

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: JOHN E. SNETSINGER, LIEUTENANT
SUBJECT: APPROVAL OF TOW VENDOR FRANCHISEE LIST FOR
POLICE-GENERATED TOWS, AND REVISION OF FRANCHISE
FEE

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Police Department that the Council, by resolution, pursuant to Chapter 6-84 of the Santa Rosa City Code, Franchise for Police Generated Tows: 1) approve the City tow vendor franchisee list; and 2) revise the related franchise fee to a per vendor fee.

EXECUTIVE SUMMARY

The Police Department recommends the approval of the rotational tow vendor franchisee list and the revision of the franchise fee per vendor to reduce the economic burden on operators. Additionally, the revised fee will be in line with estimated program costs. The current Tow Vendor Franchise Agreements terminate on August 31, 2016. The Department, at its discretion, has elected to extend the term of the Agreements until August 31, 2017.

BACKGROUND

1. Prior to 2004, the City contracted with local tow vendors under a Master Tow Agreement to provide tow services to remove stopped, standing, parked and hazardous vehicles from public streets, roads and private property on a rotating basis. They also provide qualified storage facilities.
2. On July 13, 2004, the City of Santa Rosa adopted Chapter 6-84 of the Santa Rosa City Code authorizing the City Council to grant franchises to one or more tow operators for police generated tow services. A \$30,000 total franchise fee was set at the time and split between 11 franchisees, resulting in a fee of \$2,727.

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3. Resolution No. 26291, approved by Council on June 16, 2005, amended the total franchise fee to \$50,000 per year, divided among the 11 tow franchise operators, resulting in a fee of \$4,500.
4. Currently, there are seven tow operators, resulting in an annual fee of \$7,143. Several tow operators have opted out of the program due to the expense of the franchise fee.
5. California Vehicle Code Section 12110 authorizes a public agency to charge a fee in connection with the rotational tow vendor service. The fee “may not exceed the amount necessary to reimburse the public entity for its actual and reasonable costs incurred in connection with the towing program.” The franchise fee of \$50,000 established in 2005 was based on an estimated program cost of \$242,246 for all towed vehicles.

PRIOR CITY COUNCIL REVIEW

July 13, 2004 – Resolution No. 26019 adopting Chapter 6-84 authorizing the Council to grant franchises to one or more tow operators for police-generated tows.

July 13, 2004 – Resolution No. 26020 established a fee in connection with the award of franchises for towing vehicles for the City of Santa Rosa. The fee for Fiscal Year 2004/2005 was \$30,000 per annum divided by the number of franchises in effect September 1, 2004.

June 16, 2005 – Resolution No. 26291 amended the fee to \$50,000 in connection with the award of franchises for towing vehicles for the City of Santa Rosa, divided by the number of tow franchises in effect on September 1, 2005.

October 10, 2006 – Resolution No. 26681 approved a second amendment to the tow franchise agreement increasing the tow operators’ flat rate tow fee from \$160 to \$175.

August 26, 2008 – Resolution No. 27190 approved a third amendment to the tow franchise agreement increasing the tow operators’ flat rate tow fee from \$175 to \$190.

August 18, 2009 – Resolution No. 27458 approved the extension of the Franchise Agreement for vehicle tow services for the City of Santa Rosa, and that the Franchise fee may be adjusted hereafter by Council effective July 1 of each year.

August 14, 2012 – Resolution No. 28178 approved an amendment to the tow franchise agreement increasing the tow operators’ flat rate tow fee from \$190 to \$200.

August 27, 2013 – Resolution No. 28337 granted vehicle tow franchises and authorized franchise agreements with various tow vendors. It also authorized the Chief of Police or

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designee to approve amendments to the Franchise Agreements, subject to requirements of Chapter 6-84 of the Santa Rosa City Code.

ANALYSIS

1. In the past ten years, there has been a decrease in the number of participating vendors. There were 11 tow vendor franchisees prior to the 2005 franchise fee increase from \$30,000 to \$50,000. There are currently 7 participating vendors. Tow vendors report the current fee schedule is unworkable as they have suffered severe decreases in franchise agreement related revenues due to changes providing alternatives to impounding vehicles which have led to a significant reduction in the number of towed vehicles, from several thousand a year to a few hundred.

POLICE-GENERATED TOWS				
Tow Volume and Estimated Vendor Revenue				
YEAR	Total Tows	Average Estimated Calls per Vendor	Estimated Tow Vendor Revenues	% Difference from Base Year
2009 (baseline)	2,282	285	\$ 42,788	N/A
2010	2,276	285	\$ 42,675	-0.26%
2011	1,530	191	\$ 28,688	-33%
2012	1,318	165	\$ 24,713	-42%
2013	1,217	152	\$ 30,425	-29%
2014	1,091	136	\$ 27,275	-36%
2015	516	65	\$ 12,900	-70%
2016 (partial year to 6/30/16)	462	58	\$ 11,550	-73%

2. Staff research of other law enforcement agencies found nominal fees, if any, were charged of tow vendors in the region for law enforcement related tows. Within Sonoma County, tow vendors are charged less than \$500, if anything, to participate in the rotational tow vendor program.
3. Current franchise fees charged are not representative of actual costs of managing the tow vendor program. A decrease in tows has led to a decrease in

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the costs of managing the program. A per vendor franchise fee of \$300 will be sufficient to cover the costs of processing the application and vetting the vendor, based on the City's staff time billable rates.

FISCAL IMPACT

The revision of the \$50,000 franchise fee will result in a reduction in general fund revenue. The City will obtain a revenue from the proposed \$300 per vendor franchise fee. It is anticipated that the fee will generate at least \$2,100 per year. Although a loss of revenue, the change will be beneficial to the public as more vendors may participate in the rotational tow program.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Local tow vendors attended a meeting on July 26, 2016 and were informed of the Department's recommendations to Council.

ATTACHMENTS

- Attachment 1 – Resolution

CONTACT

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