



CITY OF BEVERLY HILLS STAFF REPORT

Meeting Date: July 21, 2009
To: Honorable Mayor & City Council
From: David L. Snowden, Chief of Police
Scott G. Miller, Director of Administrative Services and CFO
Subject: Impound Storage Fee Revenue
Attachments: None

INTRODUCTION

Staff has researched the feasibility, costs, and benefits of pursuing additional revenues related to the City's existing outsourced vehicle impound program. The City has the opportunity to generate new revenue from its existing vehicle impound operation by partially insourcing its vehicle storage needs. Modification of this existing program has the potential to redirect over \$234,000 in annual net revenue to the City's General Fund.

DISCUSSION

The Police Department impounds over 2,000 vehicles annually for a variety of reasons. Some common reasons are as follows: the vehicle was parked in a "No Stopping" zone; the vehicle's driver was involved in a crime; the vehicle's registration was expired; the vehicle accumulated excessive unpaid parking citations; the operator's driver's license was suspended, revoked, or never issued.

For decades, the City has outsourced its towing and storage needs for all impounded vehicles. These private companies (hereto after "vendors") are contractually obligated to respond to locations where towing services are requested by the Police Department within 15 minutes of the request, 24 hours a day, 365 days a year, including holidays.

Currently, the City contracts with two vendors for these services. One vendor is used exclusively for oversized vehicle towing (heavy hauling), which accounts for less than 1% of the City's impounds. This vendor's services are wholly excluded from the analysis presented in this proposal.

The other vendor is the exclusive provider of towing and storage services for the remaining 99% of vehicle impounds. This vendor stores all of the City's impounded vehicles at its secured storage facility in Los Angeles (approximately 5 miles from

Meeting Date: July 21, 2009

Beverly Hills) and charges vehicle owners for the towing and storage of vehicles impounded by the Police Department. The vendor is regulated by the Los Angeles Police Commission (LAPC) and charges rates that have been established by the commission and the City of Los Angeles (standard vehicles are currently charged \$107.50 for towing and \$36.30 per day for storage). In addition to collecting its fees, the vendor also collects the City of Beverly Hills' administrative fees that are related to its cost-recovery efforts for impounding vehicles. (The City currently charges \$205.40 for basic impounds and \$247.60 for impounds involving the approval of the Detective Bureau for release). The vendor remits the administrative fees to the City on a monthly basis.

Over the past four calendar years, the City has impounded an average of 2,252 vehicles a year. The reasons that these vehicles were impounded can be broken-down into two categories:

Traffic Related

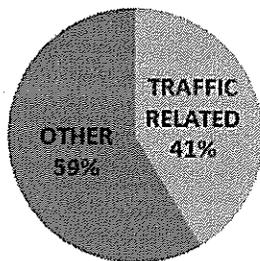
- 30 Day Impounds: A police officer can impound a vehicle for 30 days if it is determined that the vehicle's driver is unlicensed or if the driver's license has been suspended or revoked by the Department of Motor Vehicles.
- Expired Registration: A vehicle on a highway or public land with registration that has been expired for over six months can be impounded.
- Unpaid Parking Citations: A vehicle on a highway or public land with five or more outstanding parking citations can be impounded.

Other

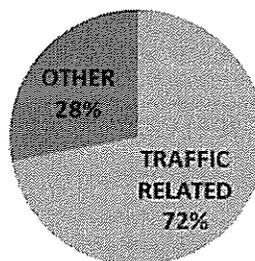
- Parking in No Stopping Zones
- Arrest of Driver (when a Police Officer determines that impounding is necessary)
- All Other Reasons

Since fees for storing impounded vehicles are typically assessed on a daily basis, vehicles that remain stored for extended periods of time generate more revenue than vehicles that are quickly retrieved from impound. Vehicles impounded by the City for "traffic related" violations remain in storage for an average of 8.6 days and account for 41% of all impounds. Those impounded for "other" reasons are only stored for an average of 2.4 days and account for the remaining 59%.

Reasons for Impounds



Storage Fee Revenue



Meeting Date: July 21, 2009

Although vehicles impounded for "traffic related" violations are a minority of the City's impounds, they account for the vast majority (approximately 72%) of revenue generated from storage fees. Staff estimates that over \$288,000 in gross annual revenue can be generated in storage fees for vehicles impounded for "traffic related" violations.

Proposal

The City has the opportunity to generate new revenue from its existing vehicle impound operation by partially insourcing its vehicle storage needs. By storing vehicles impounded for "traffic related" violations on City property, storage fees that currently profit a private vendor could contribute to the City's General Fund. The City would generate over 70% (\$288,000) of the revenue that is associated with its current vehicle impound operation while storing just over 40% of the total vehicles impounded. The remaining 60% of impound vehicles that proportionally do not generate a significant amount of revenue (and would disproportionately increase the City's operational burden if stored on City property) could continue to be stored at the vendor's private facility.

If the City partially insourced its vehicle storage needs, it would need to develop a process to remove and dispose of vehicles that are not retrieved by their owners. The industry standard procedure for disposing of unretrieved impounded vehicles involves placing a lien on the vehicle and auctioning it to the highest bidder at a lien sale.

Based on City records, approximately 14% of vehicles impounded for "traffic related" violations (134 per year) are not retrieved by their owners and are eventually auctioned at lien sale. In 2007, the City of Long Beach (which stores all of the vehicles it impounds, regardless of their condition) received an average of \$526 for each vehicle that was sold at auction. Since the City of Beverly Hills would only store vehicles impounded for "traffic related" violations, all of its vehicles would be presumed operational and able to command an average selling price of at least \$550. The gross lien sale revenue that would be generated by this portion of the vehicle storage program is estimated at \$73,700 annually.

The single largest challenge of storing impounded vehicles in the City of Beverly Hills is securing a facility that can accommodate the storage of up to 60 vehicles. Additionally, this storage facility would need to be accessible by tow trucks, and secured to prevent damage and unauthorized access to vehicles in inventory.

The City-owned secured garage at 336 Foothill Road (the former Virgin Records building) could be used by the City to store its impounded vehicles. This facility is currently used by City employees to park their personal vehicles. However, these vehicles could alternatively be parked in the Civic Center parking structure or in designated parking spaces within the newly-constructed 9333 West Third Street parking garage (adjacent to the 331 Foothill Road Building), leaving the secured garage at 336 Foothill Road available for the storage of impounded vehicles. As this facility is currently configured, it is capable of storing 61 vehicles. With some changes, staff believes that the facility could be configured to store up to 80 vehicles. Additionally, this facility would require minor security retrofitting, at the approximate cost of \$15,000, to ensure that it is fully secured.

Staff proposes that the Police Department's Traffic Bureau be responsible for the operation of the vehicle impound storage program. This bureau currently oversees the release process for vehicles impounded for "traffic related" violations and has experienced personnel in-place who can capably operate this new program.

Meeting Date: July 21, 2009

In order to effectively and efficiently insource this vehicle storage operation, the City would need to create a new full-time position in the Safety Support bargaining unit. This position would be assigned to the Police Department and would be supervised by a Police Sergeant in the Traffic Bureau. This position would be responsible for the day-to-day operations of the storage facility, accepting towed vehicles delivered to the facility by the vendor, releasing vehicles to their owners, processing lien sale documents, and conducting lien sale auctions. The cost for this additional employee including salary and benefits would be commensurate with a civilian Traffic Control Officer and is estimated at \$92,000 per year.

FISCAL IMPACT

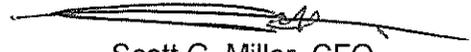
If the City adopted a rate of \$36.30 per day for the storage of impounded vehicles (which is commensurate with the fees currently charged by the vendor and the City of Los Angeles), over \$1 million of net new General Fund revenue could be generated over the next four years. The net revenue for the first full year of this program is estimated to total \$234,242.

SUMMARY OF PROPOSED REVENUES AND EXPENSES				
REVENUES	YEAR 1	YEAR 2	YEAR 3	YEAR 4
VEHICLE STORAGE REVENUE	\$288,142	\$296,786	\$305,690	\$314,861
LIEN SALE REVENUE	\$73,700	\$75,911	\$78,188	\$80,534
TOTAL REVENUES	\$361,842	\$372,697	\$383,878	\$395,395
EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4
SALARY AND BENEFITS	\$92,000	\$94,760	\$97,603	\$100,531
LIEN SALE EXPENSES	\$20,600	\$21,218	\$21,855	\$22,510
FACILITY RETROFITS	\$15,000	-	-	-
TOTAL EXPENSES	\$127,600	\$115,978	\$119,458	\$123,041
NET REVENUE	\$234,242	\$256,719	\$264,420	\$272,354

RECOMMENDATION

It is recommended that the City Council provide direction to staff on whether to proceed with the development of additional revenues related to the proposed vehicle storage program.


 David L. Snowden, Chief of Police
 Approved By


 Scott G. Miller, CFO
 Approved By