

THIS PRINT COVERS CALENDAR ITEM NO. :10.9

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Finance Administration and Information Technology

BRIEF DESCRIPTION:

Authorizing the Director of Transportation to issue a Request for Proposals for SFMTA Contract No. 2014-48 for Towing and Storage of Abandoned and Illegally Parked Vehicles, and to negotiate a contract for these services with the highest-ranked proposer for a term of five years, with the option to extend the contract for an additional five-year term.

SUMMARY:

- The existing agreement for towing and storage of illegally-parked and abandoned vehicles will expire on July 31, 2015.
- Under the current agreement, the towing contractor is paid based on tow volume methodology, which became an issue as annual tow volume dropped steadily from 71,060 in 2005 to 43,861 in 2014.
- Under the proposed new contract, the contractor will submit a management fee-based cost proposal, plus a variable tow fee to pay tow truck operators that can fluctuate to accommodate any future changes to annual tow volume; revenues collected for towing and storage fees will be received by the SFMTA
- The new model gives the agency the authority and flexibility to set one towing and storage fee (instead of two “tow contractor” and “administrative” towing fees).
- Additionally, the new agreement will look at ways to reduce the fees currently charged to the public, including reducing operating costs associated with the towing program.
- It is expected that the Board will be asked to approve a new contract in early 2016.

ENCLOSURES:

1. SFMTAB Resolution

APPROVALS:

DATE

DIRECTOR _____

6/9/15

SECRETARY _____

6/9/15

ASSIGNED SFMTAB CALENDAR DATE: June 16, 2015

PURPOSE

Authorize the Director of Transportation to issue a Request for Proposals for SFMTA Contract No. 2014-48 for Towing and Storage of Abandoned and Illegally Parked Vehicles, and negotiate a contract for these services with the highest-ranked proposer for a term of five years, with the option to extend the contract for an additional five-year term.

GOAL

This item supports the following Strategic Plan Goals:

Goal 1: Create a safer transportation experience for everyone

Goal 2: Make transit, walking, bicycling, taxi, ridesharing and carsharing the most attractive and preferred means of travel

Goal 3: Improve the environment and quality of life in San Francisco

DESCRIPTION

The City, through the SFMTA, is responsible for maintaining clean, safe and functional streets for its citizen's use, as well as maximizing the amount of available on-street parking and providing congestion management. Efficiently controlling and removing illegally parked and abandoned vehicles is critical to both mandates. The current agreement with San Francisco AutoReturn (AutoReturn) for these services has been in place since August 2005 and will expire at the end of July 2015.

AutoReturn, on behalf of the SFMTA, manages a network of tow truck operators from ten towing firms, both from San Francisco and other parts of the Bay Area. In FY2014, the SFMTA received approximately \$11 million in revenue, based on a cost recovery fee model. AutoReturn also operates two facilities on behalf of the City, a customer service center and primary storage facility on 7th and Bryant streets, and a long-term storage facility that is also the location for lien sale auctions once every two weeks. In addition, the San Francisco Police Department (SFPD) has storage space for police investigative holds at both facilities.

The current agreement has been largely successful at a customer service level, resulting in a reduction of non-fee related complaints from an average of 20 per month to 1-3 per quarter and the automation of processes, including coordination of Enforcement's tow desk with the contractor's dispatch center, vehicle inventory tracking and lien sale auctions, and vehicle release to customers.

In the upcoming RFP, other technology-dependent requirements, such as reporting capabilities, will be updated to reflect current automation options, and the leasing of the primary storage lot at 7th Street will be transferred from AutoReturn to the SFMTA. The Contract Compliance Office has set a Local Business Enterprise goal for this agreement of 20%.

Challenges

The two biggest challenges under the current agreement have been paying the contractor based on tow volume, and the amount of cost recovery fees charged to the public. While fee waivers for stolen

vehicles are under review as part of the existing contract extension, additional ways to reduce operating costs will be evaluated for the new contract to support cost recovery fee reductions (e.g., implementing technology that can reduce program costs).

Business Model Modification – Moving Away from Tow Volume Methodology

For the new contract, the SFMTA recommends changing from a tow volume methodology to a management fee methodology. The SFMTA currently receives cost recovery administrative towing and storage fees, a referral fee, and one percent of the annual gross revenue. The contractor is paid directly by the public through the contractor’s towing fee, daily contractor storage fees, vehicle transfers between storage facilities (when applicable), and lien sale revenue. This arrangement created a model whereby the Contractor’s compensation for expenses and profit margin is dependent on the stability of towing volume, which is contrary to the policy of attempting to reduce the number of tows.

Since the agreement’s inception, tow volume has decreased as summarized in the table below.

Tow Volume	
Year	Amount
2005	71,060
2006	66,465
2007	66,559
2008	67,050
2009	62,645
2010	53,745
2011	50,954
2012	50,122
2013	44,432
2014	43,861

Under the new agreement, the Contractor will submit a management fee-based cost proposal, plus a variable tow fee to pay tow truck operators that can fluctuate to accommodate any future changes to annual tow volume. As a result, all revenues collected for towing and storage fees will be received by the SFMTA, which gives the agency the authority and flexibility to set one towing and storage fee (instead of two “tow contractor” and “administrative” towing fees).

Additionally, the new agreement will allow for the implementation of new technologies and processes to reduce operating costs, which will result in lower costs associated with administering the program that can be passed on to the public.

Modifications between the existing agreement and the proposed agreement are summarized in the table below:

Current Agreement	Proposed Agreement
Contractor expenses are paid by the public. In addition, the contractor collects cost recovery administrative towing and storage fees on behalf of the SFMTA.	The SFMTA will reimburse the contractor for services provided based on the selected vendor’s cost proposal submission. Elements of the cost proposal are: <ul style="list-style-type: none"> • Monthly Fixed Management Fee 1: 7th Street primary storage facility • Monthly Fixed Management Fee 2: Bayshore long-term storage facility • Variable Per Tow Fee
Public pays four fees*: <ul style="list-style-type: none"> • Contractor’s Towing Fee (\$220.75) • Contractor’s Storage Fee (\$64.00)/day • SFMTA Administrative Tow Fee (\$263.00) • SFMTA Administrative Storage Fee (\$2.75/day) 	Public will pay two fees*: <ul style="list-style-type: none"> • SFMTA Administrative Tow Fee (amount TBD) plus • SFMTA Administrative Storage Fee (amount TBD)
SFMTA can calculate cost recovery for its own fees, but does not have access to contractor costs.	SFMTA will be able to set one towing and one daily storage fee based on the amount of cost recovery needed to support the towing program and transit operations.
Does not incorporate new technology and improve business processes, which results in higher costs	Will allow for a reduction in operating costs by requiring administrative efficiencies

* Additional fees are incurred for oversized vehicles, for vehicles requiring flat bed or dolly tows, or for vehicles that were transferred after 48 hours from the primary storage facility to the long-term storage facility.

PUBLIC OUTREACH

The SFMTA has received concerns from the public and from policy makers related to number and amount of the fees associated with this program, which are currently based on a cost recovery model. The SFMTA has made a commitment to look at ways to reduce these fees in the new agreement.

ALTERNATIVES CONSIDERED

The alternative would be to seek a longer extension to the current agreement and not go out for competitive procurement. This alternative is not acceptable both from a contracting best practices perspective and from the perspective of keeping the current business model and related fees in place.

FUNDING IMPACT

The actual budgetary impact will not be known until the agreement is negotiated and the associated new fees are approved by the SFMTA Board. Under the new agreement, the SFMTA will pay the contractor for services through a fixed monthly management fee and a reimbursed towing fee that will adjust based on future fluctuations in the number of vehicles towed.

ENVIRONMENTAL REVIEW

Issuance of the RFP is not a “project” under CEQA Guidelines Section 15378 and 15060(c)(2) because it does not result in a physical change to the environment. It is therefore not subject to CEQA review.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

No other approvals are required to release the RFP. The new agreement will require approvals from both the SFMTA Board and the Board of Supervisors. The City Attorney’s Office has reviewed this item.

RECOMMENDATION

The recommendation is to authorize the Director of Transportation to issue a Request for Proposals for SFMTA Contract No. 2014-48 for Towing and Storage of Abandoned and Illegally Parked Vehicles, and to negotiate an agreement for these services with the highest-ranked proposer for a term of five years, with an option to extend the agreement for an additional five-year term.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, The City, through the SFMTA, is responsible for maintaining clean, safe and functional streets for its citizen's use, as well as maximizing the amount of available on-street parking and providing congestion management; and

WHEREAS, Efficiently controlling and removing illegally parked and abandoned vehicles is critical to both mandates; and

WHEREAS, The current towing agreement has been in place since August 2005, and will expire at the end of July 2015; and,

WHEREAS, For the proposed agreement, the SFMTA recommends changing from a tow volume methodology to a management fee methodology because annual tow volume has decreased from 71,060 in 2005 to 43,861 in 2014; and,

WHEREAS, The tow volume methodology created a model whereby the contractor's compensation for expenses and profit margin was dependent on the stability of towing volume, which is contrary to the policy of attempting to reduce the number of tows; and,

WHEREAS, Under the new agreement, the contractor will submit a management fee-based cost proposal, plus a variable tow fee to pay tow truck operators that can fluctuate to accommodate any future changes to annual tow volume; and,

WHEREAS, All revenues collected for towing and storage fees under the new agreement will be received by the SFMTA, which gives the agency the authority and flexibility to set one towing and storage fee (instead of two "tow contractor" and "administrative" towing fees) at an appropriate level; and,

WHEREAS, The new agreement will incorporate new processes and updated technologies to reduce the costs of administering the program and thus, the fees charged the public; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation or his designee to issue a Request for Proposals for San Francisco Municipal Transportation Agency Contract No. 2014-48 for Towing and Storage of Abandoned and Illegally Parked Vehicles, and to negotiate an agreement for these services with the highest-ranked proposer for a term of five years, with the option to extend the agreement for an additional five-year term.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of June 16, 2015.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency