



CITY OF MORGAN HILL

CITY COUNCIL STAFF REPORT

MEETING DATE: June 3, 2020

PREPARED BY: Mario Ramirez,
APPROVED BY: City Manager

APPROVE AGREEMENT WITH COMMUNITY TOWING FOR POLICE INITIATED TOW SERVICES

RECOMMENDATION(S)

Approve and authorize the City Manager to execute and administer an agreement with Community Towing.

COUNCIL PRIORITIES, GOALS & STRATEGIES

Ongoing Priorities

Enhancing Public Safety

2020-2021 Strategic Priorities

Financial Sustainability

GUIDING DOCUMENTS

Public Safety Master Plan

REPORT NARRATIVE:

The City contracts police tow services for all police generated tows. The current contract expires on June 30, 2020. The purpose of this report is to summarize the results of the recent RFP process and request the Council's approval and authorization to enter into a new agreement for these needed services. The proposed term of the new service agreement is five years, starting on July 1, 2020, with an option to extend for two additional years.

In 2009, Council approved the implementation of the Franchise Tow Program (Program) designed to recover costs associated with the police generated tow for the removal and impound of vehicles. The City executed Franchise Tow Agreements to tow, impound, and release vehicles as authorized by 22850.5 of the California Vehicle Code. Per the Franchise Agreements, tow companies were required to pay the City 20% of the revenue received from police ordered tows. This included revenue from the tow fees, storage fees, and proceeds from vehicle lien sales when applicable. Revenue received from the tow companies was intended to offset City costs related to vehicle tows. The Police Department administered the program and was responsible for tracking all tow, monitoring revenues received, conducting audits of the tow companies, and holding regular meetings with the tow companies.

In 2011, City staff, in partnership with the tow companies, conducted an evaluation of the program and determined the Program administration was labor-intensive and cumbersome in that it kept the officer(s) who supervised the program away from patrol and other critical duties. As a result of the evaluation, changes to the program were made including transition from a percentage revenue split to a fixed fee charge. Council

approved a tow fee per police ordered vehicle of \$97.00 at that time. The revised program has significantly reduced the time required to administer the program. The program has set a consistent rate by tow companies for each tow and storage of vehicles as well as requiring background checks of tow drivers, and a fee structure that ensures 100% cost recovery to the City.

In 2018, City Staff again conducted a review of the program and learned that the current allowable charge for towing and storing of the vehicle was lower than those of our neighboring jurisdictions, including the Santa Clara County Sheriff's Office and the California Highway Patrol. Through this review, Council approved increasing the tow fee charges by towing companies from \$180.00 per hour to \$225.00 per hour, as well as an increase in the storage fee from \$60.00 per day to \$100.00 per day. The franchise tow fees, paid by the towing companies to the City, were also increased from \$97.00 per police ordered vehicle tow to \$128.00 per police ordered vehicle tow.

The Police Department issued a Request for Proposal on April 2, 2020 for police generated tows. One bid was received on the due date of May 1, 2020. The RFP was posted on the City website and was sent to each of the three local tow companies. Community Towing was the only tow company to submit a proposal and attend the mandatory pre-proposal conference. Community Towing's qualifications outlined in their proposal both meet and exceed the criteria set forth in the RFP. Community Towing is currently one of the franchise tow service providers and has an Agreement with the City with a term ending on June 30, 2020.

City Staff evaluated current tow fee rates and the franchise tow fee to ensure 100% cost recovery. City Staff is recommending an increase in tow charges from \$225.00 per hour to \$245.00 per hour, with a three percent escalator for each subsequent year, not to exceed \$275.00 per hour in year five of the Agreement. In addition, City Staff is recommending an increase in the franchise tow fee from \$128.00 per police ordered vehicle tow to \$132.00 per police ordered vehicle tow. Besides the franchise tow fee, the City also charges the vehicle owners \$165.00 per vehicle to release the vehicle.

The primary changes to the proposed Agreement allow the tow company to increase its rates for towing and increases the per vehicle franchise fee paid by the tow company to the City. City staff recommend entering into a new Agreement for five years with Community Towing, at which time the program will be reevaluated to ensure all Council directed program goals are being met. The new Agreement sets forth rates for the tow company as well as requires background checks of tow drivers and maintains a fee structure that provides 100% cost recovery for the City to administer the program.

COMMUNITY ENGAGEMENT: Inform

This report serves to inform the community of the Tow Agreement between the City and Community Towing.

ALTERNATIVE ACTIONS:

Should the Council not approve this Agreement, the City would not maximize cost recovery for this program. The absence of this Agreement precludes the tow company

from having to pay the franchise tow fee. Additionally, having this Agreement in place guarantees a tow response within thirty minutes, which is necessary to clear traffic collisions, continue the flow of traffic, and maintain safety of the roadway.

PRIOR CITY COUNCIL AND COMMISSION ACTIONS:

In 2009, the Council approved the implementation of the Franchise Tow Program to recover the costs associated with police generated tows. Those Agreements called for tow companies to pay the City 20% of the revenue received from the police-related tow.

In 2011, because the management of the tow program was overly labor-intensive, the program was modified to a flat fee, instead of the 20% share, per police tow.

In 2018, the Council approved the increase in tow and storage fees, along with an increase to the franchise tow fee.

FISCAL AND RESOURCE IMPACT:

This Agreement will help ensure 100% cost recovery for police ordered tows. The program has generated on average \$67,000/year in revenues for the last two fiscal years. The revenues are deposited into the General Fund (010), where the associated expenditures to administer the program are included.

CEQA (California Environmental Quality Act):

Not a Project. Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

LINKS/ATTACHMENTS:

1. Community Tow RFP
2. Tow Agreement 2020