

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. 251007-093

WHEREAS, In 2016, the SFMTA executed Contract No. 2014-48 (Contract) with TEGSCO, LLC. (TEGSCO), for towing and storage services for abandoned and illegally parked vehicles in San Francisco; the Contract was for an initial amount of \$65.4 million and an initial term of five years with the option to extend for an additional five years; spending authority for the extension was not originally obtained; and,

WHEREAS, Towing operations are essential to maintain available legal parking spaces, support smooth traffic and transit flow, and assist the San Francisco Police Department in handling vehicles involved in traffic incidents and criminal activities; and,

WHEREAS, Since the Contract was initially approved, 10 amendments have been made, each to ensure the effective operation of the City's towing program and address its evolving needs; and,

WHEREAS, The first two amendments were each labeled the "First Amendment"; the First Amendment (2016) added the "7th Street License" between TEGSCO and the SFMTA for TEGSCO's use of the property at 450 7th Street—which the SFMTA leases from the California Department of Transportation (Caltrans)—as the "Primary Storage Facility" under the Contract, and the First Amendment (2017) revised procedures for SFPD investigative holds; and,

WHEREAS, The Second Amendment (2019) modified certain service requirements to enhance the efficiency of towing operations; and,

WHEREAS, The Third Amendment (2021) exercised the five-year extension option, extending the contract term through March 31, 2026, and increased the contract amount by \$22.8 million, for a total not-to-exceed amount of \$88.2 million, to fund the first two years of the extension; funding for the remaining three years of the extended term was deferred due to the COVID-19 emergency to allow time to reassess the City's towing policy and funding needs as it recovered from the pandemic; and,

WHEREAS, The Fourth Amendment (2021) memorialized that TEGSCO stopped using the DBA name "San Francisco AutoReturn" and began using its legal name, TEGSCO, LLC, within San Francisco; and,

WHEREAS, The Fifth Amendment (2022) granted TEGSCO access to the City's confidential database to verify the eligibility of tow customers for fee reductions and waivers under the SFMTA's income-based tow fee-reduction and fee-waiver programs; and,

WHEREAS, The Sixth Amendment (2022) provided the SFMTA with the option to use an internet-based auction platform as an alternative or supplement to live, in-person auctions; and,

WHEREAS, The Seventh Amendment (2023) increased the contract amount by \$33.2 million, for a total not-to-exceed amount of \$121.4 million, to fund the extended term through March 2025; staff committed to providing updates to the Board of Supervisors' Budget and Finance Committee on program progress and policy reassessment, with plans to seek final-year funding afterward; and,

WHEREAS, The Eighth Amendment (2023) provided for the temporary relocation of the Primary Storage Facility from its location at 450 7th Street to accommodate Caltrans' structural painting project and other necessary work at the property; and,

WHEREAS, The Ninth Amendment (2025) increased the contract amount by \$15.3 million, for a total not-to-exceed amount of \$136.7 million, to fund the extended term through March 2026; and,

WHEREAS, On November 11, 2024, Caltrans notified the SFMTA of revised insurance requirements for continued use of the 7th Street site as the Primary Storage Facility, increasing the general liability coverage (including umbrella) from \$5 million to \$20 million, as part of a broader shift in Caltrans' leasing practices following a fatal accident on Caltrans-owned property in Los Angeles; and,

WHEREAS, On June 24, 2025, the SFMTA and TEGSCO amended the 7th Street License to incorporate these new Caltrans-imposed insurance terms, with TEGSCO responsible for obtaining and maintaining the increased coverage; and,

WHEREAS, TEGSCO estimated the cost of the additional coverage at approximately \$200,000 per year, and added costs are only passed on in subsequent years after updated cost-recovery calculations are completed; and,

WHEREAS, To ensure uninterrupted tow operations at this critical facility and avoid exposing TEGSCO to unanticipated costs beyond the original contract scope, the SFMTA determined it would reimburse TEGSCO for these additional insurance expenses, reflecting the agency's role as lessee of the property and its commitment to maintaining stable, compliant operations under lease terms imposed by the State that neither the SFMTA nor TEGSCO could have reasonably anticipated at the time the contract was awarded; and,

WHEREAS, The tow program is limited by cost-recovery laws to charging owners of towed vehicles no more than the actual cost to the SFMTA; in recent years, because of both increased costs and the implementation of several waiver programs, the SFMTA is not recouping all program costs but is rather spending about \$8 million to run the tow program; and,

WHEREAS, To allow time to fully explore various cost-saving options, staff proposed extending the contract by up to 15 months to explore a cost-saving solicitation for the next contract; and,

WHEREAS, The proposed Tenth Amendment would increase the contract amount by \$22.1 million, for a total not-to-exceed amount of \$158.8 million, to fund the extended term and cover higher insurance costs that Caltrans imposed on the SFMTA's lease for the Primary Storage Facility; and,

WHEREAS, Given current SFMTA budget challenges, TEGSCO agreed to waive—during the extended term—annual cost-of-living adjustments (COLA) provided for in the Contract; should the current Contract stay in place for the full, potential extended term of 15 months, the COLA waiver will save the agency \$471,000; and,

WHEREAS, Under Section 9.118, Board of Supervisors' approval is required due to the increase of more than \$500,000; and,

WHEREAS, On August 22, 2025, the SFMTA, under authority delegated by the Planning Department, determined the Tenth Amendment to SFMTA Contract No. 2014-48 is not a “project” under the California Environmental Quality Act (CEQA) pursuant to Title 14 of the California Code of Regulations Sections 15060(c) and 15378(b); and,

WHEREAS, A copy of the CEQA determination is on file with the Secretary to the SFMTA Board of Directors, and is incorporated herein by reference; now, therefore, be it

RESOLVED, that the San Francisco Municipal Transportation Agency Board of Directors authorizes the Director of Transportation to execute the Tenth Amendment to SFMTA Contract No. 2014-48 with TEGSCO, LLC, for towing and storage services for abandoned and illegally parked vehicles, to extend the term by nine months with up to six additional one-month extensions through June 30, 2027, and to increase the contract amount by \$22.1 million, for a total not-to-exceed amount of \$158.8 million, to fund the extended term, subject to approval by the Board of Supervisors under Charter Section 9.118; and, be it further

RESOLVED, that the San Francisco Municipal Transportation Agency Board of Directors recommends that the Board of Supervisors approve the Tenth Amendment pursuant to that authority.

I certify that the foregoing resolution was adopted by the SFMTA Board of Directors at its meeting of October 7, 2025.



Secretary to the Board of Directors
San Francisco Municipal Transportation Agency