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March 4, 2021

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: Approval of funding for the first two years of the five-year extension of the Towing Agreement with San Francisco AutoReturn

Honorable Members of the Board of Supervisors:

The San Francisco Municipal Transportation Agency (SFMTA) respectfully requests that the Board of Supervisors approve the third amendment with TEGSCO, LLC, dba San Francisco AutoReturn, for services related to the towing, storage, and disposal of abandoned and illegally-parked vehicles. The request is to increase the contract amount by \$23.2 million for two years of the five-year extension for a total amount not to exceed \$88.6 million. This extension will allow SFMTA to continue to provide towing service while we engage with stakeholders to discuss reforms to the city's towing practices.

Background

SFMTA's towing program supports transit by ensuring safe and reliable transit and traffic flow - especially during commutes hours - removing abandoned vehicles that pose potential safety hazards, collecting vehicles that are involved in crashes or used in the commission of crimes. The towing program supports City parking regulations that are essential for keeping the streets safe and clean, and that help to maintain parking availability for merchants and residents.

In 2016, the SFMTA executed Contract No. 2014-48 with San Francisco AutoReturn for towing and storage of abandoned and illegally parked vehicles. The Board of Supervisors authorized the five-year base term of the agreement in an amount not to exceed \$65.4 million, and also authorized the Director of Transportation to extend the agreement for five additional years under their own authority. SFMTA has extended the agreement for five years, but wishes to fund only the first two years of the extension for \$23.2 million while we evaluate COVID-19's impact on costs, and continue work with a wide range of stakeholders to address equity and cost concerns related to the agency's Tow Program.

San Francisco Auto Return, currently has 58 employees, 20 of whom work under a collective bargaining agreement with Teamsters Local 665. They manage a network of 11 towing firms with a pool of 65 drivers, a customer service center and two storage facilities. They assist the public with retrieving their vehicles and conduct the lien sale process and host auctions for vehicles not retrieved.

Since contract award, AutoReturn has continued to meet or exceed contract requirements, and has maintained 24/7 assistance to SFMTA Enforcement and the San Francisco Police Department. AutoReturn assists with clearing illegally parked vehicles to facilitate traffic management, and assists with transit reliability as well as removal of safety hazards due to vehicles involved in crashes or in the commission of crimes. They assist the public in retrieving their vehicles at the onsite customer service



center at the 7th and Bryant short-term storage facility; and they assist SFPD with investigative vehicle storage, and provide secured space for crime scene investigation of vehicles used in crimes.

Payment and Costs

The SFMTA pays AutoReturn two types of monthly fees:

- A fixed management fee that allows AutoReturn to maintain staffing, utilities, equipment, materials and supplies and contract service requirements under the agreement without relying on tow volume, and
- Monthly variable fees that are pass throughs costs to tow truck operators, lien sale process and auctions.

The fixed management fee removes the incentives – common in other jurisdictions – for tow companies to increase towing volumes to increase their revenues. Both the management and variable fees receive annual CPI increases not to exceed 3%.

Costs of the Agreement through January 2021 are summarized below:

	Management Fee	Variable Fee	Total
Contract Year 1	\$7,984,272	\$4,413,678	\$12,397,950
Contract Year 2	\$8,203,839	\$4,776,759	\$12,980,598
Contract Year 3	\$8,449,856	\$5,441,590	\$13,891,445
Contract Year 4	\$8,703,444	\$5,198,730	\$13,902,174
Contract Year 5*	\$8,182,976	\$1,896,610	\$10,079,586
	\$41,524,387	\$21,727,367	\$63,251,753

*** Through February 2021**

Towing Fees, Reductions and Waivers

The current combined tow fee (\$265) that supports the towing agreement, and administrative fee (\$318) that supports SFMTA's portion of the tow program is \$574. Storage fees are \$67.50/day, although they are prorated on day 1 due to a 4-hour grace period for retrieval after tow occurs.

There are available tow fee reductions and waivers for the circumstances below:

1. Stolen vehicle waiver: After SFPD confirms that the vehicle was stolen; tow and storage fees are waived.
2. First Time Tow Reduction: At the time of contract award in 2016, the Board of Supervisors requested a 1st Time tow reduction, which grants a \$50 credit toward the administrative fee.
3. Low-Income and Homeless Relief:
 - a. SFMTA continues to work collaboratively with the Board of Supervisors, Department of Homelessness and Supportive Housing, Human Service Agency and the Treasurer's Office Financial Justice Project, as well as a number of advocacy groups representing low-income and people experiencing homelessness such as Glide Memorial and the Homeless Coalition, resulting in significant reductions and waivers for tow and storage fees for vulnerable populations.



- b. Due to these collaborative efforts, if the driver of the towed vehicle is certified low-income, the combined tow fee is reduced from \$574 to \$100; if the driver is certified homeless, they receive a one-time complete tow waiver. Storage fees of \$67.50/day that would normally go into effect after a four-hour grace period are waived in the low-income or homeless categories so long as the vehicle is picked up within 15 days of the tow date.

Pandemic Impact to Tow Program

The pandemic has had dramatic effects on tow volume and tow expenses. In the 12 months leading up to the pandemic, 45,138 vehicles were towed, for an average of 3,762 vehicles per month. However, since the pandemic began, the total number of tows through January was 14,686.

Tow volume dropped sharply to a low of 894 tows in May 2020 and have somewhat rebounded to an average of 1,439 tows each for November, December and January. Savings, due to lower tow volume and lower variables fees, has averaged \$175,468.05 per month.

Tow auctions have been transferred from onsite to online, and Initial tracking indicates the move to online auctions may increase auction revenue by about \$1 million annually because of the larger pool of potential buyers that online auctions bring.

In addition to the tow volume effects, the types of tows have changed. Prior to the pandemic, the top three non-SFPD tow types were towaway (including commute tows), driveway and expired registration. During the pandemic, SFMTA has suspended commute tows, boot/scofflaw and 72-hour tows and extended the expired registration tow grace period from six months to one year.

Current Agreement and Request for Funding:

There have been two amendments to the Agreement. The first amendment, approved by the SFMTA Board, established a License Agreement with AutoReturn for use of the short-term storage facility at 450 – 7th Street. The second amendment, approved by the Director of Transportation, under his contracting authority, documented service requirement adjustments to customer service and tow request response times and provided clarification on the process to calculate annual Consumer Price Index increases for management and variable fees paid to AutoReturn. There were no increases to contract length or contract amount in either amendment.

In anticipation of extending the Agreement for five years, the SFMTA and AutoReturn negotiated a 6.35% reduction in the management fee by crediting CPI increases while keeping the baseline, and a 21% reduction in the per-auction fee (due to the new online format), totaling approximately \$532,000 in savings over the two-year funding term.

Because the COVID-19 pandemic has resulted in uncertainty in predicting long-term budget needs, the SFMTA recommends a two-step approach to fund the five-year extension of the Agreement.

1. Request \$23.2 million to fund the first two years of the extended term. This gives the SFMTA time to assess how COVID-19 impacts pre-pandemic towing-program costs and to reevaluate the program's policies and funding needs as the City emerges from sustained shelter-in-place (SIP) conditions.
2. Request funding to pay for the remainder of the extended term before the end of the first two years of the extended term (March 31, 2023), under a separate amendment to the Towing Agreement.



The proposed budget is below:

Extension Year Costs	1	2	TOTAL
Variable Fees	\$2,701,718	\$3,347,431	\$6,049,149
Fixed Management Fees	\$8,468,188	\$8,722,233	\$17,190,421
Total	\$11,169,905	\$12,069,664	\$23,239,569

Recommendation

The SFMTA recommends that the Board of Supervisors approving the third amendment with TEGSCO, LLC, dba San Francisco AutoReturn, for services related to the towing, storage, and disposal of abandoned and illegally-parked vehicles, to increase the contract amount by \$23.2 million for the first two years of the five-year extension for a total amount not to exceed \$88.6 million.

Thank you for your consideration. Should you have any questions or require more information, please contact Steven Lee at Steven.Lee@sfmta.com or 415.646.2452.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jeffrey P. Tumlin'.

Jeffrey P. Tumlin
Director of Transportation

cc Tom Maguire, Director, Streets Division
Steven Lee, Senior Manager, Streets Division