



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Stephen M. Haase

SUBJECT: TOW SERVICES FEE
SCHEDULE AMENDMENT

DATE: May 28, 2004

Approved

Date

COUNCIL DISTRICT: Citywide

RECOMMENDATION

Adoption of a resolution amending Resolution No. 71324 effective July 1, 2004 to:

- a. Increase the flat rate per tow as consideration for the privilege of providing City-generated tows to \$50.95;
- b. Increase the maximum rates that tow contractors may charge vehicle owners for basic tows to \$112.09 per tow.

BACKGROUND

On December 3, 2002 City Council approved Resolution No. 71324 setting the Fee Schedule for Tow Service agreements. The City Manager was directed, as part of the Fees & Charges process, to return beginning July 1, 2004 with a request to annually increase by the San Francisco-Oakland-San Jose Consumer Price Index ("CPI") for Urban Wage Earners and Clerical Workers: (1) the flat rate for consideration for the privilege of providing City-generated tows; and, (2) the maximum rates that tow contractors may charge for basic tows. The City Council intended that the annual CPI adjustment would maintain San Jose's rates competitive with other Cities in the region, without the necessity of opening the Tow Service Agreements on an annual basis. These agreements for a five-year period with a one-year option to renew the agreements without further Council action were subsequently awarded on March 18, 2003.

ANALYSIS

On December 3, 2002 the City Council adopted a Fee Schedule for Tow Service agreements that eliminated storage, impound and lien sale fees due to the City and consolidated to a flat rate for each tow. The City rate for basic tows was increased and all other revenue was left to the tow operators resulting in a revenue neutral system for both the City and the tow company operators. The City also built in a minor periodic rate increase during the six-year period of the agreements that would maintain revenue neutrality and enable tow contractors to maintain adequate levels of cost recovery thereby pushing back the periodic need for rate reviews and extending the period of the tow agreements.

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During the past year, the San Francisco-Oakland-San Jose CPI for Urban Wage Earners and Clerical Workers has increased by 1.9%. Accordingly, it is proposed that the Fee Schedule for Tow Services be amended to: (1) increase the flat rate for consideration for the privilege of providing City-generated tows by \$0.95 from \$50.00 per tow to \$50.95; and, (2) to increase the maximum rates that tow contractors may charge for basic tows by \$2.09 from \$110.00 to \$112.09 per basic tow.

PUBLIC OUTREACH

The City notified the current tow business operators by letter on May 12, 2004 of the proposal to revise the existing Fee Schedule for Tow Services.

COORDINATION

This memorandum has been coordinated with the City Manager's Budget Office and the City Attorney's Office.

COST IMPLICATIONS

As a result of the increase to the flat rate for consideration for the privilege of providing City-generated tows, it is anticipated that additional General Fund revenues of \$9,500 will be generated in FY 2004-2005.

CEQA

Not a project.

STEPHEN M. HAASE, DIRECTOR
Planning, Building and Code Enforcement