



## **CITY OF BEVERLY HILLS STAFF REPORT**

**Meeting Date:** September 15, 2009  
**To:** Honorable Mayor & City Council  
**From:** David L. Snowden, Chief of Police  
**Subject:** Vehicle Impound Storage Program  
**Attachments:** None

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### **INTRODUCTION**

Based on direction provided by the City Council at its July 21, 2009 meeting, staff has further explored the feasibility, costs, and benefits of pursuing additional revenues related to the City's existing, outsourced vehicle impound program and the use of underutilized City property for vehicle storage. This research has identified additional options for vehicle impoundment and storage. These options would allow the City to make productive use of property that is currently generating no revenue and offset over \$1,100,000 in City expenses over the next five years.

### **BACKGROUND**

At the City Council's July 21, 2009 meeting, staff proposed the development of a program wherein a portion of the 2,200 vehicles impounded annually by the Police Department would be stored in a City-owned facility. This program would be a clear change from the current practice of storing impounded vehicles at a private facility in West Los Angeles. The use of City facilities to store vehicles would allow the City, rather than an outside vendor, to collect the daily storage fees paid by vehicle owners. Furthermore, this program would provide a more convenient and accessible location for citizens whose vehicles are impounded by the Police Department to retrieve their vehicles. The scope of this proposal excluded about 50% of impounds that are likely to involve residents of Beverly Hills.

One limitation on this proposal is that the City cannot make a profit from daily storage fees. State law requires that a fee may not exceed the estimated reasonable cost of providing the service or facility for which the fee is charged. A fee that exceeds such costs may be considered a special tax that would require voter approval. The benefit to the City for collecting fees from vehicles stored at City facilities is that these fees could be used to offset the annual depreciation of properties that are otherwise underused, as well as the other costs and expenses associated with running a vehicle storage facility.

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The initial proposal recommended that the City develop a program to store vehicles impounded for "traffic related" violations at a secured, City-owned garage at 336 Foothill Road (the former Virgin Records building). This building is currently underutilized as discussed below. Storage of vehicles impounded for "traffic related" violations account for 41% of the City's impounds and include the following:

- 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.

The initial proposal recommended that only vehicles impounded for "traffic related" violations would be stored in the City facility. By storing only vehicles that would be impounded for long periods of time, the City could maximize its collection of cost recovery fees while minimizing the impact that a vehicle storage program would have on the City's operations. Additionally, the proposal intended to eliminate the inconvenience of traveling to West Los Angeles for the 41% of vehicle owners whose vehicles are impounded. In order to efficiently and effectively operate this proposed program, staff advised that the addition of one civilian employee in the Police Department's Traffic Bureau would be necessary.

The City Council supported the concept of the program as it was initially proposed; however, staff was directed to review the proposal to determine if the program could be implemented without additional personnel. The City Council also expressed its desire to provide a convenient and accessible location, not only for citizens whose vehicles are impounded for "traffic related" violations, but for all citizens whose vehicles are impounded, regardless of the reason. With that direction, staff researched the feasibility, costs, and benefits of insourcing all of the City's vehicle storage needs without the addition of extra personnel. This research has included consultation with the vendor that currently provides the City's vehicle towing and storage services and the Official Police Garage Association of Los Angeles (OPG), the trade association which represents the current vendor and the other 16 companies that are contracted to tow vehicles for the City of Los Angeles.

## **DISCUSSION**

Subsequent research has determined that, with minor security retrofitting, the 336 Foothill Road facility could accommodate the storage of "30 Day Impound" vehicles without difficulty; however, it is not practical for storing vehicles impounded for expired registration or unpaid parking citations. Because 30 Day Impounds are normally impounded by police officers at traffic stops, the ignition keys usually accompany the vehicle to the storage facility. These keys would allow staff to accept possession of the vehicles from the towing vendor at the entrance of the 336 Foothill Road facility and drive the vehicles into the secured sub-garage.

Unlike 30 Day Impounds, vehicles impounded for expired registration or unpaid parking citations are normally towed when they are parked unattended and without the ignition

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keys. This lack of keys requires these vehicles to be towed on flatbed tow trucks and prevents them from being towed into the sub-garage of the 336 Foothill Road facility. If the initial proposal were adopted, the City would only have the ability to store 30 Day Impounds in this facility. The Traffic Bureau has determined that, under these circumstances, it has the capacity to manage the proposed program with existing staff.

The prospect of storing all impounded vehicles on City property has significantly changed the scope of the proposed impound storage program. This change requires an additional facility and increases the resources that would be needed to operate this program.

| PROPOSED IMPOUND STORAGE PROGRAM NEEDS |                   |                   |  |                           |
|--|-------------------|-------------------|--|---------------------------|
| PROGRAM SCOPE                          | VEHICLES PER YEAR | FACILITY CAPACITY | FACILITY TYPE  | ANNUAL OPERATING EXPENSES |
| 30 Day Impounds Only                   | 305               | 25 Vehicles       | Surface or Subterranean for All Vehicles                           | \$41,000                  |
| All Impounds                           | 2,251             | 70 Vehicles       | Surface or Subterranean for 25 Vehicles<br>Surface for 45 Vehicles | \$327,000                 |

Staff has identified the surface lot at the northeast corner of the intersection of Third Street and Foothill Road for the storage of impounded vehicles. This lot is adjacent to the 336 Foothill Road facility, would provide ample storage for the City's impound program, is conveniently located one block east of the Police Department, and can be secured to prevent unauthorized access. In terms of cost recovery, the City currently underutilizes the surface lot.

Public Works has been using the surface lot as a material storage yard until the warehouse and facility maintenance shops building, which is being designed for the former transfer station site (current site of the modular office units), is constructed. Once that structure is complete and inhabited, Public Works' need for the surface lot (and the tent structure directly north of 336 Foothill Road facility) will be greatly diminished. However, Public Works has determined that it is able to relocate its storage operations from the surface lot to other City facilities even before the warehouse and facilities maintenance shops building is constructed. This relocation would free the lot for the storage of impounded vehicles.

If the surface lot were used to store impounded vehicles in conjunction with the secured sub-garage of the 336 Foothill Road building, the City would have the facilities necessary to store all of the vehicles that are impounded by the Police Department. However, in order to run this program, the City would need additional resources to operate the storage facility. The storage facility would need to be open twelve hours a day, 365 days a year, to continue the level of accessibility that the City currently provides to citizens whose vehicles are impounded. Additional security measures would also have to be implemented to ensure that unauthorized persons do not access the facility after hours.

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## **PROPOSAL**

Staff has determined that it is feasible for the City to insource all of its impound storage needs. By insourcing this operation, the City would be able to recover expenses associated with the identified storage facilities, including some of the depreciation costs of these properties. Cost recovery would average \$225,000 annually.

While the Police Department has the capacity and knowledge necessary to oversee the operation of this program, it would need additional resources to operate the storage facility on a day-to-day basis. Staff proposes that the City contract with a vendor that is experienced with vehicle towing and storage to operate or to lease the City's vehicle storage facility. Staff is confident that the competition that currently exists among towing companies in the region is sufficient enough to provide the City with a number of qualified vendors who would be willing to operate or lease the vehicle storage facility at a reasonable cost.

In order to maximize the City's ability to achieve cost recovery and ensure that the program is properly established, staff proposes that this program be implemented in two phases. Said phasing would allow the City to begin its cost recovery efforts as soon as possible, while allowing the Police Department to incrementally absorb the operation of this new program.

### **Phase One – Storage of 30 Day Impounds**

Of all of the vehicles impounded by the City, 30 Day Impounds would generate the most daily storage fees and maximize cost recovery. Staff estimates that this would net approximately \$165,000 per year from the storage of 30 Day Impounds at City-owned rather than private lots. This represents nearly 75% of the potential net cost recovery that the City would recover from the entire vehicle storage program.

During this phase, 30 Day Impounds, which account for less than 15% of the City's total impounds, would be stored at the 336 Foothill Road facility. The remaining 85% of the City's impounds would continue to be stored at the current vendor's facility in West Los Angeles. In recognition of the potential confusion that may be caused by the use of two storage facilities, the Police Department would implement systems to ensure that citizens would be directed to the correct facility and is confident that this transition period would not further inconvenience the public.

The following steps are necessary to implement Phase One, which staff estimates would take six weeks to complete:

1. Adopt Changes to the Schedule of Taxes, Fees & Charges
  - New fees are necessary for the City to recover costs related to the storage and lien sale processing of impounded vehicles.
2. Amend or Terminate Agreement with Current Towing and Storage Vendor
  - The City has the option to terminate its agreement with the current vendor upon 30 days' notice. The City may also seek to amend the agreement with the current vendor and direct it to deliver 30 Day Impounds to the City facility instead of the vendor's private facility in West Los Angeles.
3. Retrofit 336 Foothill Road Facility with Security Upgrades

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- The facility only requires minor security retrofitting in order to be used as a vehicle storage facility for 30 Day Impounds.
  - Needed upgrades include emergency exit doors, the replacement of the garage door motor, additional locking mechanisms, and a security alarm system.
  - Staff estimates that this retrofitting would take approximately four weeks to complete (including the time needed to enter into any agreements with vendors).
4. Establish a Civilian Traffic Control Supervisor Position in the Police Department
    - This would be a promotional position that would be created from the City's existing cadre of civilian Traffic Control Officers and would not expand the total number of City employees.
    - During Phase One, this position would supervise the remaining nine Traffic Control Officers and would be responsible for overseeing the day-to-day operations of the vehicle storage program and the lien sale auction process.
    - During Phase Two, this position would continue to supervise Traffic Control Officers and would also manage the performance of the contracted vendor that operates the storage facility.
  5. Increase the Bonus for a Police Sergeant Assigned to the Traffic Bureau
    - This would increase an assignment bonus for a police sergeant assigned to the Traffic Bureau by 2.75% and would not expand the total number of City employees.
    - The bonus increase would recognize and compensate the police sergeant for the expanded responsibilities that would be assumed with the adoption of the program.
    - The bonus increase would be in-line with those paid to other police sergeants with commensurate levels of responsibility.
  6. Secure an Agreement with a Vendor for Lien Sale Processing
    - The City would contract with a private vendor for lien sale processing. This vendor would ensure that the City complies with the complex lien sale process that is mandated by the State of California.

#### Phase Two – Storage of All Impounds

While Phase One is being implemented, staff would also begin working on Phase Two, which would provide for all of the City's impounded vehicles to be stored on City property.

The key component of this phase would be a managed competitive bid process. While this process would be intended to consider proposals to provide contractual services for the City's insourced vehicle storage operation, it would also consider proposals to lease the property from the City and operate the vehicle storage facility as a for-profit venture. The consideration of lease proposals would allow the City to determine if a leasing arrangement with an acceptable vendor would provide more economic benefit than directly insourcing the operation. Interested vendors would have the opportunity to submit proposals to provide services to tow vehicles, operate and provide security for the City's vehicle storage facility, and/or process lien sales. Staff would evaluate the competitive proposals against each other and against the City's ability to provide the

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services with City employees. Following the evaluation process, staff would submit its recommendations to the City Council for consideration and, if acceptable, for adoption.

The following steps are necessary to implement Phase Two, which staff estimates would take four months to complete:

1. RFP Process
  - Staff estimates that it would take approximately eight weeks to complete the RFP process.
2. Evaluation Process
  - Once the proposals are received, they would be scored, ranked, and compared against what it would cost the City to provide the same services.
  - Staff would conduct a cost-benefit analysis to determine which proposals, if any, are the most beneficial to the City. This process would take approximately two weeks.
3. Recommendation to the City Council
  - Following the evaluation of proposals, staff would present their recommendations to the City Council.
4. Secure Agreements with Vendors
  - Based on the City Council's direction, the City would enter into agreements with vendors as needed.
5. Retrofit of Surface Lot with Security Upgrades
  - In order to maintain the aesthetic nature of the area surrounding the City's new office building at 331 Foothill Road, the upgrades would not include measures that are commonly associated with vehicle storage facilities (such as concertina wire or guard dogs).
  - Needed upgrades include wrought iron fencing around the perimeter of the property and a security alarm system.
  - Staff estimates that this retrofitting would take approximately eight weeks to complete (including the time needed to enter into any agreements with vendors).

### **FISCAL IMPACT**

The fiscal impact of the proposed vehicle storage program is directly related to the daily storage fee that the City would need to adopt in order to start the program. The City Council directed staff to review the daily storage fees that are charged in comparable and neighboring jurisdictions. The following table illustrates that the costs associated with the daily storage of vehicles impounded by the City currently fall in the middle of the range.

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| JURISDICTION            | COSTS PAID BY CITIZENS FOR DAILY STORAGE OF IMPOUNDED VEHICLES |
|-------------------------|--|
| West Hollywood          | \$30.00  |
| Rancho Palos Verdes     | \$30.00  |
| Santa Monica            | \$36.00  |
| Los Angeles             | \$36.30  |
| Beverly Hills           | \$36.30  |
| Culver City             | \$40.00  |
| Santa Barbara (City)    | \$44.00  |
| Santa Barbara (Sheriff) | \$50.00  |
| Santa Barbara (CHP)     | \$60.00  |

While the City can legally justify a daily storage fee of \$47.91, based on the expenses outlined below, the City Council previously indicated that it would like to see the City's fee closer to what is currently charged and not more than what the market rate is for the region. The City's agreement with the current vendor provides for the daily storage fee to be tied to the City of Los Angeles' rate, which is established by the Los Angeles Police Commission (LAPC). This fee has increased by 32% over the past four years and is anticipated to continue increasing in the future.

Staff proposes that the City adopt a fee of \$38.33 per day for the storage of impounded vehicles, which is 20% less than the full cost recovery rate (based on the expenses outlined below). If this fee were adopted, it would be comparable with the current rate and the rates set by neighboring cities. If the rate were then gradually increased by 5% each year, it would remain consistent with amount charged in other jurisdictions while ensuring that it would not exceed the City's costs. If these increases were adopted over the next five years, the City could recover over \$1.1 million in expenses that are not currently being recovered. The average annual net impact to the General Fund for this period is estimated to total nearly \$225,000.

While this fee would be slightly more than what vehicle owners currently pay for daily storage, the additional costs would be considerably offset by the added convenience and accessibility that the City's local storage facility would provide. Vehicle owners who retrieve their impounded vehicles on the same day would only pay \$2.03 more in storage fees than they would under the City's current arrangement; however, they would avoid the inconvenience, logistical problems, and significant expenses that are currently associated with traveling to West Los Angeles to retrieve their vehicles.

In addition to the daily storage fee, the City would need to adopt lien sale processing fees to recover the costs associated with filing possessory liens against vehicles. California Civil Code Section 3074 mandates that fees assessed for lien sale processing be based on vehicle value, and in no case can be more than \$70 for vehicles valued at \$4,000 or less and \$100 for vehicles valued more than \$4,000. Staff has found that lien sale processing fees are generally uniform throughout the region and are normally set at the maximum amount allowable under the statute. If the City Council adopts the vehicle storage program, staff proposes that the lien sale processing fees be set at these levels to ensure maximum cost recovery.

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| ESTIMATED COST RECOVERY   |                  |                  |                  |                  |                  |                    |
|---|------------------|------------------|------------------|------------------|------------------|--------------------|
| REVENUES  | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | 5 YR TOTAL         |
| VEHICLE STORAGE FEES  | 467,732          | 491,118          | 515,674          | 541,458          | 568,531          | 2,584,513          |
| LIEN SALE PROCESSING FEES   | 34,125           | 34,125           | 34,125           | 34,125           | 34,125           | 170,625            |
| <b>TOTAL REVENUES</b>   | <b>\$501,857</b> | <b>\$525,243</b> | <b>\$549,799</b> | <b>\$575,583</b> | <b>\$602,656</b> | <b>\$2,755,138</b> |
| EXPENSES  | YEAR 1           | YEAR 2           | YEAR 3           | YEAR 4           | YEAR 5           | 5 YR TOTAL         |
| <i>ADDITIONAL EXPENSES (INCURRED BECAUSE OF PROGRAM)</i>                        |                  |                  |                  |                  |                  |                    |
| SALARY AND BENEFITS   | 16,934           | 17,442           | 17,965           | 18,504           | 19,059           | 89,902             |
| CONTRACT SERVICES   | 250,062          | 250,062          | 250,062          | 262,565          | 262,565          | 1,275,314          |
| TOW FEE EXPENSE   | 10,163           | 10,163           | 10,163           | 10,163           | 10,163           | 50,816             |
| CREDIT CARD PROCESSING FEES   | 16,561           | 17,333           | 18,143           | 18,994           | 19,888           | 90,920             |
| FACILITY OPERATING COSTS  | 7,200            | 7,200            | 7,200            | 7,200            | 7,200            | 36,000             |
| FACILITY RETROFITS  | 92,000           | -                | -                | -                | -                | 92,000             |
| <b>SUB-TOTAL ADDITIONAL EXPENSES</b>  | <b>\$392,920</b> | <b>\$302,199</b> | <b>\$303,533</b> | <b>\$317,426</b> | <b>\$318,874</b> | <b>\$1,634,952</b> |
| <i>EXISTING EXPENSES (TO BE RECOVERED BY PROGRAM)</i>                           |                  |                  |                  |                  |                  |                    |
| SALARY AND BENEFITS   | 129,110          | 132,983          | 136,972          | 141,081          | 145,314          | 685,460            |
| FACILITY DEPRECIATION   | 232,097          | 232,097          | 232,097          | 232,097          | 232,097          | 1,160,485          |
| <b>SUB-TOTAL EXISTING EXPENSES</b>  | <b>\$361,207</b> | <b>\$365,080</b> | <b>\$369,069</b> | <b>\$373,178</b> | <b>\$377,411</b> | <b>\$1,845,945</b> |
| <b>TOTAL EXPENSES</b>   | <b>\$754,126</b> | <b>\$667,279</b> | <b>\$672,602</b> | <b>\$690,604</b> | <b>\$696,285</b> | <b>\$3,480,897</b> |
| <b>NET IMPACT TO GENERAL FUND</b><br><i>(REVENUES LESS ADDITIONAL EXPENSES)</i> | <b>\$108,937</b> | <b>\$223,044</b> | <b>\$246,266</b> | <b>\$258,157</b> | <b>\$283,781</b> | <b>\$1,120,186</b> |

**Return on Investment: 128% in the first year and 168% over five years**

If the City only implemented Phase One of this proposal, which calls for the storage of 30 Day Impounds only, the City would still recover 75% of the totals outlined above. Under this Phase, the City would net approximately \$820,000 over the five-year period. Additionally, the resources needed to manage the program would be significantly reduced. With reduction in resources, the return on investment would increase to 340% in the first year and 502% over five years.

This program would transform underutilized City facilities into revenue-generating properties. If the City decides to repurpose these facilities at some point in the future, an alternative location would be sought for the program or the City would resume its practice of outsourcing the storage of impounded vehicles to a private vendor. In any case, the City Council would not be bound to using these facilities for the proposed program in the future.

While the proposed program generates a significant return on investment, there are other impacts and costs to the City that are may not be quantifiable or immediately realized. The opportunity costs associated with devoting the Traffic Bureau's staff time to the administration of the proposed program versus existing programs cannot be overlooked. Staff would be responsible for overseeing additional vendors, accepting and reconciling payments for new fees, managing lien sale auctions, and other tasks

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associated with the program. However, the Police Department has examined the staff time needed to manage the proposed program and is confident that, with the proper resources, it can be absorbed into the department's workload.

Likewise, there are similar impacts to the Public Works operation that should be noted. While the costs associated with moving the vehicles, equipment, and supplies that are currently stored on the surface lot to other Public Works facilities are captured in the "Facility Retrofits/Start-Up" estimates, there are additional impacts that are not readily quantifiable. Because Public Works would lose its ability to use the lot as a staging area for its operations, the proposed program is likely to cause inefficiencies that impact staff for a short period of time. These issues would cause lower priority work to take longer to complete or cause it to be completed in later work cycles. While these inefficiencies could amount to nearly \$30,000 in service losses, Public Works is confident it will still be able to deliver its core services without interruption and that effective management will be able to mitigate the short-term impacts caused by moving from the surface lot.

### **RECOMMENDATION**

It is recommended that the City Council provide direction to staff on whether to proceed with the proposed, insourced vehicle impound storage program.

  
David L. Snowden, Chief of Police  
Approved By