

April 9, 2008
Public Safety and Regulatory Services
Chapter 349 Class A Towing Fee
Staff Report

At the March 5, 2008 PS&RS Committee meeting Regulatory Services staff was requested to meet with Public Works to further understand comments heard at the public hearing regarding 1) voluntary restriction of hours of operation; and 2) other city ordinance amendments to reduce the number of days that a vehicle must be held before being brought to auction.

On March 11, 2008 Regulatory Staff met with Mike Sachi and Don Pedlar to discuss the City's impounding operation. One item that we understand clearly is that the City's impound lot is distinctly different in its budgeting and revenue generating from private operations. The City's impound facility is designed to promote public safety by removing vehicles off the public streets and alleys that pose a potential traffic hazard or public nuisance. Private Class A towing companies serve the purpose of protecting private property such as multiunit residential properties and commercial parking lots. They remove unauthorized vehicles that take parking spaces intended for residents or customers. These companies may also provide service to the MN State Patrol.

The City Impound Manager administers two district contracts, one on the North side of the City and one on the South side. Through the bidding process these towing contractors are paid \$54 - \$65 per tow respectively. This represents approximately 75 percent of the City's impounding business. The other 25 percent of the business is tows for seasonal street sweeping and snow removal. There are four additional contracts in place for these seasonal tows and the contractors that bid on the zone towing could be paid as much as \$157.50 per tow based on the individual contract. These contractors may use subcontractors to meet the demand. The City uses cost averaging for all tows to determine the cost charged to a vehicle owner whose vehicle is towed. That cost is currently \$138 for the tow and \$18/day storage. Towing companies that contract for the City's impound lot are required to meet standards of a Class E towing license which are outlined in the contract and specifications.

Private Class A towing companies have a multitude of expenses that affect their fees. These include management of a private impound lot, lease/ownership of equipment and property, payroll, utilities, business and vehicle insurance, employee medical coverage, postage, vehicle registration/ownership read-out, fuel, and other expenses such as parking lot signs, and auction advertising and fees, for example. Knowing these Class A costs, we as policy makers need to be cautious in setting a cap that does not unintentionally put these necessary businesses out of operation. If we take into consideration the average private Class A towing fee, and evaluate the current market forces, we create a solid starting point for establishing such a cap. In 2006, the average Class A towing fee was \$225. In 2007 it was \$253 for private companies in Minneapolis. Understanding that the city's impound lot fee is significantly impacted by the competitive bid process, we need

to be fair in determining a baseline. This private to public comparison is not exact, but anticipated cost increases are fairly equivalent across the industry. Our recommendation allows for the cap to move as the industry's costs, whether private or public, change. **We recommend that the city cap Class A towing fees to 150% of the city's impound lot towing fees. For the current year, that would cap the Class A towing fee at \$207 plus \$27 per day storage for a total of \$234 for the first day.**

The City's impound lot accepts towed vehicles 24 hours per day, 7 days a week, as emergency towing can occur at any time of the day or night. A dispatcher, security staff, and a manager are on site at all times. The Impound lot is open to the public to pick up vehicles **Monday – Saturday 8:00 AM to 10:00 PM and Sunday 9:00 AM to 5:00 PM.** It is also open 24 hours on Day 1 and Day 2 of a Snow Emergency. On Day 3, Impound Lot closes at 1:00 a.m. This schedule seems to be working well for the City.

Because of the variety of operations between the four Minneapolis Class A towing companies, reducing the hours in which they are open to the public may have a limited reduction in cost. Some companies are on call with the state patrol, requiring them to be available 24/7. Others felt a deep responsibility to insure that their lot and vehicles are protected and that owners have the ability recover their vehicles at any time. One company thought they may benefit by reduced hours. **We would recommend that the ordinance be amended to allow private impound lots to have the option to close their office hours Monday through Thursday from 12:00 am to 8:00 am.**

Both the cities of Minneapolis and St. Paul are allowed by statute to dispose of abandon vehicles after 15 days after notice is sent to the owner by certified mail. This also is working very well for the City. Class A towing companies are allowed by statute to dispose of vehicles after 15 days notice to the owner only if it is deemed to be a junk vehicle. All other vehicles are required to be held for 45 days. The city cannot supersede this requirement. This mandate does represent a significant expense for the Class A towing companies.

The city's impound lot accepts all forms of payment, including cash, credit cards, and personal checks. The Class A towing companies vary in their current practices. Unlike the city, these private companies are concerned with disgruntled customers cancelling personal checks and credit card charges immediately after recovering their vehicles. These companies have addressed this issue in various ways. Two companies provide Automatic Teller Machines (ATM) in their lobbies which afford customer's immediate access to cash and guarantees payment in full to the towing company. Two companies accept all forms of payment and use the services of a check verification company and follow credit card appeal procedures to minimize loss. **We recommend that Class A Motor Vehicle Service Licensees shall honor all forms of payment currently accepted by the City of Minneapolis Impound Facility or provide an ATM on their premise.**

In addition to meeting with representatives from the city impound lot, licensing staff also met with the towing industry collectively and individually at each of their facilities to

better understand their concerns. Clearly stated, the towing industry opposes any fee cap. In the event that the city chooses to cap fees, other cost saving measures identified include the following: 1) Limit the number of certified mail notices to the second notice only; 2) Reduce the size of the required parking lot signs from 2' x 3' to 12" x 18" and increase the number of signs from one per lot to one per 10 spaces; 3) The city provide out of state registration/ownership read-outs. We would support the first request. The second request is problematic because Public Works/Traffic Management has reported that this change may adversely affect customer awareness of parking restrictions. Finally, the city cannot improve timelines or access to read-out information. We would not support either the second or the third request. We have not amended the ordinances to reflect these new recommendations but we could prepare amendments order in preparation of the full council meeting or, after discussion, within the next cycle.