisco
Contractor's Storage Fees (\$68.25)/day	4-hour grace period for all before accrual begins.	<ul style="list-style-type: none"> • 48-hour grace period before accrual begins for SF residents; • 24-hour grace period before accrual begins for non-SF residents.

stolen vehicles for the extension term will result in a loss of revenue of approximately \$226,000 from December 1 through March 31, 2016.

The SFMTA is in the process of updating the Transportation Code, Division II to legislate waiver and reimbursement conditions for towing and storage fees, including the new stolen vehicle waiver policy. These conditions currently reside in the Administrative Code, Section 10C, but must be transferred to reflect the SFMTA Board's oversight responsibility for all fare, fines and fees. The code modifications and the required public hearing for the fee waivers will be on August 18, 2015.

Following the approval of the extension agreement, outdated sections of the Administrative Code need to be amended by the Board of Supervisors to reflect jurisdiction with regard to waivers, as the Board of Supervisors still has authority over the SFPD's Traffic Offender Fee. This action does not preclude the waiver policy from being implemented.

2. Extends the lease the SFMTA has with AutoReturn for the long-term storage and auction facility to run concurrently with extension term.
3. Allows the towing contractor to offset \$53,000 per month of the 7th Street rent increase against the monthly rent for the long-term storage lot during the extension period to ensure continuing customer service support for short-term storage at the 7th Street location. In March 2015, Caltrans regained leasing authority for the 7th Street location. They then increased the rent from \$36,379 per month to \$90,000 per month, citing current market rates. AutoReturn agreed to pay the increased rent through July 2015, at an additional cost of \$268,105, but has determined they do not have the resources to continue to assume the rent increase cost. This action will result in increased costs to the Agency of \$424,000 in rent payments over the eight-month extension term.
4. Provides the SFMTA with sufficient time to negotiate with Caltrans for transfer of the 450-7th Street customer service center and short-term vehicle storage parking lot from AutoReturn to the SFMTA. The Agency seeks to retain the 7th Street location because of its proximity to the SFPD Traffic Division at 850 Bryant Street, where the majority of police hold waivers are issued, and because it is readily accessible to public transportation.

The new contract will attempt to address the two biggest challenges under the current agreement related to paying the contractor based on tow volume and the amount of cost recovery fees charged to the public. While fee waivers for stolen vehicles are part of the existing contract extension, additional ways to reduce operating costs will be evaluated for the new contract to support cost recovery fee reductions (e.g. replacing the current tow volume dependent methodology to a

management fee methodology for contractor payments, implementing technology that can reduce program costs).

Recommendation

The SFMTA recommends that the Board of Supervisors authorize the Agency to extend the agreement for Towing and Storage of Abandoned and Illegally-Parked vehicles with TEGGSCO, dba San Francisco AutoReturn, for eight months, to March 31, 2016 and to support the waiver of certain fees for individuals with stolen vehicles and to allow the towing contractor to offset the rent increase related to the 7th Street short-term storage location

Thank you for your consideration of the proposed extension. Should you have any questions or require more information, please do not hesitate to contact me any time.

Sincerely,



Edward D. Reiskin
Director of Transportation

