

THIS PRINT COVERS CALENDAR ITEM NO.: 10.5

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Streets

BRIEF DESCRIPTION:

Authorizing the Director of Transportation to execute the Ninth Amendment to SFMTA Contract No. 2014-48 with TEGSCO, LLC., for towing and storage services for abandoned and illegally-parked vehicles, increasing the contract amount by \$17.0 million, for a total amount not to exceed \$138.4 million, to support spending for the balance of the contract term through March 2026, and recommending approval of this amendment by the Board of Supervisors pursuant to Charter Section 9.118.

SUMMARY:

- In April 2016, the SFMTA executed Contract No. 2014-48 (Contract) with TEGSCO, LLC (TEGSCO), for towing and storage services for abandoned and illegally-parked vehicles in San Francisco. The Contract's initial term was five years, totaling \$65.4 million, with an option to extend for up to five additional years. A contract budget increase to cover this extension was not originally obtained.
- In 2021, through the Contract's Third Amendment, the SFMTA exercised the five-year extension option, extending the term through March 21, 2026, and increasing the contract amount by \$22.8 million, to \$88.2 million, to cover the first two years of the extension. The Request to cover spending for the last three years was deferred due to the COVID-19 emergency and to reassess the City's towing policy and funding needs as the City recovered from the pandemic.
- In 2022, the Seventh Amendment increased the Contract to \$121.4 million, funding the extension through March 2025. Staff committed to providing updates to the Board of Supervisors' Budget and Finance Committee on program progress and policy reassessment, with plans to return later to seek additional spending authority to cover the final year of contract services.
- Currently, the towing program faces revenue shortfalls. Although it operates on a cost-recovery basis through towing fees and lien sales; post-pandemic towing volume has not increased to pre-pandemic levels, and policy-driven fee reductions and waivers for qualifying members of the public have resulted in cost recovery shortfall.
- The Ninth Amendment would increase the contract amount by \$17.0 million, for a total of \$138.4 million, which will cover vendor services through the final year of the extension on March 31, 2026. Under Section 9.118, Board of Supervisors' approval is required due to the increase of more than \$500,000.

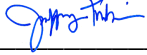
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ENCLOSURES:

1. SFMTAB Resolution
2. Ninth Amendment

APPROVALS:

DATE

DIRECTOR 

November 26, 2024

SECRETARY 

November 26, 2024

ASSIGNED SFMTAB CALENDAR DATE: December 3, 2024

PURPOSE

Authorizing the Director of Transportation to execute the Ninth Amendment to SFMTA Contract No. 2014-48 with TEGSCO, LLC., for towing and storage services for abandoned and illegally parked vehicles, increasing the contract amount by \$17.0 million, for a total amount not to exceed \$138.4 million, to support spending for the balance of the contract term through March 2026, and recommending approval of this amendment by the Board of Supervisors pursuant to Charter Section 9.118.

STRATEGIC PLAN GOALS AND TRANSIT FIRST POLICY PRINCIPLES

This item supports the following SFMTA Strategic Plan Goals:

- Goal 1: Create a safer transportation experience for everyone.
- Goal 2: Make transit and other sustainable modes of transportation the most attractive and preferred means of travel.
- Goal 3: Improve the quality of life and environment in San Francisco and the region.

This item also supports the following Transit First Policy Principles:

- Principle 3: Decisions regarding the use of limited public street and sidewalk space shall encourage the use of public rights of way by pedestrians, bicyclists, and public transit, and shall strive to reduce traffic and improve public health and safety.
- Principle 7: Parking policies for areas well served by public transit shall be designed to encourage travel by public transit and alternative transportation.

DESCRIPTION

Background

In April 2016, under SFMTA Board Resolution 16-024 and Board of Supervisors Resolution 99-16, the SFMTA awarded Contract No. 2014-48 (Contract) to TEGSCO, LLC (TEGSFO), for towing and storage services for abandoned and illegally-parked vehicles in San Francisco. Through this contract, TEGSCO supports the SFMTA, San Francisco Police Department, and Department of Public Health by removing vehicles involved in crimes, accidents, and other hazardous situations, as well as managing the towing and storage of abandoned and illegally parked vehicles. In FY2024, TEGSCO towed 37,934 vehicles, demonstrating the scale of their operations in maintaining public safety and traffic flow.

TEGSCO oversees a network of towing subcontractors, coordinating vehicle tows across San Francisco to ensure efficient removal of abandoned and illegally-parked vehicles, and vehicles towed for accidents or crime. Vendor scope includes operating a short-term storage and customer service facility on 7th Street with 24/7 access and managing a long-term storage site at 2650 Bayshore Boulevard. Additionally, TEGSCO organizes bi-weekly online and onsite lien sales for unclaimed vehicles and handles customer interactions and payments for vehicle retrievals.

The City’s towing program operates on a cost-recovery basis, following California Vehicle Code provisions that restrict local agency charges to covering only the actual administrative and

operational costs of vehicle removal, impound, storage, and release. In line with these state-law guidelines, the City’s program is structured to recoup necessary expenses, including enforcement, contract administration, and related program costs. To support equitable access, City policies provide fee waivers and reductions for qualifying low-income, unhoused, first-time tow customers. While these waivers promote fairness, they also reduce revenue, impacting the program’s ability to fully recover its costs.

The table below summarizes waiver amounts by category for fiscal year 2024:

Program	Description	Cases	Revenue Loss
First Time Tow	Tow fees reduced by \$56 for the first time a vehicle is towed	16,128	(\$881,000)
People with Low-Incomes	Tow fees reduced by \$553 for the first time a vehicle is towed and up to 15 days storage \$1,142 for a maximum of \$1,695.	7,647	(\$5,568,000)
People Experiencing Homelessness	Waiver of tow fees (one-time) \$657 and up to 30 days storage \$2,297 for a maximum of \$2,954	348	(\$486,000)
Stolen Vehicle Waiver	Tow fees waived for vehicles stolen and recovered in San Francisco; waiver of \$657 in fees and up to three days storage waiver \$218 for a maximum of \$875	1,588	(\$1,366,173)
	Total Revenue Loss		(\$8,301,173)

Prior Amendments

The Contract has undergone eight amendments, including six administrative amendments and two major amendments affecting the Contract term and funding:

Administrative Amendments:

- **First Amendment (2016):** This amendment established a license agreement between the SFMTA and TEGSCO for use of the property at 7th Street as the short-term storage facility under the Contract.
- **First Amendment (2017):** This amendment revised procedures for SFPD investigative holds.
- **Second Amendment (2019):** This amendment modified specific service requirements to improve operational efficiency within the towing program.
- **Fourth Amendment (2021):** This amendment formalized the rebranding of TEGSCO

from the “doing business as” name "San Francisco AutoReturn" to its legal name, "TEGSCO, LLC."

- **Fifth Amendment (2022):** This amendment granted TEGSCO access to confidential City databases to verify eligibility for income-based tow fee reductions and waivers, supporting the City’s tow fee-reduction program for low-income individuals.
- **Sixth Amendment (2022):** This amendment introduced an internet-based auction platform as an alternative or supplement to traditional in-person auctions.
- **Eighth Amendment (2023):** This amendment provided for the temporary relocation of the short-term storage facility to allow Caltrans to conduct structural maintenance and painting at the 7th Street location.

Extension and Funding Amendments:

- **Third Amendment (2021):** The SFMTA exercised the five-year extension option during the pandemic, initially requesting an increase in contract authority for only the first two years (2021-2023) This amendment increased the contract by \$22.8 million, bringing it to a not-to-exceed amount of \$88.2 million. A request for contract authority for the last three years of the contract term was deferred due to the COVID-19 emergency and to reassess the City’s towing policy and funding needs as the City recovered from the pandemic. Following a program study submitted to the Board of Supervisors in June 2022, a need for further spending authority was anticipated for the towing program as the City recovered.
- **Seventh Amendment (2023):** This amendment increased the not-to-exceed amount by \$33.2 million, for a total of \$121.4 million, extending coverage through March 2025. Staff committed to providing updates to the Board of Supervisors’ Budget and Finance Committee on program progress and policy reassessment, with plans to return later to seek additional contract authority to support final-year contract services.

Proposed Ninth Amendment

The proposed Ninth Amendment would increase the contract by \$17.0 million to support the remainder of the extended contract term, from March 2025 through March 2026, bringing the contract to a not-to-exceed amount of \$138.4 million. Given the towing program’s cost-recovery model and post-pandemic challenges such as staffing salary increases included in collective bargaining agreement, and policy-driven fee reductions and waivers—additional spending authority is necessary to sustain operations.

Under Charter Section 9.118, Board of Supervisors approval is required for this amendment due to the increase exceeding \$500,000.

Upcoming Request for Proposals Process

The funding requested within the proposed Ninth Amendment will fund the final year of the current contract with TEGSCO, LLC. In preparation for the end of TEGSCO’s contract after March 2026, staff are developing a Request for Proposals (RFP), which is proposed for release

within the first few months of 2025. The proposed RFP document will be brought to the SFMTA Board of Directors for review, consideration, and approval prior to it being released. The new RFP process will lead to a new long-term contract with a tow vendor that will begin on April 1, 2026, following the expiration of the current TEGSCO contract.

STAKEHOLDER ENGAGEMENT

The SFMTA engages extensively with key City departments and advocacy groups, including the Department of Homelessness and Supportive Housing, the Human Services Agency, the Treasurer's Office Financial Justice Project, and advocates for low-income and homeless populations. This collaboration has led to significant reductions in administrative, towing, and storage fees for vulnerable groups.

Following SFMTA Board input, the agency launched the "Text-before-Tow" pilot in January 2022, enrolling over 16,744 license plates to receive warnings when vehicles are at risk of being towed from restricted parking areas in four categories: (1) parking more than 72-hours (2) blocked driveways (3) construction zones and (4) temporary no-parking zones such as special event or moving trucks. Additionally, based on Board of Supervisors input, the SFMTA introduced fee waivers for vehicles later identified as stolen and a \$50 administrative fee reduction for first-time tows.

To address storage challenges and related costs, staff responded to the Board of Supervisors inquiry regarding purchasing property instead of leasing the two storage lots, SFMTA submitted a report (March, 2023) analyzing current rental costs and exploring property purchase options for towed vehicle storage. Findings showed that current leases were below average market rates, with no comparable properties available for purchase in San Francisco; the closest option was in Pittsburg, CA, and alternative leases were significantly higher than existing rates.

These collaborative efforts demonstrate the SFMTA's commitment to addressing program costs while supporting equitable access and responding to stakeholder input.

ALTERNATIVE CONSIDERED

The only available alternative to increasing contract authority to cover the proposed Ninth Amendment would be letting the TEGSCO contract lapse when it reaches its current spending limit. Allowing the contract to lapse due to lack of contract authority is not a viable option, as tow operations are essential for clearing San Francisco's streets of abandoned and illegally parked vehicles that create health and safety hazards. These operations are crucial to ensuring available legal parking, supporting traffic and transit flow, and aiding SFPD in handling vehicles involved in accidents and crimes.

FUNDING IMPACT

The projected contract expenditures for the remainder of the Agreement are shown in the table below. The requested contract authority is consistent with adopted annual operating budgets for FY25 and FY26.

Contract costs <i>Paid monthly</i>	FY 2025 <i>(Mar –Jun '25)</i>	FY 2026 <i>(Jul '25- Mar '26)</i>	Total
<u>Fixed Management fees</u> (labor, overhead, administration, equipment and maintenance, and profit margin) and <u>Variable fees</u> per vehicle towed, including towing, lien sale, use of dolly or flatbed, and dropped tow	\$3.9 million	\$13.1 million	\$17.0 million

ENVIRONMENTAL REVIEW

On November 1, 2024, the SFMTA, under authority delegated by the Planning Department, the Seventh Amendment to SFMTA Contract No. 2014-48 is not a “project” under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b).

A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

All amendments to the Contract that seek to increase the contract amount by more than \$500,000 require approval of the Board of Supervisors under Section 9.118 of the San Francisco Charter.

The City Attorney’s Office has reviewed the report.

RECOMMENDATION

Staff recommends the SFMTA Board of Directors authorize the Director of Transportation to execute the Ninth Amendment to SFMTA Contract No. 2014-48 with TEGSCO, LLC., for towing and storage services for abandoned and illegally parked vehicles, increasing the contract amount by \$17.0 million, for a total amount not to exceed \$138.4 million, to support spending for the balance of the contract term through March 2026, and recommends approval of this amendment by the Board of Supervisors pursuant to Charter Section 9.118.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, In 2016, the SFMTA executed Contract No. 2014-48 (Contract) with TEGSCO, LLC. (TEGSCO), for towing and storage services for abandoned and illegally parked vehicles in San Francisco; the Contract was for an initial amount of \$65.4 million and an initial term of five years with the option to extend for an additional five years; spending authority for the extension was not originally obtained; and

WHEREAS, Towing operations are essential to maintaining available legal parking spaces, supporting smooth traffic and transit flow, and assisting the San Francisco Police Department with the handling of vehicles involved in traffic incidents and criminal activities; and

WHEREAS, Since the Contract was initially approved, eight amendments have been made, each designed to support the effective operation of the City's towing program and to address its evolving needs; and

WHEREAS, The First Amendment (2016) added a license agreement between TEGSCO and the SFMTA for TEGSCO's use of the property at 7th and Harrison streets, designating it as the primary storage facility under the Contract; and

WHEREAS, The First Amendment (2017), revised procedures for SFPD investigative holds; and

WHEREAS, The Second Amendment modified certain service requirements to enhance the efficiency of towing operations; and

WHEREAS, The Third Amendment exercised the five-year extension option, extending the contract term through March 31, 2026, and increasing the contract amount by \$22.8 million, for a new total of \$88.2 million, to support the first two years of the extension; spending authority for the remaining three years was deferred due to the COVID-19 emergency and to allow time for reassessment of the City's towing policy and funding needs as it recovered from the pandemic; and

WHEREAS, The Fourth Amendment memorialized that TEGSCO stopped using the DBA name "San Francisco AutoReturn" and began using its legal name, TEGSCO, LLC, within San Francisco; and

WHEREAS, The Fifth Amendment granted TEGSCO access to the City's confidential database to verify the eligibility of tow customers for fee reductions and waivers under the SFMTA's income-based tow fee-reduction and fee-waiver programs; and

WHEREAS, The Sixth Amendment provided the SFMTA with the option to use an internet-based auction platform as an alternative or supplement to live, in-person auctions; and

WHEREAS, The Seventh Amendment increased the contract amount to \$121.4 million, providing contract authority to cover the extended term through March 2025; Staff committed to providing updates to the Board of Supervisors' Budget and Finance Committee on program progress and policy reassessment, with plans to seek final-year funding afterward; and

WHEREAS, The Eighth Amendment provided for the temporary relocation of TEGSCO's primary storage facility to accommodate Caltrans' structural painting and other necessary work at its property located at 7th and Harrison streets, which TEGSCO uses under license from the SFMTA as the main storage facility for the Contract; and

WHEREAS, Currently, the towing program faces revenue shortfalls; although it operates on a cost-recovery basis through towing fees and lien sales, post-pandemic reductions in towing volume, along with policy-driven fee reductions and waivers for qualifying members of the public, limit cost recovery; and

WHEREAS, The Ninth Amendment would increase the contract amount by \$17.0 million, for a total of \$138.4 million, to support the Contract through the final year of its extended term, March 2026; and

WHEREAS, Under Section 9.118, Board of Supervisors' approval is required due to the increase of more than \$500,000; and

WHEREAS, On November 1, 2024 the SFMTA, under authority delegated by the Planning Department, determined the Ninth Amendment to SFMTA Contract No. 2014-48 is not a "project" under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors and is incorporated herein by reference; now, therefore, be it

RESOLVED, That the SFMTA Board of Directors authorizes the Director of Transportation to execute the Ninth Amendment to SFMTA Contract No. 2014-48 with TEGSCO, LLC., for towing and storage services for abandoned and illegally parked vehicles, increasing the contract amount by \$17.0 million, for a total amount not to exceed \$138.4 million, to support spending for the balance of the contract term through March 2026; and, be it further

RESOLVED, That the SFMTA Board of Directors recommends approval of this Ninth Amendment by the Board of Supervisors pursuant to Charter Section 9.118.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of December 3, 2024.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

**City and County of San Francisco
Municipal Transportation Agency
One South Van Ness Ave., 7th Floor
San Francisco, California 94103
Ninth Amendment
Contract No. 2014-48**

THIS NINTH AMENDMENT (Amendment) is made as of [insert date], in San Francisco, California, by and between TEGSCO, LLC, (Contractor), and the City and County of San Francisco, a municipal corporation (City), acting by and through its Municipal Transportation Agency (SFMTA).

Recitals

- A. City and Contractor have entered into the Agreement (as defined below).
- B. City and Contractor desire to modify the Agreement on the terms and conditions set forth herein to increase the contract amount by \$17.0 million, for a total amount not to exceed \$138.4 million, to fund the balance of the contract term through March 2026, and update standard contractual clauses.
- C. The Agreement was competitively procured as required by San Francisco Administrative Code Chapter 21.1 through a Request for Proposals (RFP), and this Amendment is consistent with the terms of the RFP and the awarded Agreement.
- D. This is a contract for Services. There is a Local Business Enterprise (LBE) subcontracting commitment of 20% and this Amendment is consistent with that requirement.
- E. The SFMTA Board of Directors approved the Agreement by Resolution 16-424, adopted on February 16, 2016; the Board of Supervisors approved the Agreement Resolution 99-16 on March 15, 2016
- F. The SFMTA has filed Ethics Form 126f4 (Notification of Contract Approval) because this Agreement, as amended herein, has a value of \$100,000 or more in a fiscal year and required the approval of City's Board of Supervisors.

NOW, THEREFORE, Contractor and the City agree as follows:

Article 1 Definitions

The following definitions shall apply to this Amendment:

1.1 Agreement. The term "Agreement" shall mean the Agreement dated April 1, 2016 between Contractor and City, as amended by the:

First Amendment, dated October 1, 2016,

First Amendment, dated November 17, 2017

Second Amendment, dated July 1, 2019,

Third Amendment, dated April 1, 2021,
Fourth Amendment, dated April 11, 2022,
Fifth Amendment, dated April 12, 2022,
Sixth Amendment, dated June 17, 2022,
Seventh Amendment, dated November 2022, and
Eighth Amendment, dated May 22, 2023

1.2 San Francisco Labor and Employment Code. As of January 4, 2024, San Francisco Administrative Code Chapters 21C (Miscellaneous Prevailing Wage Requirements), 12B (Nondiscrimination in Contracts), 12C (Nondiscrimination in Property Contracts), 12K (Salary History), 12P (Minimum Compensation), 12Q (Health Care Accountability), 12T (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions), and 12U (Sweatfree Contracting) are redesignated as Articles 102 (Miscellaneous Prevailing Wage Requirements), 131 (Nondiscrimination in Contracts), 132 (Nondiscrimination in Property Contracts), 141 (Salary History), 111 (Minimum Compensation), 121 (Health Care Accountability), 142 (City Contractor/Subcontractor Consideration of Criminal History in Hiring and Employment Decisions), and 151 (Sweatfree Contracting) of the San Francisco Labor and Employment Code, respectively. Wherever this Agreement refers to San Francisco Administrative Code Chapters 21C, 12B, 12C, 12K, 12P, 12Q, 12T, and 12U, it shall be construed to mean San Francisco Labor and Employment Code Articles 102, 131, 132, 141, 111, 121, 142, and 151, respectively.

1.3 Other Terms. Terms used and not defined in this Amendment shall have the meanings assigned to such terms in the Agreement.

Article 2 Modifications to the Agreement

The Agreement is modified as follows:

2.1 Section 3.3.1 (Payment) of the Agreement is replaced in its entirety to read as follows:

3.3.1 Payment. Contractor shall provide an invoice to the SFMTA on a monthly basis for Services completed in the immediately preceding month, unless a different schedule is set out in Appendix B, "Calculation of Charges." Compensation shall be made for Services identified in the invoice that the SFMTA's designee, in his or her sole discretion, concludes have been satisfactorily performed. Payment shall be made within 30 calendar days of receipt of the invoice unless the City notifies the Contractor that a dispute as to the invoice exists. In no event shall the amount of this Agreement exceed \$138,400,000 (One Hundred Thirty Eight Million Four Hundred Thousand Dollars). The breakdown of charges associated with this Agreement appears in Appendix B, "Calculation of Charges," attached hereto and incorporated by reference as though fully set forth herein. In no event shall City be liable for interest or late charges for any late payments.

Article 3 Effective Date

Each of the modifications set forth in Articles 2 shall be effective on and after the date of this Amendment.

Article 4 Legal Effect

Except as expressly modified by this Amendment, all of the terms and conditions of the Agreement shall remain unchanged and in full force and effect.

IN WITNESS WHEREOF, Contractor and City have executed this Amendment as of the date first referenced above.

[Signatures on next page.]

<p>CITY</p> <p>San Francisco Municipal Transportation Agency</p> <hr/> <p>Jeffrey P. Tumlin Director of Transportation</p> <p>Authorized By:</p> <p>Municipal Transportation Agency Board of Directors</p> <p>Resolution No: _____</p> <p>Adopted: _____</p> <p>Attest: _____ Secretary to the Board</p> <p>Board of Supervisors</p> <p>Resolution No: _____</p> <p>Adopted: _____</p> <p>Attest: _____ Clerk of the Board</p> <p>Approved as to Form:</p> <p>David Chiu City Attorney</p> <p>By: _____ Isidro Jimenez Deputy City Attorney</p>	<p>CONTRACTOR</p> <p>TEGSCO, LLC</p> <hr/> <p>Frank Mecklenburg CEO</p> <p>City Supplier Number: 48588</p>
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