

File No. 100796

Committee Item No. 6

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: BUDGET AND FINANCE

Date: July 14, 2010

BOARD OF SUPERVISORS MEETING

Date: \_\_\_\_\_

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | Budget Analyst Report                        |
| <input type="checkbox"/>            | <input type="checkbox"/> | Legislative Analyst Report                   |
| <input type="checkbox"/>            | <input type="checkbox"/> | Introduction Form (for hearings)             |
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| <input type="checkbox"/>            | <input type="checkbox"/> | Grant Information Form                       |
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#### OTHER (Use back side if additional space is needed)

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Completed by: Andrea S. Ausberry

Date Friday, July 9, 2010

Completed by: \_\_\_\_\_

Date \_\_\_\_\_

An asterisked item represents the cover sheet to a document that exceeds 25 pages. The complete document is in the file.



1 [Service Agreement for Vehicle Towing, Storage and Disposal Services with TESCO, LLC,  
2 dba San Francisco Auto Return]

3 **Resolution approving the amended and restated service agreement and property use**  
4 **license for towing, storage and disposal of abandoned and illegally parked vehicles by**  
5 **and between the San Francisco Municipal Transportation Agency and TEGSCO, LLC,**  
6 **d.b.a. San Francisco Auto Return.**  
7

8 WHEREAS, To maintain public safety and health, the City, through the San Francisco  
9 Municipal Transportation Agency ("SFMTA") is charged under the laws of the State of  
10 California and the City and County of San Francisco with the authority and duty to keep City  
11 streets clear of abandoned and illegally parked vehicles; and,

12 WHEREAS, The City removes approximately sixty-four thousand illegally parked and  
13 abandoned vehicles from City streets annually; and,

14 WHEREAS, The San Francisco Police Department relies on the SFMTA's towing  
15 services contractor to remove the vehicles of unlicensed and intoxicated drivers, illegally  
16 operated vehicles and vehicles involved in crimes from City streets; and,

17 WHEREAS, on July 19, 2005, the Board of Supervisors approved Resolution 556-05,  
18 which granted TEGSCO, LLC d.b.a. San Francisco AutoReturn ("AutoReturn") a five-year  
19 contract, with an option to extend, to provide these services; and,

20 WHEREAS, The agreement, which is a revenue contract and has generated  
21 approximately \$29.6 million in revenue and no expenses to the City, will expire on July 31,  
22 2010; and,

23 WHEREAS, The Board of Supervisors approved the First Amendment to the  
24 Agreement on June 12, 2007 (Resolution 318-07), which approved a fee rate increase due to  
25

1 a significant drop in towing volume that impacted towing revenue without a corresponding  
2 drop in fixed costs and continuing labor cost increases; and,

3 WHEREAS, Cost proposal fees paid to the City consist of a per vehicle referral fee and  
4 a percentage of contractor's gross revenue fee that proposers calculate based on the annual  
5 number of tows; and,

6 WHEREAS, Since tow volume has continued to decline since the First Amendment  
7 was approved, and Contractor revenue is directly tied to the number of vehicles towed, it is  
8 highly unlikely that issuing a new RFP would result in as beneficial a revenue arrangement as  
9 the City currently has with AutoReturn; and,

10 WHEREAS, AutoReturn has performed the Agreement in a satisfactory manner,  
11 transforming a historically difficult municipal towing operation into an efficient and professional  
12 service; and,

13 WHEREAS, AutoReturn has dedicated substantial efforts and financial resources to  
14 improving the appearance and environmental safety of the storage lot at Pier 70 and  
15 accommodating the concerns of local residents; and,

16 WHEREAS, AutoReturn has made significant improvements to towing services by  
17 automating dispatch, payment and reporting, improving environmental protection for the areas  
18 used for storage of vehicles, and reducing customer complaints to the SFMTA from an  
19 average of more than 20 per month under the previous vendor to less than six per year; and,

20 WHEREAS, All existing services to the City will continue under the proposed amended  
21 and restated agreement, and AutoReturn will establish a Contract Monitor Fund, an Audit  
22 Fund, make modifications to its auction and lien procedures, and document other modified  
23 towing and reporting procedures; and,

24 WHEREAS, On June 1, 2010, the SFMTA Board of Directors adopted Resolution No.  
25 10-080, approving the Amended and Restated Service Agreement and Property Use License

1 for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles by and  
2 between the San Francisco Municipal Transportation Agency and TEGSCO, LLC, d.b.a San  
3 Francisco, extending the agreement for five years, until July 31, 2015; and

4 WHEREAS, Copies of the Amended and Restated Agreement are on file with the Clerk  
5 of the Board of Supervisors in File No. 100796, which is hereby declared to be a part of this  
6 motion as if set forth fully herein; now, therefore, be it

7 RESOLVED, That the Board of Supervisors approves the Amended and Restated  
8 Agreement for Towing, Storage and Disposal Services for Illegally Parked and Abandoned  
9 Vehicles with TESCO, LLC d.b.a. San Francisco AutoReturn, extending the agreement for  
10 five years, until July 31, 2015.

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**Item 6**  
**File 10-0796**

**Department:**  
San Francisco Municipal Transportation Agency (SFMTA)

## EXECUTIVE SUMMARY

### Legislative Objectives

- The proposed resolution would approve an Amended and Restated Service Agreement and Property Use License between the SFMTA and TEGSO, LLC, doing business as San Francisco AutoReturn (AutoReturn) for towing, storage and disposal of illegally parked vehicles to (a) extend the term by five years, from August 1, 2010 through July 31, 2015, (b) establish a (i) Contract Monitor Fund and (ii) Audit Fund, and (c) modify service and reporting procedures.

### Key Points

- The original five-year Agreement between the SFMTA and AutoReturn, from July 31, 2005 to July 31, 2010, previously approved by the Board of Supervisors (Resolution 556-05), required AutoReturn to pay the City (a) a referral fee per tow referred by the San Francisco Police Department or SFMTA, (b) one percent of AutoReturn's gross revenue from the previous contract year, (c) an administrative fee of \$186.50 per vehicle towed and \$2.00 to \$2.50 per day for each vehicle stored on City property, and (d) annual rent for a site to store and auction towed vehicles at Pier 70. In addition, AutoReturn charges vehicle owners Tow and Storage Fees, set by AutoReturn and the SFMTA, which AutoReturn retains as gross revenue. Included in the Agreement was an option to extend for an unspecified term.
- The Board of Supervisors approved the First Amendment to the Agreement in June, 2007, which increased the Rate Fee Schedule. With the passage of Proposition A in November, 2007, increases to the Referral, Tow, Storage and Administrative Fees, which are under the jurisdiction of the SFMTA, were no longer subject to Board of Supervisors approval. The Tow, Storage and Administrative Fees were subsequently increased by SFMTA in August 2009 and July 2010 to (a) reflect increased administrative costs and (b) offset decreases in AutoReturn's gross revenue from declining tow volumes and fixed contract costs.

### Fiscal Impact

- The SFMTA has received \$29,569,457 in total revenues under the existing Agreement with AutoReturn from July 31, 2005 through June 30, 2010. SFMTA estimates receiving \$9,400,000 annually over the next five years from AutoReturn, which is \$736,243, or 8.5 percent more than the \$8,663,757 projected revenues for FY 2009-2010.

### Policy Issues

- The SFMTA is requesting to extend the existing Agreement for a five-year term, rather than conducting a new competitive Request for Proposal (RFP) process because, (a) the existing Agreement, as previously approved by the Board of Supervisors, included an option to extend the Agreement for an unspecified term, and (b) SFMTA believes that a RFP under the current economic conditions would not yield as favorable fee arrangements and revenues. The SFMTA intends to issue a RFP and award a new tow contract prior to the termination of the proposed Agreement with AutoReturn on July 31, 2015.

### Recommendation

- Approve the proposed resolution.

**MANDATE STATEMENT AND BACKGROUND****Mandate Statement**

Charter Section 9.118(a) requires that any amendment to a contract with anticipated revenues of \$1,000,000 or more be subject to approval of the Board of Supervisors.

**Background**

The Board of Supervisors first approved an Agreement and Property Use License between the SFMTA and TEGSO, LLC, doing business as San Francisco AutoReturn (AutoReturn), to provide towing, storage, and disposal of abandoned and illegally parked vehicles in July of 2005. The Agreement was the result of a competitive Request for Proposal (RFP) process in which three responses were received. The original Agreement was for a five-year period from July 31, 2005 through July 31, 2010, with an option to extend the Agreement for an unspecified term.

According to Ms. Lorraine Fuqua, of the SFMTA Finance Division, no payments are made by the SFMTA to AutoReturn for services provided under the Agreement.

Under the existing Agreement, the City receives the following revenues from AutoReturn:

Referral Fee: A fee is paid by AutoReturn to the SFMTA for each tow referred by the San Francisco Police Department or SFMTA Parking Enforcement Control Officers. Under the original Agreement, the fee was \$20.00 per tow referred, but was subject to annual Consumer Price Index (CPI) increases. Unlike the administrative, tow, and storage fees, the referral fee has never been subject to increases other than the annual CPI adjustments. The referral fee is currently \$22.50 per tow referred.

Administrative Fee: Currently an administrative fee of \$155.75 is charged to the owner of each vehicle and processed by AutoReturn to recover the costs to the City for towing and storage. AutoReturn then remits these fees to SFMTA (see Attachment I).

One Percent of Contractor's Gross Revenue: Each August, AutoReturn pays the SFMTA one percent of AutoReturn's gross revenue based on the Tow and Storage Fees charged to vehicle owners, from the previous contract year.

Annual Rent: AutoReturn also pays the SFMTA annual rent, subject to CPI increases, for a long-term storage facility and auction site at Pier 70. SFMTA then transfers such payments to the Port, which owns Pier 70. Currently, rent is approximately \$137,997 per month, or approximately \$1,655,964 annually, and is subject to a CPI increase on August 1, 2010.

Attachment I, provided by SFMTA, is a summary of previous, existing and proposed increases in the vehicle tow, storage, and administrative fees.

On June 12, 2007, the Board of Supervisors approved the First Amendment to the Agreement between the SFMTA and AutoReturn (File 07-0585), which increased the Rate Schedule for tow,

storage and administrative fees. Ms. Fuqua advises that SFMTA negotiated a fee increase with AutoReturn under the First Amendment because of the significant decrease in yearly tow volumes, which significantly impacted AutoReturn's towing revenues. According to Ms. Fuqua, tow volumes decreased due to a variety of reasons, including (a) increased adherence to parking regulations by the public, (b) increased towing costs, and (c) the economic recession.

With the passage of Proposition A in November, 2007, increases to all SFMTA fines, fees and rates, including tow and storage fees, which are under the jurisdiction of the SFMTA, no longer require approval by the Board of Supervisors. The SFMTA subsequently increased the tow, storage and administrative fee rates charged to vehicle owners in August of 2009 and July 1, 2010.

### Previous Tow Contractor

Ms. Fuqua advises that the City's previous tow contractor, City Tow, from June 1, 1994 through March 21, 2004,<sup>1</sup> had a history of customer complaints with regard to auction procedures and other issues. According to Ms. Fuqua, SFMTA was unable to enforce the City Tow contract due to the lack of performance standards and corresponding liquidated damages in the contract. Ms. Fuqua advises that City Tow participated in the competitive RFP process in FY 2002-2003, but was not the highest ranked proposer to provide towing, storage and disposal of illegally parked vehicles. City Tow then gave the SFMTA 30-days notice to unilaterally terminate their Agreement when they were not selected. Ms. Fuqua advises that because it was imperative to keep towing services ongoing, AutoReturn, as the highest ranked proposer, agreed to operate towing and storage services under an Emergency Interim Contract. The Board of Supervisors subsequently approved an Emergency Interim Agreement between SFMTA and AutoReturn (File 04-0638) and a First Amendment to the Emergency Interim Agreement (File 05-0322) to continue providing towing services from March 22, 2004 through July 30, 2005. Ms. Fuqua advises that the City eventually sued City Tow and received a settlement of approximately \$5,700,000 in late 2005.

According to Ms. Fuqua, customer complaints have decreased from an average of 20 per month under City Tow to an average of less than one per quarter (three months) under the existing Agreement with AutoReturn. Ms. Fuqua further advises that AutoReturn received a favorable review during a compliance audit conducted by the Controller's Office in March 2007.

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<sup>1</sup> The original Agreement between SFMTA and City Tow was for a five-year term from June 1, 1994 through May 31, 1999, with an option to extend the Agreement through May 31, 2004. However, City Tow prematurely terminated their Agreement on March 21, 2004.



**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would approve an Amended and Restated Agreement<sup>2</sup> and Property Use License between SFMTA and AutoReturn to provide towing, storage, and disposal of abandoned and illegally parked vehicles by (a) extending the term by five years, from August 1, 2010 through July 31, 2015, (b) establishing a (i) Contract Monitor Fund and (ii) Audit Fund, and (c) modifying service and reporting procedures in order to codify existing practices.

According to Ms. Fuqua, the SFMTA plans to (a) hire a new SFMTA position through an existing budgeted City employee classification, or (b) select an independent contractor after a competitive selection process, as a Contract Monitor to oversee AutoReturn's operations. According to Ms. Fuqua, a SFMTA senior analyst used to perform partial contract monitoring functions for the AutoReturn Agreement, until December 2008. However, since December, 2008, the SFMTA senior analyst has been assigned to other contractual and management responsibilities and a contract monitor for the AutoReturn Agreement has not been filled, due to SFMTA's budget constraints.

Under the proposed Amended and Restated Agreement, AutoReturn would deposit \$140,000 annually into a newly established Contract Monitor Fund to pay for a (a) City employee or (b) an independent Contract Monitor. The Contract Monitor Fund would be subject to annual Consumer Price Index (CPI) increases and any monies remaining at the expiration of the Agreement would be returned to AutoReturn. However, Ms. Fuqua advises that should the contract monitoring costs exceed approximately \$700,000 (\$140,000 per year times five years), the SFMTA would pay for such additional costs.

Under the proposed Amended and Restated Agreement, AutoReturn would also deposit \$40,000 annually into a newly established Audit Fund to pay for an independent auditor, competitively selected by the SFMTA, to review aspects of AutoReturn's operations. Similar to the Contract Monitor Fund, the Audit Fund would be subject to annual CPI increases and unused monies would be returned to AutoReturn. As previously stated, the Controller's Office has conducted two audits pertaining to the subject Agreement. According to Ms. Fuqua, AutoReturn currently reimburses the SFMTA for up to 200 hours for each audit, while additional hours accrued are paid by the SFMTA.

Finally, Ms. Fuqua advises that, based on recommendations from the City Attorney's and Controller's Offices to clarify and document operational procedures put into place after the original Agreement was approved by the Board of Supervisors, the SFMTA and AutoReturn have agreed to modifications in the proposed Agreement and scope of work. Therefore, Ms. Fuqua advises that these modifications codify existing practices and procedures.

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<sup>2</sup> According to Ms. Mariam Morely, Deputy City Attorney, a majority of the modifications made to the existing Agreement codify practices and procedures that became operational after the First Amendment. Rather than incorporate the current changes into a Second Amendment, Ms. Morely advises that the parties negotiated an Amended and Restated Agreement, which sets forth in one document, the terms of the original Agreement as modified by both the First Amendment and the proposed Agreement changes.

**FISCAL IMPACTS****Estimated Revenues from FY 2005-2006 through FY 2009-2010**

Based on data provided by the SFMTA, AutoReturn paid the SFMTA an estimated \$29,569,637 in revenues under the existing Agreement from July 31, 2005 through June 30, 2010, as shown in Table 1 below.

**Table 1: Annual Revenues Under the Agreement with AutoReturn Paid to SFMTA by AutoReturn**

Fiscal Years	SFMTA Administrative Fee	Referral Fee	1% Gross Revenue Fee	Projected Total Revenue
FY 2005-2006	\$3,230,140	\$1,261,905	\$153,739	\$4,645,784
FY 2006-2007	3,309,830	1,332,164	166,903	4,808,897
FY 2007-2008	4,108,025	1,373,579	208,090	5,689,694
FY 2008-2009	4,135,314	1,409,100	216,911	5,761,325
FY 2009-2010 (projected)	7,250,444	1,244,073	169,420	8,663,937
<b>Projected Total Revenue</b>	<b>\$22,033,753</b>	<b>\$6,620,821</b>	<b>\$915,063</b>	<b>\$29,569,637</b>

Source: SFMTA

**Increases to Rate Fee Schedule**

Ms. Fuqua advises that the SFMTA Board approved increases in the Tow, Storage and Administrative Fees to be paid by vehicle owners, as part of the SFMTA FY 2010-2011 budget. As shown on page 1 of Attachment I, beginning July 1, 2010, vehicle owners would pay a Tow Fee of \$199.25, which is retained by AutoReturn, and an Administrative Fee of \$186.50, which is remitted to SFMTA by AutoReturn, for a total fee of \$385.75 per passenger vehicle under 10,000 gross vehicle weight (GVW). The Tow Fee of \$199.25 is \$25.00, or 14.3 percent, more than the previous Tow Fee of \$174.25. The Administrative Fee of \$186.50 is \$30.75, or 19.7 percent more than the previous Administrative Fee of \$155.75. In addition, as shown on page 2 of Attachment I, the Storage Fee, which is retained by AutoReturn, for vehicles requiring one parking space after the first four hours of storage will increase by \$6.25, or 14.5 percent, from \$43.00 to \$49.25. All vehicle owners are required to pay these fees, including owners whose vehicles had been stolen, and then abandoned.

**Impact of Rate Increases**

Ms. Fuqua advises that the increase in the Administrative Fee reflects increased administrative and operational costs to the SFMTA primarily from increased salaries and benefits, while the increases in the Tow and Storage Fees were negotiated with AutoReturn. According to Ms. Fuqua, the increased Administrative Fees would result in full cost recovery of SFMTA's costs to administer parking enforcement operations and the towing contract. As previously stated, under Proposition A, increases in SFMTA fees, including the Tow and Storage Fees, are not subject to Board of Supervisors approval.

According to Ms. Fuqua, a decrease in the volume of tows, due to increased adherence to parking regulations and the current economic recession, while towing and storage costs remained constant, resulted in decreased revenues for AutoReturn. The increase in Tow and Storage Fees, effective July 1, 2010, were negotiated to offset AutoReturn's decrease in revenues. However, under the one percent gross revenue fee terms of the existing Agreement with AutoReturn, projected increases in AutoReturn's gross revenues could result in subsequent increases in revenue to SFMTA.

According to Ms. Fuqua, SFMTA estimates that the new fees, effective July 1, 2010, will result in an estimated \$9,400,000 in annual revenues from AutoReturn during the next five years of the proposed Amended and Restated Agreement. The \$9,400,000 is based on (a) the referral fee, (b) one percent of AutoReturn's gross revenue from Tow and Storage Fees, and (c) administrative fees. This projected \$9,400,000 in annual revenues is approximately \$736,063 or 8.5 percent more than the \$8,663,937 projected revenues for FY 2009-2010. Ms. Fuqua advises that these estimates include anticipated reductions in tow volume resulting from the recent historical downward trend as well as the impact of the fee increases.

## POLICY CONSIDERATION

### **The proposed amendment is the result of direct negotiation rather than competitive bidding**

As noted above, the existing Agreement, as previously approved by the Board of Supervisors, included an option to extend the Agreement for an unspecified term. SFMTA is requesting a five-year extension of the existing Agreement rather than undergoing a new competitive Request for Proposal (RFP) process to provide towing, storage and disposal of illegally parked vehicles. According to Ms. Fuqua, there has been a 19 percent decrease in the tow volume since the RFP was issued in 2002 due to increased adherence to parking regulations and the economic recession. At the same time, AutoReturn's expenses, primarily rent for towing and storage facilities have increased due to annual CPI adjustments. Therefore, Ms. Fuqua advises that AutoReturn's revenue margin has been negatively impacted by the decline in tow volume. As stated on page 1 of Attachment II, a memo provided by the SFMTA, the SFMTA believes that it is "highly unlikely that issuing a new RFP at this time would result in a referral fee/percentage of gross revenue fee arrangement that would be as beneficial to the City as the proposed extension."

According to Ms. Fuqua, the existing Agreement also includes a clause that would require any new vendor to reimburse AutoReturn for the build-out costs previously incurred by AutoReturn for the Customer Service Center and short-term lot at 450 7<sup>th</sup> Street, which is owned by Caltrans<sup>3</sup>, if such costs are not recouped through AutoReturn's revenues under the existing Agreement with the SFMTA. Ms. Fuqua advises that AutoReturn's expenditures for the build-out of the Caltrans lot were an estimated \$2,361,517 as shown on page 5 of Attachment II.

<sup>3</sup>Mr. Steven Lee, from the SFMTA, advises that AutoReturn's capital improvements to 450 7<sup>th</sup> Street include renovation of the existing office space at the lot, building a Customer Service Center and Dispatch Center within the existing structure, installation of a surveillance system, parking stall markings, fence repair, and driveway configurations.

The balance of AutoReturn's build-out costs, which have not yet been recouped by AutoReturn, is estimated to be \$1,500,000 by August, 2010. As shown on page 4 of Attachment II, AutoReturn is expected to recoup all of its build-out costs through revenues by March 1, 2015. Ms. Fuqua advises that, in the event that SFMTA selects a new vendor, through a competitive selection process, to provide towing, storage, and disposal of illegally parked vehicle services prior to March 1, 2015, the new vendor would be required to pay AutoReturn the remaining balance for the build-out costs according to the schedule beginning on page 2 of Attachment II, prior to assuming their new contract duties. However, if a new vendor assumes contract duties between March 1, 2015 and July 31, 2015, the termination of the subject extension, the new vendor would not be obligated to reimburse AutoReturn for such costs.

The proposed Amended and Restated Agreement does not include any options to further extend the proposed Agreement. According to Ms. Fuqua, SFMTA plans to issue a RFP in August of 2014 so that a new Agreement for towing, storage and disposal of illegally parked vehicles would be awarded prior to the termination of the proposed Amended and Restated Agreement with AutoReturn on July 31, 2015.

#### **Impact of Future Rate Increases**

Ms. Fuqua advises that the SFMTA will review costs annually to determine the impact of rising administrative costs, such as employee salaries and benefits, and the need to increase the Administrative Fee. The Budget and Legislative Analyst also notes that a continued decline in tow volumes could result in AutoReturn requesting from the SFMTA further negotiated increases to the Tow and Storage Fees, as was previously done in 2007, 2009 and 2010.

The Budget and Legislative Analyst notes that vehicle owners, who are not able to pay the existing fees or any future increases to fees, may not reclaim their towed vehicles. Currently, any unclaimed vehicles are sold at weekly auctions conducted by AutoReturn. Ms. Fuqua advises that approximately 10,000 vehicles are auctioned by AutoReturn annually. According to Ms. Fuqua, pursuant to California Vehicle Code, proceeds from auctions are first used to pay AutoReturn's unpaid Tow Fee and Storage Fee, then SFMTA's administrative fees, followed by any costs incurred by the San Francisco Police Department for identifying and referring illegally parked or abandoned vehicles to AutoReturn for tow. Any revenues remaining after all administrative costs are reimbursed are then sent by AutoReturn to the Department of Motor Vehicles, per California Vehicle Code. However, Ms. Fuqua advises that most of the proceeds are used to pay AutoReturn's unpaid Tow and Storage Fees that have accumulated while vehicles remain unclaimed.

#### **Considerations for Approval**

Although the Budget and Legislative Analyst typically recommends that City departments conduct competitive procedures to select contractors, the SFMTA decided not to issue a new RFP for a new Agreement because with the decline in tow volume and the economic recession, the SFMTA believes that issuing a new RFP would not result in as favorable fees and percentages as the proposed five-year extension of the Agreement.

Further, because (a) the existing AutoReturn Agreement has an option to extend the Agreement for an unspecified term, (b) the existing Agreement will expire in two weeks on July 31, 2010, and the City requires ongoing towing, storage and disposal of illegally parked vehicles, (c) a new vendor would have to repay AutoReturn an estimated \$1,500,000 for build-out costs, previously incurred by AutoReturn, to the Caltrans property for the Customer Service Center and short-term lot, and (d) SFMTA is not including any further options in the proposed agreement because the SFMTA plans to conduct a competitive RFP process prior to the expiration date of July 31, 2015 of the proposed Agreement, the Budget and Legislative Analyst recommends approval of the proposed Agreement.

### RECOMMENDATION

Approve the proposed resolution.

TOWING FEES	First Amendment (July 2007)			July 2008 (CPI only)			August 2009 (CPI plus Admin Fee Increase)			July 1, 2010 (Towing and City Admin Fee Increases)		
	Towing Fee	City Admin Fee	Total	Towing Fee	City Admin Fee	Total	Towing Fee	City Admin Fee	Total	Towing Fee	City Admin Fee	Total
Passenger Vehicles Under 10,000 GVW - Up to 1 Hour	\$ 168.25	\$ 70.50	\$ 238.75	\$ 173.75	\$ 70.50	\$ 244.25	\$ 174.25	\$ 155.75	\$ 330.00	\$ 199.25	\$ 186.50	\$ 385.75
Each Additional 1/4 Hour Labor Required	\$ 40.50	N/A	N/A	\$ 41.75	N/A	N/A	\$ 42.00	N/A	N/A	\$ 43.00	N/A	N/A
Transfer Charge (after 24 hours)	\$ 23.50	N/A	N/A	\$ 21.45	N/A	N/A	\$ 24.25	N/A	N/A	\$ 24.75	N/A	N/A
Medium Duty Vehicles Over 10,000 GVW - Up to 1 Hour	\$ 198.25	\$ 70.50	\$ 268.75	\$ 204.50	\$ 70.50	\$ 275.00	\$ 205.00	\$ 155.75	\$ 360.75	\$ 234.50	\$ 186.50	\$ 421.00
Each Additional 1/4 Hour Labor Required	\$ 50.25	N/A	N/A	\$ 51.75	N/A	N/A	\$ 52.00	N/A	N/A	\$ 53.25	N/A	N/A
Transfer Charge (after 24 hours)	\$ 95.25	N/A	N/A	\$ 98.25	N/A	N/A	\$ 98.50	N/A	N/A	\$ 100.75	N/A	N/A
Heavy Duty Vehicles Over 26,000 GVW - Up to 1 Hour	\$ 313.75	\$ 70.50	\$ 384.25	\$ 323.75	\$ 70.50	\$ 394.25	\$ 324.75	\$ 155.75	\$ 480.50	\$ 371.25	\$ 186.50	\$ 557.75
Each Additional 1/4 Hour Labor Required	\$ 61.00	N/A	N/A	\$ 63.00	N/A	N/A	\$ 63.25	N/A	N/A	\$ 64.75	N/A	N/A
Transfer Charge (after 24 hours)	\$ 153.50	N/A	N/A	\$ 158.50	N/A	N/A	\$ 159.00	N/A	N/A	\$ 162.75	N/A	N/A
Flat Bed or Dolly Service Fee	\$ 42.75	N/A	N/A	\$ 43.50	N/A	N/A	\$ 43.75	N/A	N/A	\$ 44.75	N/A	N/A

Towing Fee = San Francisco AutoReturn's Fee  
City Admin Fee = SFMTA Cost Recovery Fee

STORAGE FEES VEHICLE CATEGORIES	First Amendment (July 2007)			July 2008 (CPI only)			August 2009 (CPI increase - too small to change fees)			July 1, 2010 (Storage Fee increases - no change to City admin storage fee)			
	First 4 hrs.	First day (after 4 hrs)	Subsequent Days	First 4 hrs.	First day (after 4 hrs)	Subsequent Days	First 4 hrs.	First day (after 4 hrs)	Subsequent Days	First 4 hrs.	First day (after 4 hrs)	Subsequent Days	Inc.
Motorcycles & Scooters	Free	\$ 15.75	\$ 19.50	Free	\$ 16.25	\$ 20.00	Free	\$ 16.25	\$ 20.00	Free	\$ 19.50	\$ 3.25	\$ 23.25
Vehicles Requiring One Space (e.g., passenger cars, light duty trucks)	Free	\$ 41.75	\$ 50.00	Free	\$ 43.00	\$ 51.50	Free	\$ 43.00	\$ 51.50	Free	\$ 49.25	\$ 6.25	\$ 57.50
Medium Duty Vehicles (over 10,000 GVW)	Free	\$ 61.25	\$ 68.75	Free	\$ 63.25	\$ 71.00	Free	\$ 63.25	\$ 71.00	Free	\$ 75.75	\$ 12.50	\$ 82.75
Requiring Two Stall Spaces	Free	\$ 38.00	\$ 38.00	Free	\$ 39.25	\$ 39.25	Free	\$ 39.25	\$ 39.25	Free	\$ 40.25	\$ 1.00	\$ 40.25
Medium Duty Vehicle - Each Additional Stall Beyond First Two													
Heavy Duty Vehicles (over 26,000 GVW)	\$	101.50	\$ 101.50	\$	104.75	\$ 104.75	\$	104.75	\$ 104.75	\$	122.00	\$ 17.25	\$ 122.00
Requiring Up to Two Stalls													
Heavy Duty Vehicles - Each Additional Stall Beyond First Two	\$	38.00	\$ 101.50	\$	39.25	\$ 39.25	\$	39.25	\$ 39.25	\$	40.25	\$ 1.00	\$ 40.25

Administrative Storage Fee applied only to regular vehicles

\$2.00 first day

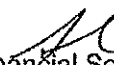
\$2.25 subsequent days



Municipal Transportation Agency

Gavin Newsom | Mayor  
 Tom Nolan | Chairman  
 Jerry Lee | Vice-Chairman  
 Cameron Beach | Director  
 Malcolm Heinicke | Director  
 Bruce Oka | Director  
 Nathaniel P. Ford Sr. | Executive Director/CEO

## MEMORANDUM

**DATE:** July 7, 2010  
**TO:** Emilyzen Ignacio  
 Budget Analyst's Office  
**FROM:** Steven Lee   
 Manager, Financial Services and Revenue Contracts  
 SFMTA  
**SUBJECT:** Tow Contract Extension with AutoReturn

The purpose of this memorandum is to provide additional information as requested by the Budget Analyst's Office regarding the proposed extension of towing and storage services provided by AutoReturn.

AutoReturn has made a substantial investment in capital improvements to the Customer Service Center and Short-term Storage Facility located at 450 7<sup>th</sup> Street where vehicle owners retrieve their vehicle and serves as an SFPD impound investigation facility. AutoReturn leases this site from Caltrans.

In accordance with the Master Agreement, if a new vendor is selected and provides towing, storage, and disposal of illegally parked vehicle services prior to March 2015, the new vendor would be required to reimburse AutoReturn for any build-out costs of capital improvements not recovered by AutoReturn. This amount will total approximately \$1,500,000 in August, 2010. The amount owed to AutoReturn for termination prior to March 2015 decreases by approximately \$25,000 per month and decreases further by 6 percent annually. The Payment Schedule is shown in attached Exhibit G.

SFMTA is requesting a five-year extension of the existing Agreement rather than undergoing a new competitive Request for Proposal (RFP) process to provide towing, storage and disposal of illegally parked vehicles. There has been a 19 percent decrease in the tow volume since the RFP was issued in 2002 due to increased adherence to parking regulations and unforeseen economic conditions. At the same time, AutoReturn's expenses, primarily rent for towing and storage facilities have increased due to annual CPI adjustments. Therefore, AutoReturn's revenue margin has been negatively impacted by the decline in tow volume. The SFMTA believes that it is highly unlikely that issuing a new RFP at this time would result in a referral fee/percentage of gross revenue fee arrangement that would be as beneficial to the City as the proposed extension. Additionally, AutoReturn has demonstrated the ability to provide excellent customer service and improved operational efficiencies that enable the SFMTA to provide enhanced services to the public.



## APPENDIX G

### CONSOLIDATED FACILITY PAYMENT SCHEDULE

In accordance with Master Agreement Sections 4 and 54, and Appendix A § 11.1(e)(iii), the parties agree to the following terms for City's takeover of the property at 450 7<sup>th</sup> Street for City's continued use of the property as a towing, impound and SFPD vehicle investigation facility. This schedule of payments shall remain in effect through February 28, 2015.

"Caltrans Lease Amount" shall mean the payments due as rent to Caltrans by Contractor and all CPI adjustments thereto, as required by the terms of Contractor's lease for the 450 7<sup>th</sup> Street property. As of April 30, 2005, the Caltrans Lease Amount is \$53,000.

"Scenario A" shall mean the payment required by City to Contractor in the event that Contractor defaults on the Agreement during the term of Contractor's leasehold of the 450 7<sup>th</sup> Street property.

"Scenario B" shall mean the amount of payment to Contractor that City shall require of a successor towing Contractor in the event that City elects to use a different towing contractor prior to February 28, 2015. The payment amount in Scenario B reflects Contractor's capital improvements costs, without profit, for the development of the 450 7<sup>th</sup> Street property as a towing, impound and vehicle investigation facility.

#### Consolidated Facility Payment Schedule:


Month	Scenario A	Scenario B
1 (end of 1 <sup>st</sup> calendar month following Effective Date expected to be 8/31/05)	CalTrans Lease Amount	N/A
2	CalTrans Lease Amount	N/A
3	CalTrans Lease Amount	N/A
4	CalTrans Lease Amount	N/A
5	CalTrans Lease Amount	N/A
6	CalTrans Lease Amount	N/A
7	CalTrans Lease Amount	N/A
8	CalTrans Lease Amount	N/A
9	CalTrans Lease Amount	N/A
10	CalTrans Lease Amount	N/A
11	CalTrans Lease Amount	N/A
12	CalTrans Lease Amount	N/A
13	CalTrans Lease Amount	N/A
14	CalTrans Lease Amount	N/A
15	CalTrans Lease Amount	N/A
16	CalTrans Lease Amount	N/A
17	CalTrans Lease Amount	N/A
18	CalTrans Lease Amount	N/A
19	CalTrans Lease Amount	N/A
20	CalTrans Lease Amount	N/A
21	CalTrans Lease Amount	N/A
22	CalTrans Lease Amount	N/A
23	CalTrans Lease Amount	N/A
24	CalTrans Lease Amount	N/A
25	CalTrans Lease Amount	N/A
26	CalTrans Lease Amount	N/A

Month	Scenario A	Scenario B
27	CalTrans Lease Amount	N/A
28	CalTrans Lease Amount	N/A
29	CalTrans Lease Amount	N/A
30	CalTrans Lease Amount	N/A
31	CalTrans Lease Amount	N/A
32	CalTrans Lease Amount	N/A
33	CalTrans Lease Amount	N/A
34	CalTrans Lease Amount	N/A
35	CalTrans Lease Amount	N/A
36	CalTrans Lease Amount	N/A
37	CalTrans Lease Amount	N/A
38	CalTrans Lease Amount	N/A
39	CalTrans Lease Amount	N/A
40	CalTrans Lease Amount	N/A
41	CalTrans Lease Amount	N/A
42	CalTrans Lease Amount	N/A
43	CalTrans Lease Amount	N/A
44	CalTrans Lease Amount	N/A
45	CalTrans Lease Amount	N/A
46	CalTrans Lease Amount	N/A
47	CalTrans Lease Amount	N/A
48	CalTrans Lease Amount	N/A
49	CalTrans Lease Amount	N/A
50	CalTrans Lease Amount	N/A
51	CalTrans Lease Amount	N/A
52	CalTrans Lease Amount	N/A
53	CalTrans Lease Amount	N/A
54	CalTrans Lease Amount	N/A
55	CalTrans Lease Amount	N/A
56	CalTrans Lease Amount	N/A
57	CalTrans Lease Amount	N/A
58	CalTrans Lease Amount	N/A
59	CalTrans Lease Amount	N/A
60	CalTrans Lease Amount	N/A
61	CalTrans Lease Amount	\$1,527,120.55
62	CalTrans Lease Amount	\$1,502,252.36
63	CalTrans Lease Amount	\$1,477,384.16
64	CalTrans Lease Amount	\$1,452,515.96
65	CalTrans Lease Amount	\$1,427,647.76
66	CalTrans Lease Amount	\$1,402,779.57
67	CalTrans Lease Amount	\$1,377,911.37
68	CalTrans Lease Amount	\$1,353,043.17
69	CalTrans Lease Amount	\$1,328,174.97
70	CalTrans Lease Amount	\$1,303,306.78
71	CalTrans Lease Amount	\$1,278,438.58
72	CalTrans Lease Amount	\$1,253,570.38
73	CalTrans Lease Amount	\$1,228,702.18
74	CalTrans Lease Amount	\$1,202,300.17
75	CalTrans Lease Amount	\$1,175,898.16

Month	Scenario A	Scenario B
76	CalTrans Lease Amount	\$1,149,496.14
77	CalTrans Lease Amount	\$1,123,094.13
78	CalTrans Lease Amount	\$1,096,692.12
79	CalTrans Lease Amount	\$1,070,290.10
80	CalTrans Lease Amount	\$1,043,888.09
81	CalTrans Lease Amount	\$1,017,486.08
82	CalTrans Lease Amount	\$991,084.06
83	CalTrans Lease Amount	\$964,682.05
84	CalTrans Lease Amount	\$938,280.04
85	CalTrans Lease Amount	\$911,878.02
86	CalTrans Lease Amount	\$883,847.59
87	CalTrans Lease Amount	\$855,817.16
88	CalTrans Lease Amount	\$827,786.73
89	CalTrans Lease Amount	\$799,756.30
90	CalTrans Lease Amount	\$771,725.86
91	CalTrans Lease Amount	\$743,695.43
92	CalTrans Lease Amount	\$715,665.00
93	CalTrans Lease Amount	\$687,634.57
94	CalTrans Lease Amount	\$659,604.14
95	CalTrans Lease Amount	\$631,573.70
96	CalTrans Lease Amount	\$603,543.27
97	CalTrans Lease Amount	\$575,512.84
98	CalTrans Lease Amount	\$545,753.55
99	CalTrans Lease Amount	\$515,994.26
100	CalTrans Lease Amount	\$486,234.98
101	CalTrans Lease Amount	\$456,475.69
102	CalTrans Lease Amount	\$426,716.40
103	CalTrans Lease Amount	\$396,957.11
104	CalTrans Lease Amount	\$367,197.83
105	CalTrans Lease Amount	\$337,438.54
106	CalTrans Lease Amount	\$307,679.25
107	CalTrans Lease Amount	\$277,919.96
108	CalTrans Lease Amount	\$248,160.68
109	CalTrans Lease Amount	\$218,401.39
110	CalTrans Lease Amount	\$187,201.19
111	CalTrans Lease Amount	\$156,000.99
112	CalTrans Lease Amount	\$124,800.79
113	CalTrans Lease Amount	\$93,600.60
114	CalTrans Lease Amount	\$62,400.40
115	CalTrans Lease Amount	\$31,200.20
After 2/28/2015	N/A	N/A

Costs Associated with 450 7th Street Consolidation	Actual Costs Through 7/31/05	Comments
Lease Option Fees Paid	\$ 1,072,000	\$60K per month paid for 12/02-2/03; \$20K per month for 3/03 - 5/04; \$43K per month for 6/04-8/04 and \$53K per month until negotiation of consolidation item in long-term deal in July 2005
Customer Service Center Renovation	\$ 655,856	
Contingent Amounts Due upon 5-year Deal	\$ 297,000	Exercise Fee paid to landlord to keep property from being listed to other potential parties
Furniture, Fixtures, Fencing, etc.	\$ 247,674	
450 7th Street Camera System	\$ 88,987	
<b>Totals</b>	<b>\$ 2,361,517</b>	

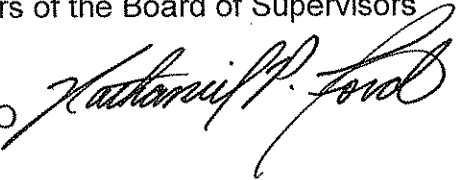
Gavin Newsom | Mayor  
 Tom Nolan | Chairman  
 Jerry Lee | Vice-Chairman  
 Cameron Beach | Director  
 Malcolm Heinicke | Director  
 Bruce Oka | Director  
 Nathaniel P. Ford Sr. | Executive Director/CEO

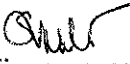
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 BY 

**MEMORANDUM**

**Date:** June 11, 2010

**To:** The Honorable Members of the Board of Supervisors

**From:** Nathaniel P. Ford Sr.   
 Executive Director/ CEO

**Through:** Sonali Bose   
 Director of Finance and Information Technology/CFO

**Subject:** Approving the Amended and Extended Agreement (the "Agreement") for the Towing and Storage of Illegally Parked and Abandoned Vehicles with TEGSCO, LLC, dba as San Francisco AutoReturn ("AutoReturn" or "Contractor") for a five-year term, until July 31, 2015

**SUMMARY:**

In June 2005 the Board of Supervisors approved the Agreement to manage towing and storage services for the SFMTA and the San Francisco Police Department (Resolution 0556-05). The contract, which is a revenue contract and is currently performed at no cost to the City, has earned \$29.6 million in Administrative Towing (cost-recovery) fees, Referral Fees and 1% of annual Gross Revenue Fees since its inception. Included in the Agreement was the option to extend the term beyond the initial five-year period.

The SFMTA has chosen to exercise the option to extend the Agreement for the following reasons:

- There has been a 19% decline in tow volume since an RFP was issued in 2002; Contractor revenue margin is directly tied to the number of vehicles towed. In addition, Contractor expenses have remained constant, due primarily to payment of rent for towing and storage facilities. It is highly unlikely that issuing a new RFP, especially in a limping economy, would result in a referral fee/percentage of gross revenue fee arrangement that would be as beneficial to the City as the current arrangement.

- When AutoReturn assumed the towing contract, the City was recovering from a contentious relationship with the prior vendor that negatively impacted service to the public, and resulted in extensive litigation and a judgment of approximately \$5.7 million in favor of the City. Since then, AutoReturn has made significant improvements in customer service, reporting and automation, and has dramatically increased the efficiency of the tow, storage and vehicle retrieval process through infrastructure and technological enhancements and improved efficiency and environmental considerations, especially with respect to the long-term storage facility at Pier 70. As such, the SFMTA desires to continue this relationship for the benefit of the City and the public.

#### **BACKGROUND:**

The SFMTA is responsible for removing illegally parked and abandoned vehicles from public streets in San Francisco. Under the Agreement, the San Francisco Police Department (SFPD) also uses towing services to remove the vehicles of unlicensed and intoxicated drivers, illegally operated vehicles, and vehicles involved in criminal activity from public streets. As of 2009, combined SFMTA Enforcement and SFPD operations resulted in approximately 64,000 vehicle tows annually.

A competitive procurement process was conducted in 2002, which led to the selection of AutoReturn as the highest ranked proposer on December 2, 2003. On March 22, 2004, the City entered into an emergency interim towing agreement with AutoReturn (due to the abrupt departure of its predecessor, City Tow) to avoid a disruption of towing and storage services. This interim agreement was approved by the SFMTA Board (Resolution 05-033) and the Board of Supervisors (Resolution 0256-05). The Agreement with AutoReturn, which had a five-year term and an option to extend, was approved by the SFMTA Board in June 2005 (Resolution 05-085) and by the Board of Supervisors in July 2005 (Resolution 0556-05). This Agreement is due to expire on July 31, 2010.

There has been one amendment to the current contract, dated June 30, 2007. That amendment revised the rate schedule for towing, impounding, and administrative towing fees, and was approved by the SFMTA Board as part of the FY 2007-2008 Budget approval, and by the Board of Supervisors (Resolution 07-0318).

#### **CONTRACT REVENUE:**

The Agreement is a revenue contract. There are no expenses paid by the SFMTA to AutoReturn for services provided under the Agreement. The SFMTA receives revenue from three sources:

- **Referral Fee:** A fee paid by AutoReturn to the SFMTA for each tow referred by the Enforcement tow desk, or scheduled by an authorized agency. The fee was \$20 at the beginning of the Agreement, but was subject to annual Consumer Price Index (CPI) increases and is currently \$22 per tow referred.
- **One Percent of Contractor's Gross Revenue:** This fee is assessed each August for the previous contract year.

- **Administrative Fee:** A cost recovery fee to the City. The fee is made up of two components – a towing fee and a storage fee. These fees are currently \$155.75 (towing) and \$2.25 (daily storage). The towing portion of the Administrative Fee will increase to \$186.50 on July 1, 2010. The storage fee will remain the same.

Revenue from the Agreement since its inception in 2005 is given below:

	<b>SFMTA Administrative Fee</b>	<b>Referral Fee</b>	<b>1% Gross Revenue Fee</b>
Fiscal Year 2005-06	\$ 3,230,140	\$ 1,261,905	\$ 153,739
Fiscal Year 2006-07	\$ 3,309,830	\$ 1,332,164	\$ 166,903
Fiscal Year 2007-08	\$ 4,108,025	\$ 1,373,579	\$ 208,090
Fiscal Year 2008-09	\$ 4,135,314	\$ 1,409,100	\$ 216,911
<i>Fiscal Year 2009-10 (projected)</i>	<i>\$ 7,250,444</i>	<i>\$ 1,244,073</i>	<i>\$169,420</i>
<b>Projected Cumulative Total</b>	<b>\$22,033,753</b>	<b>\$6,620,821</b>	<b>\$915,063</b>

AutoReturn's revenue is based primarily on proceeds from assessing towing and storage fees on all vehicles towed on behalf of the SFMTA and the SFPD. In addition to paying the SFMTA's administrative fees, the customer pays AutoReturn for towing and storage fees. The Contractor currently collects \$174.25 per vehicle towed, and an additional \$49.50 for each day the vehicle is in storage. (This is prorated the first storage day, because the first four hours of storage are free.) AutoReturn's towing and storage fees will increase to \$199.25 and \$57.50, respectively, as of July 1, 2010. This increase was approved by the SFMTA Board as part of the FY 2011-2012 Budget approval. When a vehicle is not claimed by the owner, the California Vehicle Code and Civil Code authorize Contractor to sell the vehicle through a lien sale process to recoup towing and storage costs.

In addition to costs associated with managing the towing and storage operation, AutoReturn pays, through a License Agreement with the SFMTA, approximately \$1.7 million annually for rent of a long-term storage facility and auction site at Pier 70. The Contractor also has a separate rental agreement with Caltrans for use of a short-term storage facility and customer service center at 4507<sup>th</sup> Street.

**ALTERNATIVES CONSIDERED:**

The Agreement contains an option to extend. The alternative of issuing a Request for Proposals (RFP) was postponed for the following reasons:

1. **Continued decrease in annual towing volume.** A tow contractor has fixed operational costs that do not decrease proportionally with the decrease in total number of vehicles towed. Thus, a tow contractor's revenue is directly impacted by the number of vehicles towed. When proposers responded to the RFP in 2002, the average annual number of tows for the previous four years was approximately 79,000, and all proposers based their revenue and expense projections on receiving a similar number of annual tows. By 2005, when the current Agreement with AutoReturn began, the number of tows had fallen to 68,000, a 14% decline. After remaining stable for the next four years, the tow volume decreased again in late 2009, resulting in approximately 64,000 for the year, or an additional five percent drop.

Given the 19% drop in number of vehicles towed since 2002, the resulting negative impact on contractor revenue, and the fixed costs that have become proportionately higher when compared to revenue, it is highly unlikely the SFMTA would receive responses to a new RFP that would include referral and percentage fee cost proposals comparable to what AutoReturn currently pays, while maintaining the high standard of customer service that AutoReturn has provided. In addition, under the terms of the existing Agreement, any new contractor would have to pay \$1.5 million to AutoReturn to reimburse AutoReturn for the build-out costs for the Customer Service Center and short-term lot at 450-7<sup>th</sup> Street.

Therefore, staff concluded that it would be unwise to issue an RFP in the currently unstable economic environment, and decided to exercise the option in Section 2 of the Master Agreement to extend.

2. **Contractor performance:** AutoReturn has significantly improved both the customer's experience of retrieving a towed vehicle, and the City's towing process through its customer service-oriented methods and its facility with technologies associated with the towing industry. As such, the SFMTA desires to continue the relationship with AutoReturn.

#### **CONTRACT COMPONENTS AND SCOPE OF SERVICES:**

The documents that make up the Amended and Extended Agreement will consist of:

- A master agreement,
- A detailed scope of work (Appendix A),
- The elements of AutoReturn's Operations Plan and a revision schedule (Appendix B),
- A memorandum of understanding between the SFMTA and the Port of San Francisco for use of Pier 70 (Appendix C),
- A property license agreement between the SFMTA and AutoReturn for use of Pier 70 (Appendix D) ,
- Copies of AutoReturn's performance guarantees – a Letter of Credit and a Performance Surety Bond each in the amount of \$1,000,000 (Appendix E)



- A fee schedule detailing costs to the public associated with the towing, storage and lien sale process (Appendix F), and
- A schedule of payments due AutoReturn for the short-term storage facility and customer service center at 450-7<sup>th</sup> Street for reimbursement of build out costs if the Agreement is terminated before July 31, 2015 (Appendix G).

A summary of current terms of the Agreement that will continue under the extension follows below:

- Financial Assurances, including: \$2 million security and performance deposit, \$100,000 maintenance deposit, \$50,000 claims fund and \$10,000 environmental deposit,
- 70 performance standards in the general areas of staffing, subcontracting, equipment, tow response times, record keeping and reporting requirements, operations plans and manuals, customer services, vehicles handling requirements and financial obligations. The Agreement provides for the imposition of liquidated damages for failure to adhere to any of the performance standards,
- A 12% Local Business Enterprise (LBE) subcontracting goal, and
- Requirement that AutoReturn pay for an independent Contract Monitor to oversee lien sale and auction procedures and other agreement-related projects as designated by the SFMTA.

Modifications to the Agreement negotiated prior to the submission of the request for extension are summarized below:

- **Establishes an Audit Fund:** AutoReturn will deposit \$40,000 annually to a designated SFMTA fund to allow the SFMTA to hire an independent auditor to review aspects of AutoReturn's operations as designated by the SFMTA. The fund will be subject to an annual CPI increase and any monies remaining at the expiration of the agreement will be returned to AutoReturn.
- **Establishes a Contract Monitor Fund:** The SFMTA will hire an independent Contract Monitor for ongoing monitoring of auction, lien, and other processes and procedures relating to the Agreement, as designated by the SFMTA. AutoReturn will deposit \$140,000 into the Fund to pay for this position. The fund will be subject to an annual CPI increase and any monies remaining at the expiration of the Amended and Restated Agreement will be returned to AutoReturn.

- **Procedural Modifications:** Based on recommendations from the City Attorney's Office and the Controller's Office to clarify and document some operational procedures put into place after the original agreement went into effect, the SFMTA and AutoReturn have agreed to modifications to the master agreement and the scope of work. These modifications do not significantly impact the existing scope of services under the Agreement.

#### **CONTRACTOR PERFORMANCE:**

Prior to AutoReturn's tenure as the City's towing contractor, the City's tow vendor had a long history of customer complaints with regard to auction procedures and other issues. The City was unable to enforce the contract short of terminating it due to the lack of performance standards and corresponding liquidated damages in the contract. The City eventually sued the vendor and, in late 2005, received a settlement of approximately \$5.7 million.

AutoReturn has acknowledged that retrieving a towed vehicle can be a challenging experience for both the public and the City agencies involved, and has worked diligently to mitigate the inconvenience with a number of service improvements, which are summarized below:

#### **Performance Area:**

##### Customer Service

- Prior to AutoReturn's tenure, customer complaints were commonplace and averaged 20 per month. The complaint volume now averages less than one per quarter, with minimum intervention required from the SFMTA.
- AutoReturn serves as an alternate facility for customers to pay for outstanding parking citations.

##### Support to the SFMTA

- AutoReturn has significantly reduced tow response times and successfully managed multiple towing subcontractors for the SFMTA.
- AutoReturn has significantly improved reporting procedures so that the SFMTA has real-time electronic access to all data generated regarding regular tow operations.
- AutoReturn's tow management software system provides the SFMTA with all information required for tracking towed vehicles in an easily digestible format. The system has been stable, flexible and has provided a new level of transparency into towing operations that the SFMTA did not have prior to its implementation. AutoReturn has developed a simplified version of its dispatch software to enable the Enforcement tow desk to automate tow requests, and hopes to install this software at Enforcement during the extension period.
- AutoReturn responds in a timely, courteous and helpful manner, to inquiries from the SFMTA.

- In March 2007, AutoReturn received a favorable review during a compliance audit conducted by the City Controller's Office. A second audit, currently in progress, has so far yielded nothing that would preclude the contract extension.

#### Support to the Port

- AutoReturn has contributed significantly to the City through infrastructure enhancements such as new, more durable and aesthetically pleasing fencing for the long-term storage facility, as well as onsite cameras to track activity. These enhancements have pleased residents in the area and have increased the security of the vehicles being stored.
- AutoReturn has repaved much of the Pier 70 area used for long-term vehicle storage and upgraded the drainage systems onsite to protect against contamination of soil and the Bay.
- During the extension period, AutoReturn will add to these efforts through the Port Commission's new Beautification Program, with repairs to Building 12, a historically significant building at Pier 70, and with a signage project installed along the Port that explains the historical significance of Pier 70.

#### Support to the SFPD

- AutoReturn has provided the SFPD with facilities to store vehicles and process evidence for vehicles involved in criminal activities. Members of the SFPD who work with the SFMTA on tow issues have stated that they are satisfied with the work performed by AutoReturn.

#### Local Business Enterprise Goals

- AutoReturn agreed under the original agreement to maintain an LBE subcontracting goal of 12%. AutoReturn has surpassed this goal by maintaining an average of 16.6 % of LBE subcontractors.

**FORM SFEC-126  
NOTIFICATION OF CONTRACT APPROVAL  
(S.F. Campaign and Government Conduct Code § 1.126)**

<b>City Elective Officer Information (Please print clearly)</b>	
Name of City elective officer(s): Members, San Francisco Board of Supervisors	City elective office(s) held: Members, San Francisco Board of Supervisors
<b>Contractor Information (Please print clearly)</b>	
Name of Contractor: San Francisco AutoReturn	
<i>Please list the names of (1) members of the contractor's board of directors; (2) the contractor's chief executive officer, chief financial officer and chief operating officer; (3) any person who has an ownership of 20 percent or more in the contractor; (4) any subcontractor listed in the bid or contract; and (5) any political committee sponsored or controlled by the contractor. Use additional pages as necessary.</i>	
Board of Directors: John Wicker (Chairperson), George Hoyem, Robert Reddy, Kacy Rozelle, Gene Washington CEO: John Wicker CFO: Raymond Krouse COO: N/A, our CFO and CTO: John Pendleton share these responsibilities. John Wicker is the only person with more than 20% ownership in AutoReturn. No specific subcontractors are listed in the contract. No political committee is sponsored or controlled by AutoReturn.	
Contractor address: 945 Bryant Street, Suite 350, San Francisco, CA 94103	
Date that contract was approved:	Amount of contract: n/a Revenue Contract
Describe the nature of the contract that was approved: Agreement for Vehicle Towing, Storage and Disposal Services.	
Comments:	

This contract was approved by (check applicable)

The City elective officer(s) identified on this form

A board on which the City elective officer(s) serves

San Francisco Board of Supervisors

Print Name of Board

The board of a state agency (Health Authority, Housing Authority Commission, Industrial Development Authority Board, Parking Authority, Redevelopment Agency Commission, Relocation Appeals Board, Treasure Island Development Authority) on which an appointee of the City elective officer(s) identified on the form sits

Print Name of Board

<b>Filer Information (Please print clearly)</b>	
Name of filer: Clerk of the San Francisco Board of Supervisors	Contact telephone number: (415) 554-5184
Address: City Hall, Room 244, 1 Dr. Carlton B. Goodlett Pl., San Francisco, CA 94102	E-mail: BOS.Legislation@sfgov.org

Signature of the Elective Officer (if submitted by City elective officer)

Date Signed

Signature of Board Secretary or Clerk (if Submitted by Board Secretary or Clerk)

Date Signed

SAN FRANCISCO  
MUNICIPAL TRANSPORTATION AGENCY  
BOARD OF DIRECTORS

RESOLUTION No. 10-080

WHEREAS, The SFMTA is responsible for removing illegally parked and abandoned vehicles from public streets in San Francisco; and,

WHEREAS, The San Francisco Police Department also utilizes towing services to remove the vehicles of unlicensed and intoxicated drivers, illegally operated vehicles, and vehicles involved in criminal activity from public streets; and,

WHEREAS, A five-year long-term agreement, with an option to extend, was approved by the SFMTA Board in June 2005 and by the Board of Supervisors in July 2005; and,

WHEREAS, This agreement is due to expire on July 31, 2010; and,

WHEREAS, The revenue contract has generated approximately \$29.6 million since its inception, with no expenses; and,

WHEREAS, Existing services will continue under the extension; and,

WHEREAS, In addition, the Contractor will establish a Contract Monitor Fund, an Audit Fund, make modifications to their auction and lien procedures and document other procedural modifications identified during the current contract term; and,

WHEREAS, Because there has been a significant decline in tow volume since an RFP was issued in 2002, and Contractor revenue is directly tied to the number of vehicles towed, it is highly unlikely that issuing a new RFP would result in as beneficial a revenue arrangement as the SFMTA currently has with AutoReturn; and,

WHEREAS, AutoReturn has made significant improvements in customer service, reporting, automating and increasing the efficiency of the tow, storage and vehicle retrieval processes; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Executive Director/CEO to exercise the option to extend the term of the contract by approving the Amended and Restated Service Agreement and Property Use License for Towing, Storage and Disposal of Abandoned and Illegally Parked Vehicles by and Between the San Francisco Municipal Transportation Agency and TEGSCO, LLC d.b.a. San Francisco AutoReturn for a five-year term, until July 31, 2015.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of JUN 01 2010.

B. Boomer  
Secretary to the Board of Directors  
San Francisco Municipal Transportation Agency

**AMENDED AND RESTATED SERVICE AGREEMENT AND PROPERTY  
USE LICENSE**

**FOR TOWING, STORAGE AND DISPOSAL**

**OF ABANDONED AND ILLEGALLY PARKED VEHICLES**

**by and between the**

**CITY AND COUNTY OF SAN FRANCISCO**

**AND**

**TEGSCO, LLC**

---

**d.b.a. SAN FRANCISCO AUTORETURN,  
a California Limited Liability Company**

**Dated: July 31, 2010**

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Request file # 100796

TABLE OF CONTENTS

1. DEFINITIONS.....2

1.1 ABANDONED VEHICLE .....2

1.2 ADMINISTRATIVE HOLD .....2

1.3 AGREEMENT .....2

1.4 AUTOMATED DISPATCH SYSTEM (ADS) .....2

1.5 CENTRAL DISPATCH .....2

1.6 CITATION .....2

1.7 CITY .....2

1.8 CLAIM .....2

1.9 COMPLAINT .....3

1.10 CONTROLLER .....3

1.11 CITATION AND TOWING MANAGEMENT SYSTEM (CTMS) .....3

1.12 CUSTOMER .....3

1.13 CUSTOMER SERVICE CENTER .....3

1.14 COURTESY TOWS .....3

1.15 DAYS .....3

1.16 DEFICIENCY CLAIM .....3

1.17 DELINQUENT CITATION .....3

1.18 DESIGNATED FACILITIES .....3

1.19 DIRECTOR OF TRANSPORTATION .....3

1.20 DISPATCH TOWS .....3

1.21 DMV .....3

1.22 DPH .....3

1.23 EFFECTIVE DATE .....3

1.24 EMPLOYEES .....4

1.25 EXPEDITED TOW .....4

1.26 GROSS REVENUES .....4

1.27 HEADQUARTERS OFFICE .....4

1.28 INVESTIGATIVE POLICE HOLD .....4

1.29 LETTER OF CREDIT .....4

1.30 LIEN 1 VEHICLE .....4

1.31 LIEN 2 VEHICLE .....4

1.32 LIEN 3 VEHICLE .....5

1.33 LIEN CATEGORY .....5

1.34 MANDATORY FEE .....5

1.35 MANDATORY FEE .....5

1.36	OCCURRENCE.....	5
1.37	OPERATIONS PLAN.....	5
1.38	PEAK HOURS .....	5
1.39	PEAK HOURS .....	5
1.40	PEO CONTRACT.....	5
1.41	PEO CONTRACTOR.....	5
1.42	PEO CONTRACTOR.....	5
1.43	POLICE HOLD VEHICLE.....	6
1.44	PORT .....	6
1.45	PORT MOU.....	6
1.46	PRIMARY STORAGE FACILITY .....	6
1.47	PROJECT 20 .....	6
1.48	PROPERTY, PROPERTIES .....	6
1.49	PROPOSAL.....	6
1.50	RECORDS .....	6
1.51	REFERRAL FEE.....	6
1.52	RFP .....	6
1.53	REGIONAL SWEEPS .....	6
1.54	ROUTINE TOWS .....	6
1.55	SCHEDULED TOWS .....	7
1.56	SCOFFLAW.....	7
1.57	SECONDARY STORAGE FACILITY .....	7
1.58	MTA.....	7
1.59	SFPD.....	7
1.60	SFPD TRAFFIC OFFENDER FEE .....	7
1.61	SPECIAL EVENTS TOWS.....	7
1.62	TERM.....	7
1.63	TOW CAR.....	7
1.64	TOW EQUIPMENT .....	7
1.65	TOW REQUEST .....	7
1.66	TOWED VEHICLE MANAGEMENT SYSTEM (TVMS).....	7
1.67	TRAFFIC CODE .....	7
1.68	TREASURER .....	7
1.69	UNAVOIDABLE DELAYS .....	7
1.70	VEHICLE CODE.....	8
1.71	VIN.....	8
1.72	WAN.....	8



1.73	ZONE TOWS .....	8
2.	TERM OF THE AGREEMENT .....	8
3.	EFFECTIVE DATE OF AGREEMENT .....	8
4.	SERVICES CONTRACTOR AGREES TO PERFORM.....	8
5.	SUBMITTING FALSE CLAIMS; MONETARY PENALTIES .....	9
6.	TAXES AND ASSESSMENTS .....	9
7.	PAYMENT DOES NOT IMPLY ACCEPTANCE OF WORK.....	10
8.	QUALIFIED PERSONNEL.....	10
8.1	CONTRACTOR IS THE EMPLOYER OF THE EMPLOYEES .....	10
8.2	PEO CONTRACT SHALL NOT CONTROL OR MODIFY THE AGREEMENT .....	10
8.3	PEO CONTRACT IS A SUBCONTRACT TO THE AGREEMENT .....	11
8.4	CONTRACTOR IS LIABLE FOR ALL ACTIONS OF PEO CONTRACTOR .....	11
8.5	CITY IS NOT A GENERAL OR SPECIAL EMPLOYER TO THE EMPLOYEES.....	11
8.6	PREVAILING WAGES .....	11
9.	RESPONSIBILITY FOR EQUIPMENT.....	11
10.	INDEPENDENT CONTRACTOR; PAYMENT OF TAXES AND OTHER EXPENSES ....	11
10.1	INDEPENDENT CONTRACTOR.....	11
10.2	PAYMENT OF TAXES AND OTHER EXPENSES .....	12
10.3	CONTRACTOR'S EMPLOYEES.....	12
10.4	PAYROLL AND TAXATION.....	12
11.	REQUIRED INSURANCE.....	12
12.	FINANCIAL ASSURANCES.....	14
12.1	REQUIREMENT TO PROVIDE FINANCIAL GUARANTEES.....	14
12.2	LETTER OF CREDIT AND PERFORMANCE BOND .....	14
12.3	MAINTENANCE DEPOSIT .....	17
12.4	CLAIMS FUND.....	17
12.5	ENVIRONMENTAL OVERSIGHT DEPOSIT.....	17
13.	INSURANCE AND PERFORMANCE GUARANTEE REQUIREMENTS.....	18
14.	CONTRACTOR'S REPRESENTATIONS AND WARRANTIES .....	18
14.1	EXPERIENCE .....	18
14.2	FORMATION.....	18
14.3	AUTHORITY .....	18
14.4	CONFLICTS AND CONSENTS .....	18
14.5	CONFLICT WITH ORDERS .....	19
14.6	LITIGATION .....	19
15.	INDEMNIFICATION.....	19
16.	INCIDENTAL AND CONSEQUENTIAL DAMAGES .....	20

17.	LIABILITY OF CITY .....	20
18.	DEFAULT; REMEDIES .....	20
19.	TERMINATION .....	21
19.1	TERMINATION EFFECTIVE UPON NOTICE.....	22
19.2	TERMINATION NOT EXCLUSIVE REMEDY.....	22
19.3	DUTIES UPON TERMINATION .....	22
20.	PROVISIONS OF AGREEMENT SURVIVING TERMINATION OR EXPIRATION.....	22
21.	CONFLICT OF INTEREST .....	22
22.	PROPRIETARY OR CONFIDENTIAL INFORMATION.....	22
23.	NOTICES TO THE PARTIES .....	23
24.	OWNERSHIP OF RESULTS .....	24
25.	WORKS FOR HIRE.....	24
26.	AUDIT AND INSPECTION OF RECORDS.....	24
26.1	RECORDS .....	24
26.2	CITY'S RIGHT TO INSPECT .....	24
26.3	AUDIT.....	24
26.4	RETENTION OF RECORDS .....	25
27.	SUBCONTRACTING.....	25
28.	ASSIGNMENT .....	25
29.	NON-WAIVER OF RIGHTS.....	25
30.	EARNED INCOME CREDIT (EIC) FORMS.....	25
31.	MINORITY/WOMEN/LOCAL BUSINESS UTILIZATION; LIQUIDATED DAMAGES.....	26
31.1	COMPLIANCE.....	26
31.2	ENFORCEMENT.....	26
31.3	SUBCONTRACTING GOALS .....	26
31.4	SUBCONTRACT LANGUAGE REQUIREMENTS .....	26
31.5	PAYMENT OF SUBCONTRACTORS.....	27
32.	NONDISCRIMINATION; PENALTIES.....	27
32.1	CONTRACTOR SHALL NOT DISCRIMINATE.....	27
32.2	NONDISCRIMINATION IN BENEFITS .....	27
32.3	CONDITION TO CONTRACT.....	27
32.4	INCORPORATION OF ADMINISTRATIVE CODE PROVISIONS BY REFERENCE.....	27
33.	MACBRIDE PRINCIPLES—NORTHERN IRELAND .....	27
34.	TROPICAL HARDWOOD AND VIRGIN REDWOOD BAN.....	28
35.	DRUG-FREE WORKPLACE POLICY .....	28
36.	RESOURCE CONSERVATION .....	28
37.	COMPLIANCE WITH AMERICANS WITH DISABILITIES ACT.....	28

38. SUNSHINE ORDINANCE.....28

    38.1 DOCUMENTS SUBJECT TO DISCLOSURE BY THE CITY.....28

    38.2 DOCUMENTS SUBJECT TO DISCLOSURE BY CONTRACTOR.....28

    38.3 PUBLIC RECORDS REQUESTS FROM PUBLIC.....29

39. NOTIFICATION OF LIMITATIONS ON CONTRIBUTIONS.....29

40. REQUIRING MINIMUM COMPENSATION FOR COVERED EMPLOYEES.....29

41. REQUIRING HEALTH BENEFITS FOR COVERED EMPLOYEES.....31

42. FIRST SOURCE HIRING PROGRAM.....36

43. PROHIBITION ON POLITICAL ACTIVITY WITH CITY FUNDS.....36

44. PRESERVATIVE-TREATED WOOD CONTAINING ARSENIC.....36

45. MODIFICATION OF AGREEMENT.....36

46. ADMINISTRATIVE REMEDY FOR AGREEMENT INTERPRETATION.....36

47. AGREEMENT MADE IN CALIFORNIA; VENUE.....37

48. CONSTRUCTION.....37

    48.1 SYNTAX.....37

    48.2 REFERENCES.....37

49. ENTIRE AGREEMENT.....37

50. COMPLIANCE WITH LAWS.....37

51. SERVICES PROVIDED BY ATTORNEYS.....38

52. UNAVOIDABLE DELAYS.....38

53. SEVERABILITY.....38

54. TRANSITION PERIOD.....38

55. ADMINISTRATION OF CONTRACT.....38

56. REQUIRED ACTIONS.....39

57. NON-IMPAIRMENT OF CITY-OWNED TOWING EQUIPMENT AND FACILITIES....39

58. DELETED BY AGREEMENT OF PARTIES.....39

59. PROTECTION OF PRIVATE INFORMATION.....39

60. FOOD SERVICE WASTE REDUCTION REQUIREMENTS.....39

61. GRAFFITI REMOVAL.....39

62. COOPERATIVE DRAFTING.....40

