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Report regarding a resolution amending the City of South San Francisco's Master Fee Schedule to reduce the service franchise fee for police-generated tows.(Master Sergeant Danny Gil)

RECOMMENDATION

It is recommended that the City Council adopt a Resolution to amend the Master Fee Schedule to lower the specified franchise fee for police-generated vehicle tows from \$50 to \$20 per vehicle.

BACKGROUND/DISCUSSION

The City of South San Francisco (City) has a regular and ongoing need to have tow companies available to tow vehicles from public roadways for a variety of reasons, including the removal of vehicles disabled by mechanical breakdowns or collisions, vehicles left abandoned, vehicles with excessive unpaid parking citations (five or more unpaid citations) and vehicles being driven by persons with suspended licenses or who are being arrested. These City requested tows are regulated by California State law and are facilitated through the Police Department. The City regulates all tow services, including police-generated tows, through Chapter 6.64 of the Municipal Code. Over the past five years, the City has averaged more than 748 police-generated tows annually.

Section 12110(b) of the California Vehicle Code (CVC) allows a municipality to establish franchise agreements for police-generated tows and to charge a fee to reimburse the municipality for the reasonable costs incurred with managing the towing franchise program. Based on this State law, the City established a franchise fee of \$50 for each police-generated vehicle tow to be paid by the tow company to the Police Department to defray the costs of administering the program.

Through the police-generated tow program, the Police Department utilizes the services of three approved towing companies (Action Towing, Bob Jr's Towing and Courtesy Tow) who are all parties to a franchise towing agreement with the City to perform police-generated tows on a rotational tow program. By joining the City's rotational tow program, these three tow companies submit to police background checks on all of their tow truck drivers to ensure the hiring of honest and trustworthy employees to provide the best service to the

public involved in police-generated tows.

Franchisee Feedback

The franchise towing agreement contract is renewed every three years. In January 2019, the contract expired, and a meeting was held between the three franchise tow companies and the Police Department. During this meeting, franchise fees were discussed at length. The tow companies' owners expressed concern about the overall costs of participating in the Police Department's rotational tow program. After explaining the financial difficulties of the Police tow program, the tow companies requested the current franchise fees be reviewed for consideration of having the fees lowered prior to committing themselves to a new contract with the City.

The three current City approved tow companies participating in the rotational tow program have proven themselves to be credible and reliable resources in assisting the City with the necessary removal of vehicles from the City streets. Because these companies have submitted their drivers to police background checks through the years, the current tow companies have established trustworthy employees who the Police Department trust to work with the public during police-generated towing. Losing these three companies would significantly impede the Police Department's ability to properly remove vehicles needing to be towed from the City streets, since the Police Department regulates the tow companies' response times to police-generated tows. Because of this longstanding good-working relationship between the City and these three towing companies, the Police Department agreed to carefully consider the company owners' feedback regarding the franchise fees.

The franchisees explained they are facing significantly more financial pressures today than they were several years ago to include increased insurance and rent prices. Combined with these factors decreasing their profits, the franchisees pointed to the specific issues related to towing and storing of abandoned vehicles for the City. The tow companies are compensated for towing abandoned vehicles either when the vehicles were claimed by owners or by selling the vehicle at the end of the State-mandated storage period (The State requires tow companies to store abandoned vehicles valued under \$4,000 for 30 days, at the end of which they can dispose of them. Tow companies generally lien-sell these vehicles at auction or sell them to junkyards.)

The tow companies explained as few as 22 percent of these abandoned vehicles are reclaimed by the owners (who then pay the original tow and daily storage fees). For approximately 78 percent of the abandoned vehicle tows, the tow companies must try to recoup their expenditures by lien-selling or junking (depending on its value) the vehicle. Market factors, including decreased value for metal have negatively impacted the likelihood of the tow companies making a viable profit with respect to those vehicles that are sold to junkyards. Additional factors include the increased costs of disposing hazardous materials, such as paint and other chemicals, commonly found inside of abandoned vehicles.

After examining the costs and benefits of participating in the City's tow program, the owners concluded it was no longer financially beneficial for them to provide towing services specifically due to the \$50 service franchise fee per police-generated tow.

Additional Information

The Police Department has reviewed the issue of decreased financial viability of towing and storing abandoned vehicles as described by the tow company owners and found it to be reasonable. Attachment I contains a chart illustrating the steady increase in the number of police-generated tows of abandoned vehicles over the past five years. In 2015 there were 180 vehicles towed for 72-hour parking violations compared to 321 vehicles towed in 2018.

Additionally, prior to State law changes in 2012, vehicles could be towed and stored for a 30-day impound, after the drivers were found to be unlicensed at sobriety DUI checkpoints or during lawful traffic stops on public roadways. Since most of the vehicles were valuable and in good condition, the vehicles towed and stored under these laws were later retrieved by the registered owners. This resulted in the tow companies receiving reimbursement for the tow and 30-days' worth of storage fees.

The 2012 adoption of sections 2814.2 and 14602.6 of the California Vehicle Code no longer allowed the police to tow vehicles for 30-day impounds when the driver was found to be unlicensed. Attachment II shows the number of police-generated vehicle tows that have substantially dropped. This information is significant to this proposal because prior to 2012, tow company participation with the Police Department franchise agreement was more profitable than it is today due to the higher number of retrieved vehicles from these 30-day impounds. The tow company owners report that the financial burden of the franchise fee is more significant today than it was prior to 2012.

Finally, as is standard State-wide, the Police Department determines how much tow companies can charge the public for police-generated tows. The tow rates allowed to be charged to the public in South San Francisco for police-generated tows are among the lowest rates in San Mateo County. In addition to regulating these tow rates, the Police Department has placed a cap of \$75 for after hour fees which are referred to as "gate fees," while other cities typically charge half the rate of a tow (up to \$150) for "gate fees." Attachment III shows tow rate comparisons of San Mateo County cities. Historically this has been at the council's discretion to keep the fees to our residents reasonable.

During the meeting with the franchisees, none of the tow company owners were opposed to increasing the tow rates to match other cities in San Mateo County. However, the owners stated the overall issues with their financial burden due to the service franchise fee would remain. Moreover, increasing the overall tow rates would have a financial impact on the public while reducing the service franchise fee would have no such impact on the public.

Although section 12110(b) CVC allows police agencies to charge a franchise fee, our City is the only city in San Mateo County that opted to do so. The City of South San Francisco is the only San Mateo County city charging these franchise fees.

After discussing the issue with the tow company owners and examining the facts as described above, the Police Department proposes the franchise fee be lowered from \$50 per police-generated tow to \$20.

FISCAL IMPACT

Currently the three participating tow companies pay a combined approximate total of \$37,400 annually in franchise fees (based on \$50 per tow and an average of 748 tows per year).

If this proposal is adopted and the franchise fee is lowered to \$20 per tow, the tow companies will pay approximately \$14,960 per year.

CONCLUSION

It is recommended that the City Council adopt a Resolution to amend the Master Fee Schedule to lower the

specified franchise fee for police-generated vehicle tows from \$50 to \$20 per vehicle.

ATTACHMENTS

- I. Abandoned Vehicle Towed
- II. Pre and Post 2814.2 CVC
- III. Gate Fees