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**Police-Initiated Towing Fee Study**

October 24, 2014



**City of Fort Worth  
Department of Internal Audit**

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## Executive Summary

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The City of Fort Worth's Police Department requested that the Department of Internal Audit conduct a study to determine whether fees paid for police-initiated tows are reasonable. The Department of Internal Audit, therefore, included a police-initiated towing fee study in its FY2014 Annual Audit Plan that was presented to the Audit Committee and subsequently approved by the Mayor and City Council. Police-initiated tows are necessary when stationary vehicles block traffic lanes due to accidents, mechanical breakdowns, etc. Police-initiated tows remove such stationary vehicles from roadways to keep traffic moving and to eliminate unsafe driving situations.

The objective of the study was to determine whether towing fees paid by the City of Fort Worth (CFW) are reasonable. The Department of Internal Audit's objective was not to recommend a specific towing fee, as this is a management function. This report, therefore, does not present a specific fee that the CFW should pay for police-initiated tows.

- After analyzing data provided by the City of Fort Worth Police Department (CFWPD), towing companies and information obtained from the internet (vehicle purchase price, automotive parts, fuel prices, manufacturers' suggested maintenance schedules, etc.), we concluded that the current fee for standard light and medium police-initiated tows is reasonable.
- Responses regarding heavy duty tows were received from three of the six companies contracted to conduct heavy duty tows. Each of the three towing companies responded that heavy duty tows represented less than 20% of their total police-initiated tows. We, therefore, did not analyze heavy duty tows.
- Determining the significance of cancellations made by the CFW would have required a line-by-line analysis of the CFWPD's towing database. We, therefore, did not complete a detailed analysis of tow cancellations, but noted towing contractors' concerns regarding costs incurred when the CFW cancels a tow once the towing contractor has been dispatched. CFWPD staff indicated that it is the City's policy to place a towing contractor at the top of the list immediately after a tow is canceled. The CFW should consider better tracking of cancellation data to determine whether towing data supports paying towing contractors for tows that are canceled after a specific amount of time has passed after being dispatched.



## Table of Contents

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Introduction.....	1
Towing Services.....	2
Fee History.....	3
Cancellation History .....	3
Current Cost Components.....	5
Historical Analysis.....	8
Survey Results: Other Cities.....	22
Survey Results: Towing Companies.....	23
Towing Issues .....	25
Acknowledgements.....	26
Exhibit 1 - FY2013 Top Active Tows and “Passes”	



## Introduction

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The scope of the Police-Initiated Towing Fee Study covered FY2011 through FY2013. The objective of this study was to determine whether fees paid for police-initiated tows are reasonable. To achieve the objective, the Department of Internal Audit performed the following steps.

- interviewed CFWPD personnel involved with the City's Auto Pound operations and those responsible for the administration of the towing service contract
- reviewed contracts executed between the CFW and towing companies
- surveyed seven (7) Texas cities, including Fort Worth
- surveyed towing companies contracting with the CFW
- reviewed tow truck data recorded and maintained by the CFWPD
- reviewed fuel, insurance and labor data that impact towing costs
- attended quarterly tow truck company meeting organized by the CFWPD

Cost components considered included salaries and benefits, fuel, repair and maintenance, vehicle/equipment purchase, and administrative and other costs. We utilized the following assumptions for our analysis.

- Tows will remain relatively constant with a three-year average roundtrip of 18 miles per tow
- Towing Driver salaries will remain at a 27% commission rate, consistent with the Fort Worth Star-Telegram and internet site Monster.com
- Repair and maintenance will include oil and transmission service, cabin air filters, wiper blades, tires, fuel and air filters at the manufacturers' suggested intervals, along with miscellaneous items such as licenses, inspection fees, vehicle registration fees, etc.
- A majority of CFW towing contractors will mostly conduct standard tows. Only three of 15 respondents indicated that they conducted heavy duty tows (e.g., less than 20% of their towing business was related to heavy duty police-initiated tows).
- Fuel mileage for a standard tow (various makes) is estimated at \$85,000
- The estimated useful life for a standard tow truck is five (5) years

Since maintenance for diesel-powered vehicles is more expensive, estimated costs associated with diesel-powered vehicles were utilized.



## Towing Services

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CFW towing fees are governed by City Ordinance No. 12924, Section 34 – “Vehicles for Hire”. There are also state regulations and other requirements for towing service providers outlined in Chapter 86 of the Texas Administrative Code.

CFW police-initiated tows are managed by the CFWPD. In order to provide police-initiated tows for the CFW, towing contractors pay a vehicle inspection fee of \$30.00 per vehicle/per year, an annual registration fee of \$50.00 and an annual administration fee of \$275.00. For FY2014, the CFW contracted with 24 towing service providers for police-initiated tows. During the year, two contractors discontinued providing the service, leaving the CFW with a total of 22 active towing service contractors.

Dispatch Manager Software is utilized for the rotation/distribution of police-initiated tows. The Communications Division within CFWPD dispatches tow trucks to specific zones based on calls from CFW police officers. Under the rotation system, the towing company at the top of the list is contacted by the Communications Division dispatcher. Once contacted, the towing company may accept the tow or “pass”. If the towing company “passes”, the Police Communications Division dispatcher calls the towing company next on the rotation list. This sequence is repeated until a towing contractor accepts the tow.

Although the CFW utilizes a rotation system, vehicle owners have the final say over the towing contractor used. Each vehicle owner can accept a towing contractor from the CFW’s rotation list or he/she may personally choose/contact a towing company of their preference. If the vehicle owner chooses their preferred towing company, the vehicle owner is responsible for paying the tow rate agreed upon between the vehicle owner and the tow company. If the vehicle owner accepts a tow from one of the City’s contracted vendors, via the City’s rotation system, the towing company is paid based on rates authorized by the CFW.

Towing companies are required to be available 24/7. Towing companies are also required to respond to police-initiated towing calls within 30 minutes of notification for standard tows (light and medium duty) and 45 minutes for heavy duty tows. Response times are extended in extraordinary situations where delay is caused by ice, snow or other weather-related conditions.

Towing contractors are required to bill the City, no later than the tenth working day of the month following services provided. The towing contractors must include an invoice and supporting documentation that includes all information noted by the CFW Police Officer at the towing location and/or personnel at the CFW Auto Pound. This information is sent to the CFW Auto Pound, reconciled to their internal records and then processed for payment.



## Fee History

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CFW management requested that the Department of Internal Audit conduct a towing fee study in 2007. At that time, the Department of Internal Audit concluded that a towing fee increase was not supported by the data used to conduct the study. Police-initiated towing fees remained the same, and have not been changed since January 1, 2004, as shown in the following chart.

Type of Tow	Effective Date		
	10/16/01	04/08/03	01/01/04
Light Duty, Standard	\$65	\$100	\$135
Medium Duty, Standard	\$65	\$100	\$135
Heavy Duty	\$125*	\$180	\$216
Tilt-bed/Rollback	\$85	\$125	\$135

Source: CFW Council Minutes

\* After the first hour, is billed in 15-minute increments at \$31.25

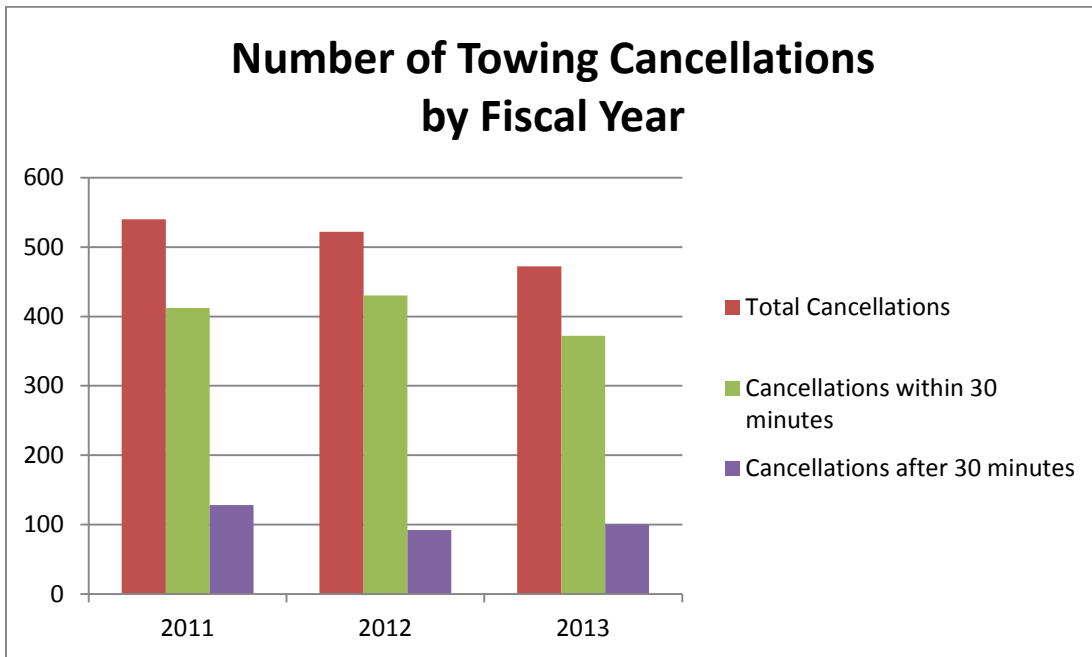
## Cancellation History

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A cancellation occurs when a towing contractor is dispatched to conduct a police-initiated tow and is subsequently cancelled by CFWPD dispatch before the tow can be completed. Once a call is dispatched to a towing contractor, the towing contractor has 30 minutes to arrive at the towing location before the tow is cancelled.

The CFWPD categorizes cancellations into two groups: cancellations within 30 minutes and cancellations after 30 minutes. During FY2013, CFWPD records indicate that over 13,000 tow-related dispatch calls were made, with 472 of those calls cancelled. Of the 472 cancelled calls, 100 were cancelled after 30 minutes.

The following chart documents cancellation history for the 2011, 2012 and 2013 fiscal years.



Source: Fort Worth Police Department Records

For calls canceled within 30 minutes, a line-by-line analysis is required to determine the exact time lapse between the dispatch and the cancellation. Such analysis would have required a substantial amount of time for review. We, therefore, did not consider cancellations as a part of this study. CFWPD staff has indicated that it is the City’s policy to place a towing contractor at the top of the call list immediately after the towing contractor has received a tow cancellation.

## Current Cost Components

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Towing companies were asked to rank the following 12 cost components, based on the impact on towing operations.

- Drug Testing
- Employee Benefits
- Equipment
- Fuel
- Insurance
- Licensing
- Payroll
- Property
- Taxes
- Towing
- Training
- Utilities

For the 15 towing companies that responded, the top three cost components are depicted in the following chart. As noted, none of the respondents ranked Licensing, Property or Training as one of their top three cost components.

<b>Cost Component</b>	<b>First</b>	<b>Second</b>	<b>Third</b>
Drug Testing	1	0	0
Employee Benefits	0	0	1
Equipment	3	1	1
Fuel	1	7	3
Insurance	5	3	4
Payroll	2	2	4
Taxes	0	0	1
Towing	3	1	1
Utilities	0	1	0
<b>Number of Respondents</b>	<b>15</b>	<b>15</b>	<b>15</b>

### Salaries and Benefits

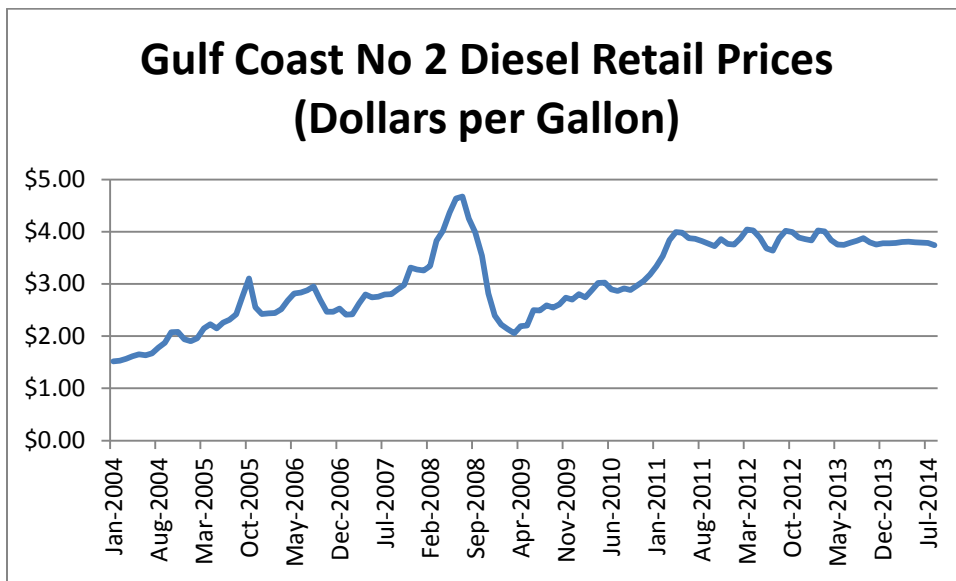
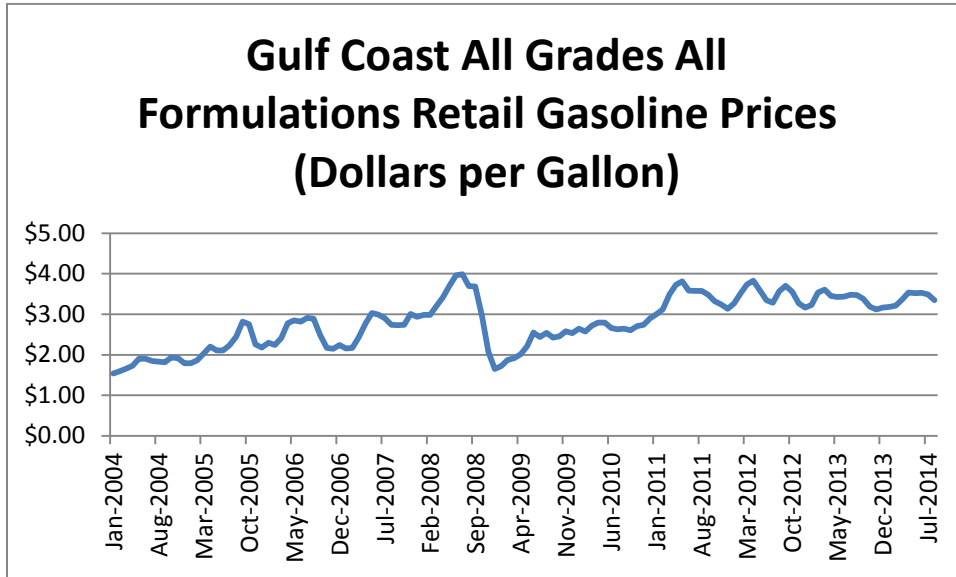
As shown above, eight of 15 respondents ranked payroll in the top three cost components. Fort Worth Star-Telegram advertisements, dated 7/31/14, show tow truck driver salaries to be based upon a commission of 27% of the tow charge.





Fuel Prices

While fuel prices for both regular and diesel grades have fluctuated over the past ten years, there has been an overall upward trend as documented in the following charts. Fuel represented only a small portion (7%) of our estimated costs, per tow, due to the relatively short average distance (18 miles) required for standard light and medium tows.



Source: U.S. Energy Information Administration (Gulf Coast PADD 3 Gasoline and Diesel Retail Price Data)



### Equipment

The largest equipment cost component associated with police-initiated towing is the tow truck. For this study, we used an estimated cost of \$85,000.00 for standard light and medium tow vehicles. This cost is an average of prices noted on the internet as of July 2014 for various types of tow trucks.

### Repair and Maintenance

The cost of tow truck repair and maintenance is dependent upon several variables which differ from one towing company to another. Such variables include, but are not limited to:

- tow truck type (light single axle, medium or heavy duty dual/triple axel, rollback carriers, underlift wreckers, car carriers, etc.);
- size, make, model and year of the towing vehicle;
- maintenance philosophy of towing contractor owner (e.g. only make repairs when vehicle breaks down; optimum scheduled preventative maintenance);
- age of the towing fleet;
- number of tows per vehicle; and,
- type of tows versus size and types of vehicles used for the tows.

In our analysis for repair and maintenance, we included oil and transmission service, cabin air filters, wiper blades, tires, fuel filters and air filters to be replaced at the manufacturers' suggested service intervals, along with miscellaneous items such as licenses, inspection fees, vehicle registration fees, etc.

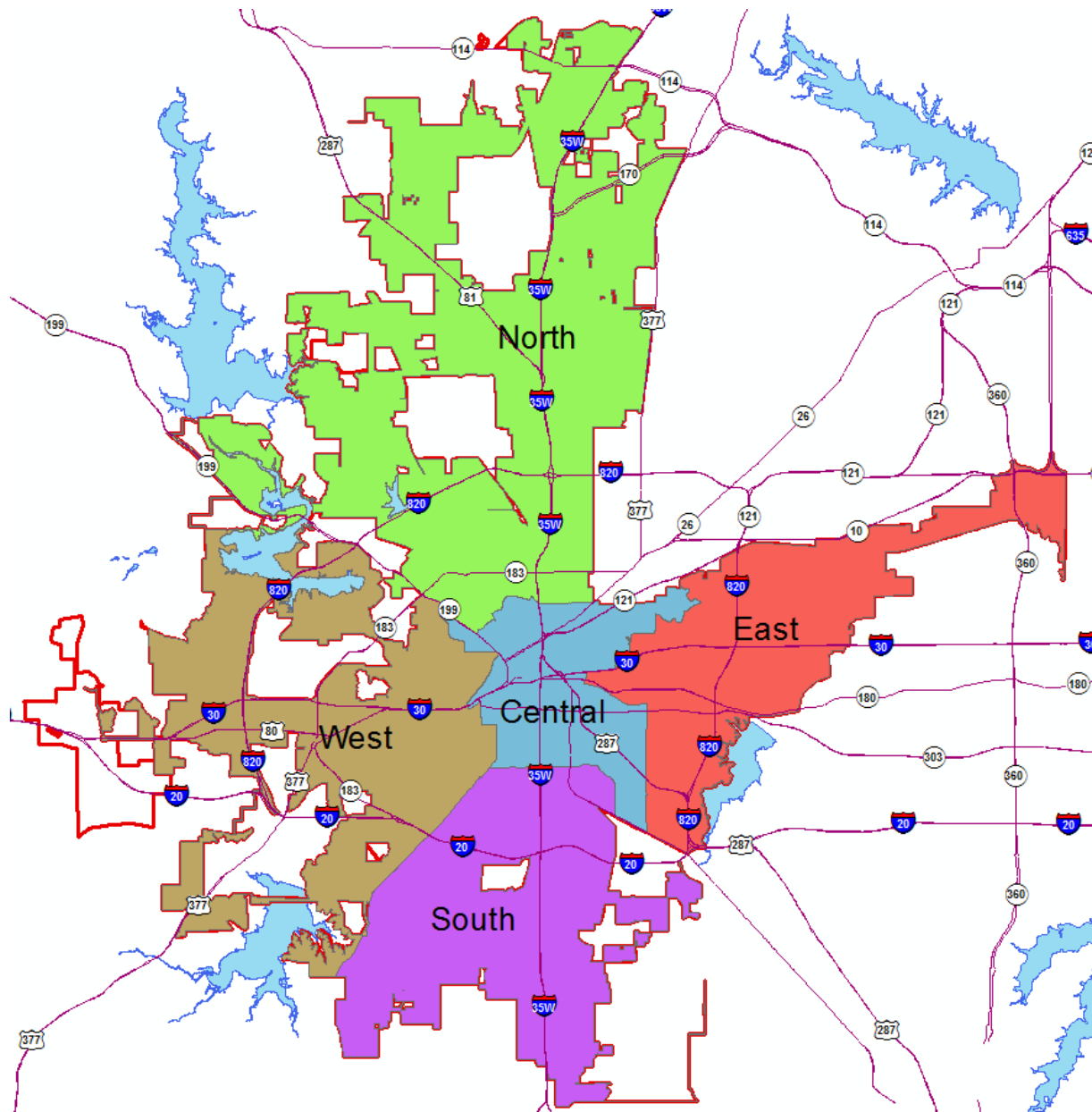
### Administrative and Other Costs

We utilized a fixed rate of 20% of total costs in determining cost estimates for administrative and other costs. We considered employee training and drug testing, property (rent or mortgage), property taxes, utilities and insurance as administrative and other costs. Towing companies ranked insurance as the highest cost. However, insurance costs are dependent upon several variables including the tow company's preference, along with specific characteristics related to the individual tow company. The following are some of the variables related to insurance costs:

- type/extent of insurance coverage;
- vehicle size, make, model and year;
- types of vehicles towed;
- operator driving record;
- tow company's history of insurance claims, types and magnitude of the claims;
- tow company's hours of operation; and,
- physical business location of towing company.

## Historical Analysis

As noted within the [Towing Services](#) section of this report, police-initiated tows are dispatched by zone. There are currently five (5) zones as noted in the following chart: Central, North, South, East and West.



Source: City of Fort Worth Graphical Information System (GIS)



## Historical Analysis (Continued)

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Tows conducted by contracted towing companies from FY2011 through FY2013 are noted below.

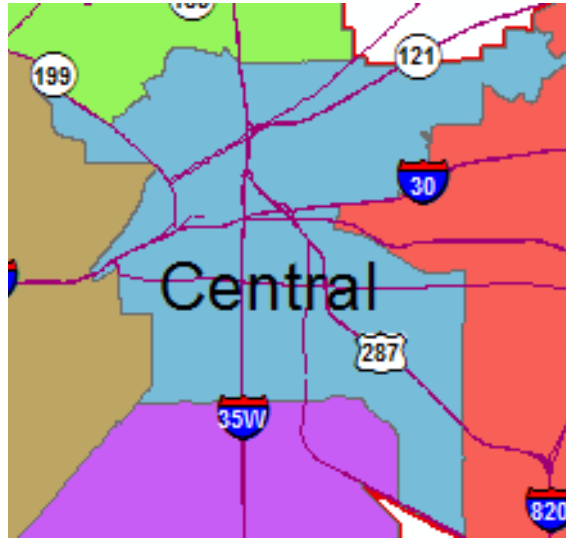
<b>Zone</b>	<b>FY2011</b>	<b>FY2012</b>	<b>FY2013</b>	<b>Totals</b>
Central	2,625	2,936	2,938	8,499
North	2,584	2,892	2,963	8,439
South	2,378	2,545	2,655	7,578
East	2,272	2,359	2,589	7,220
West	2,051	2,293	2,505	6,849
<b>Totals</b>	<b>11,910</b>	<b>13,025</b>	<b>13,650</b>	<b>38,585</b>

Source: Fort Worth Police Department Records

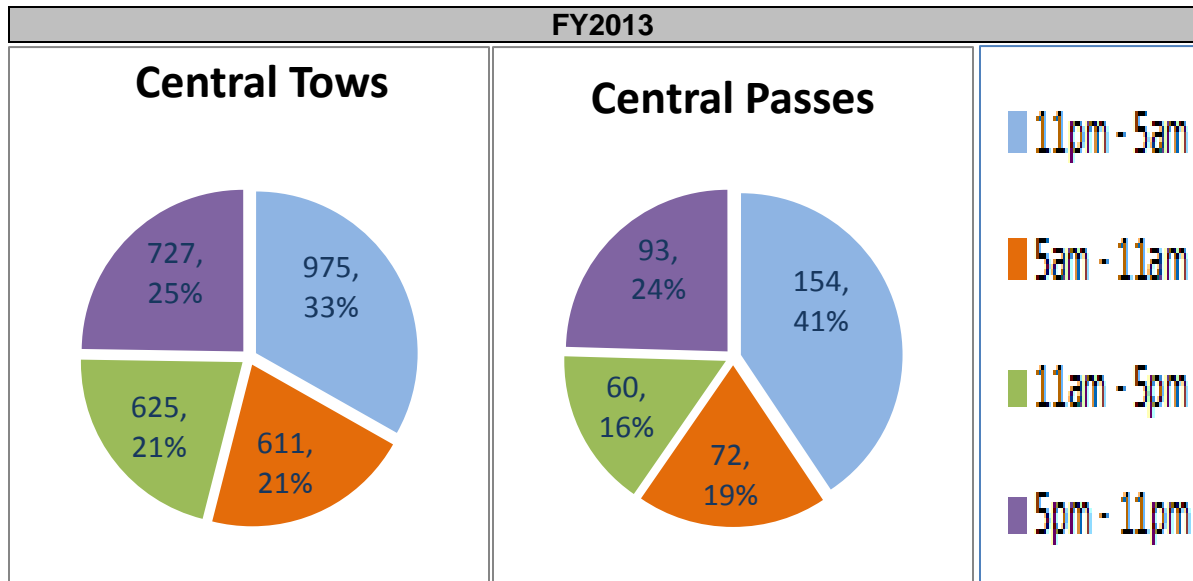
The following charts represent tows and passes for standard light and medium duty tows, by zone and time of day.

## Historical Analysis (Continued)

### Central Zone Towing Companies



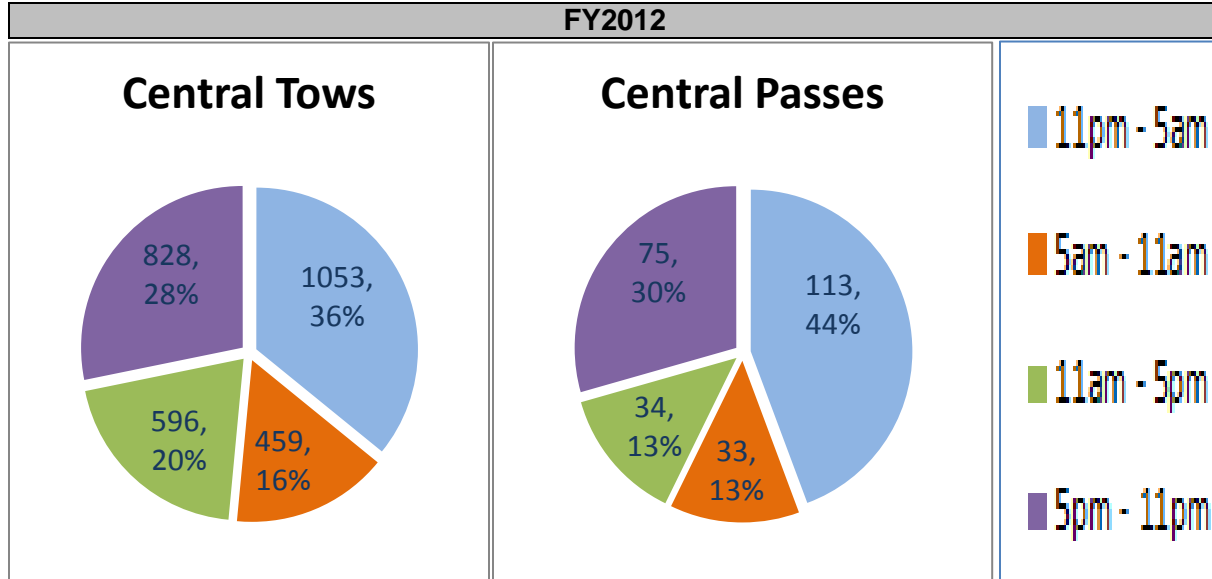
FY2013 tows (2,938) and passes (379), within the Central Zone [based on time of day], are noted in the following chart.



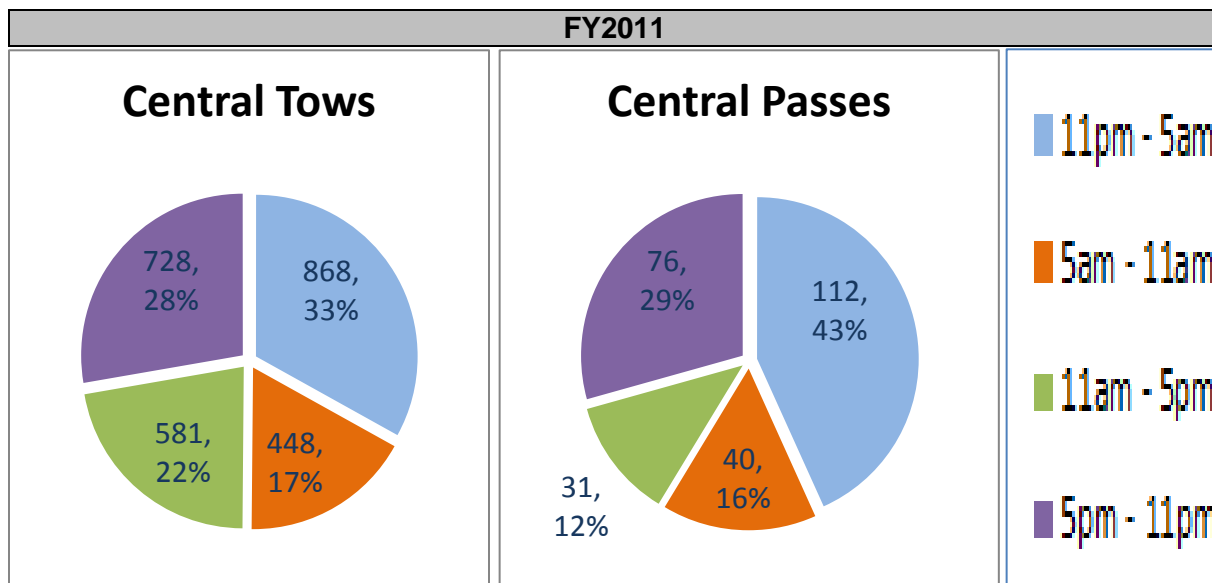
Source: Fort Worth Police Department Records

## Historical Analysis (Continued)

FY2012 tows (2,936) and passes (255), within the Central Zone [based on time of day], are noted as follows.



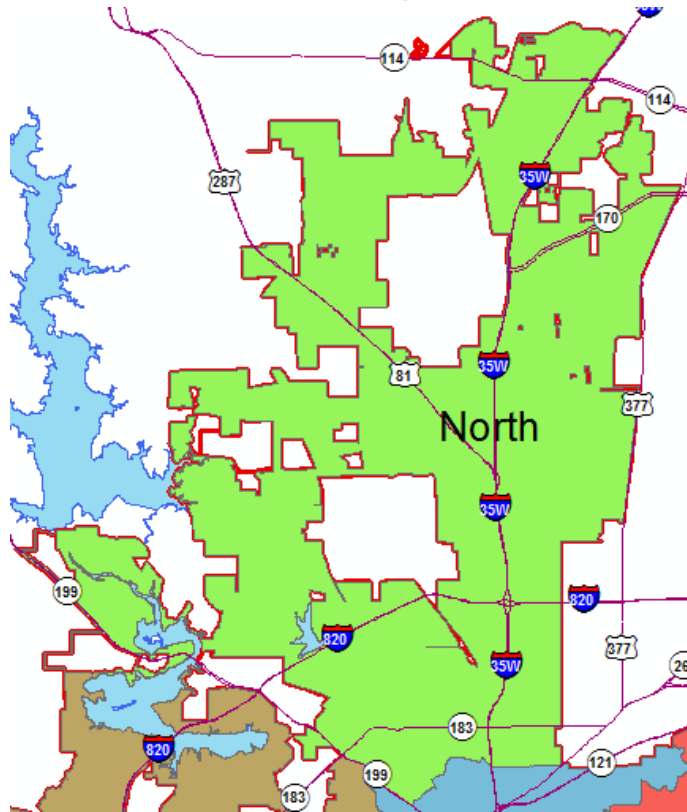
FY2011 tows (2,625) and passes (259), within the Central Zone [based on time of day], are noted as follows.



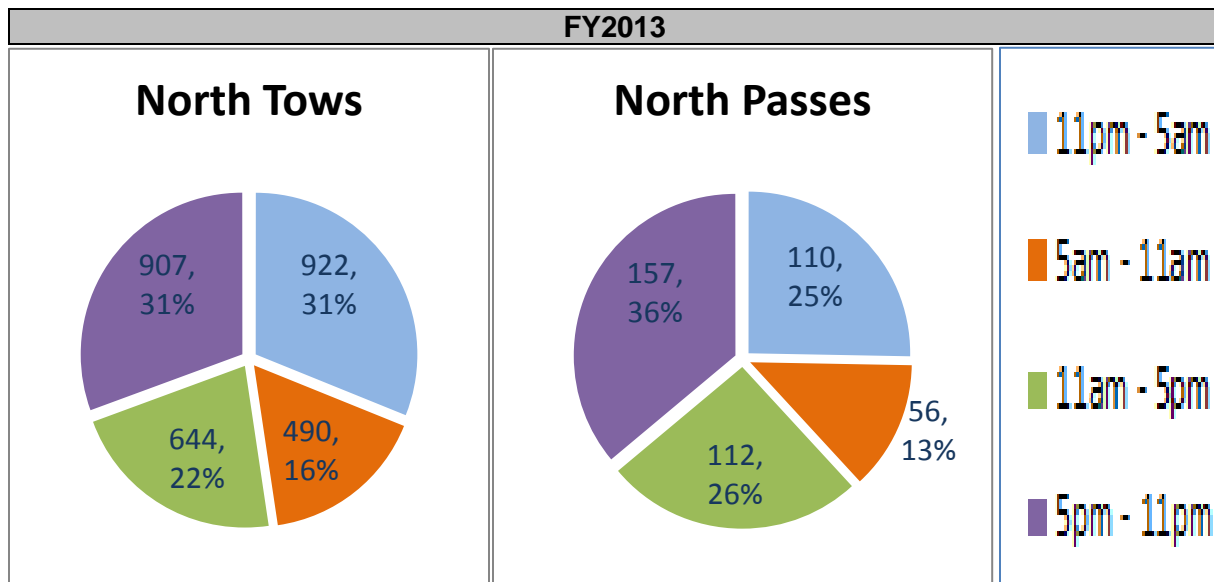
Source: Fort Worth Police Department Records

**Historical Analysis (Continued)**

**North Zone Towing Companies**



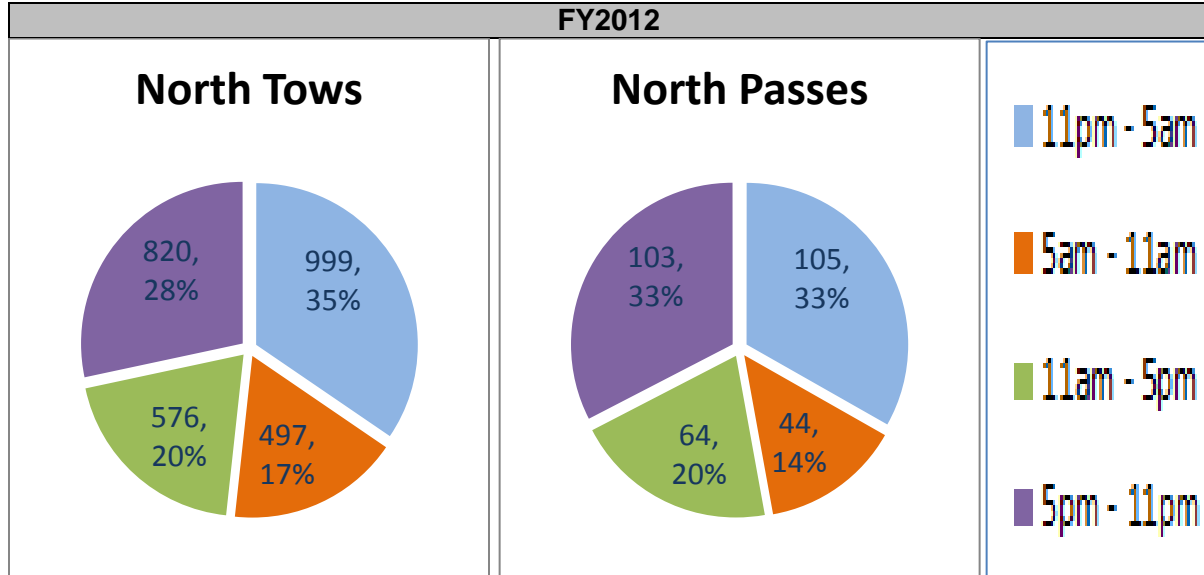
FY2013 tows (2,963) and passes (435), within the North Zone [based on time of day], are noted in the following chart.



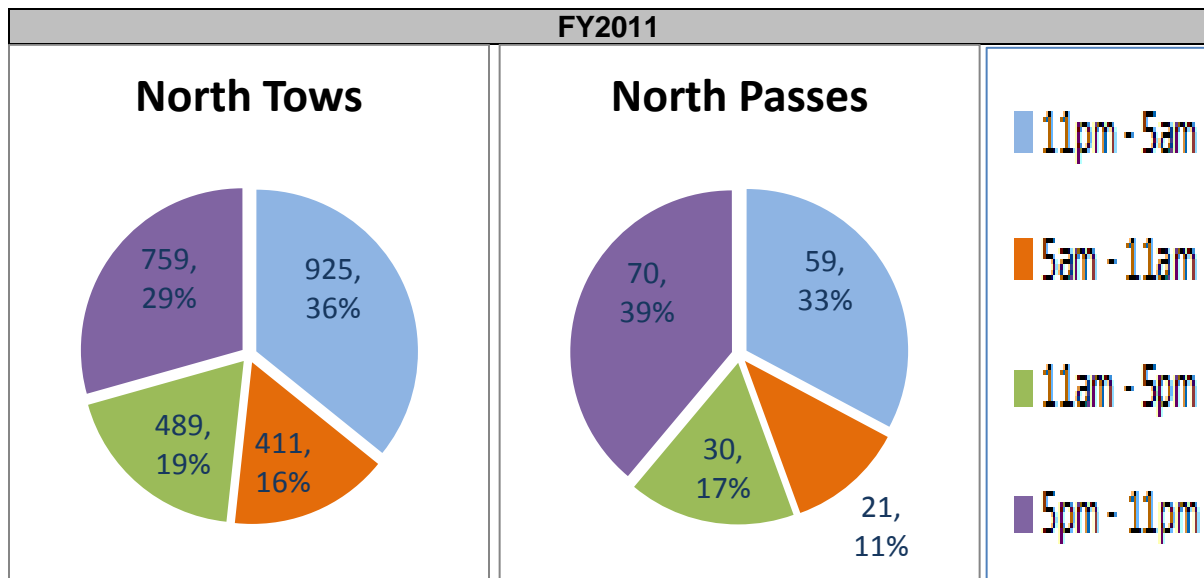
Source: Fort Worth Police Department Records

## Historical Analysis (Continued)

FY2012 tows (2,892) and passes (316), within the North Zone [based on time of day], are noted as follows.



FY2011 tows (2,584) and passes (180), within the North Zone [based on time of day], are noted as follows.

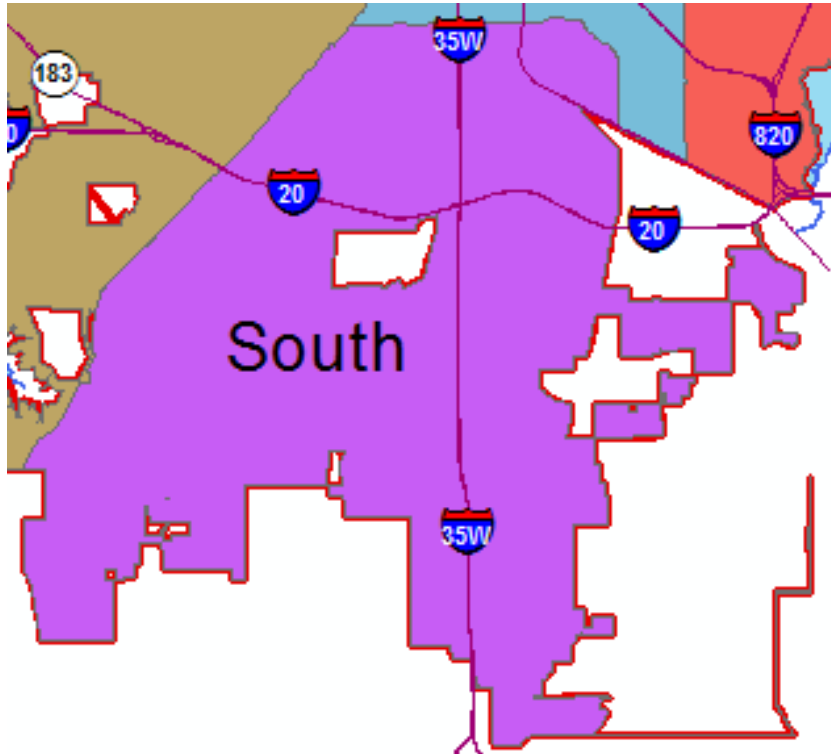


Source: Fort Worth Police Department Records

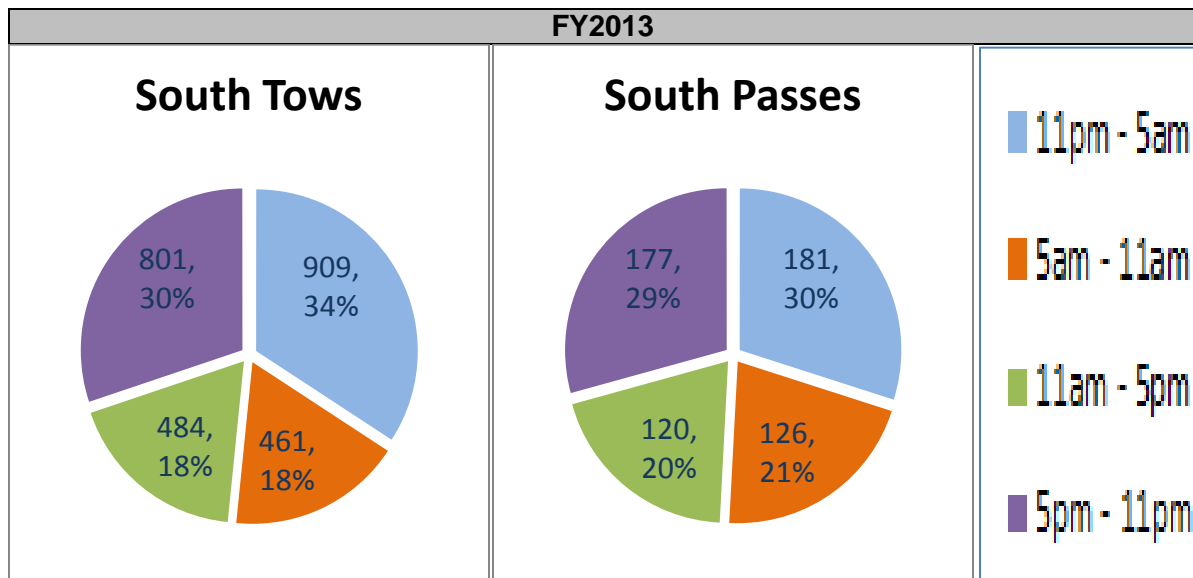


**Historical Analysis (Continued)**

**South Zone Towing Companies**



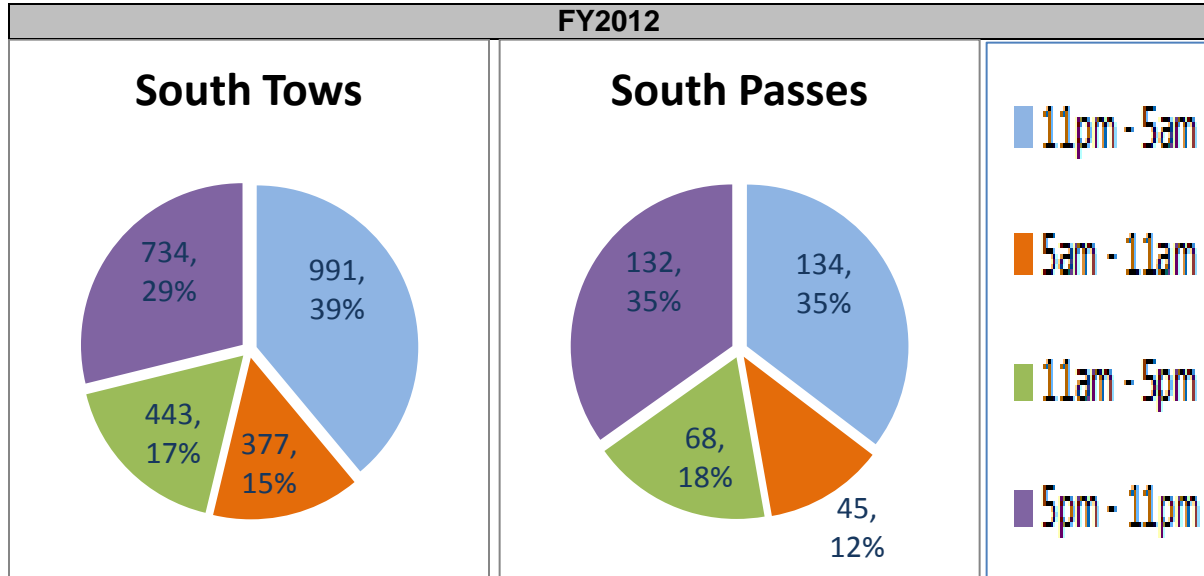
FY2013 tows (2,655) and passes (604), within the South Zone [based on time of day], are noted in the following chart.



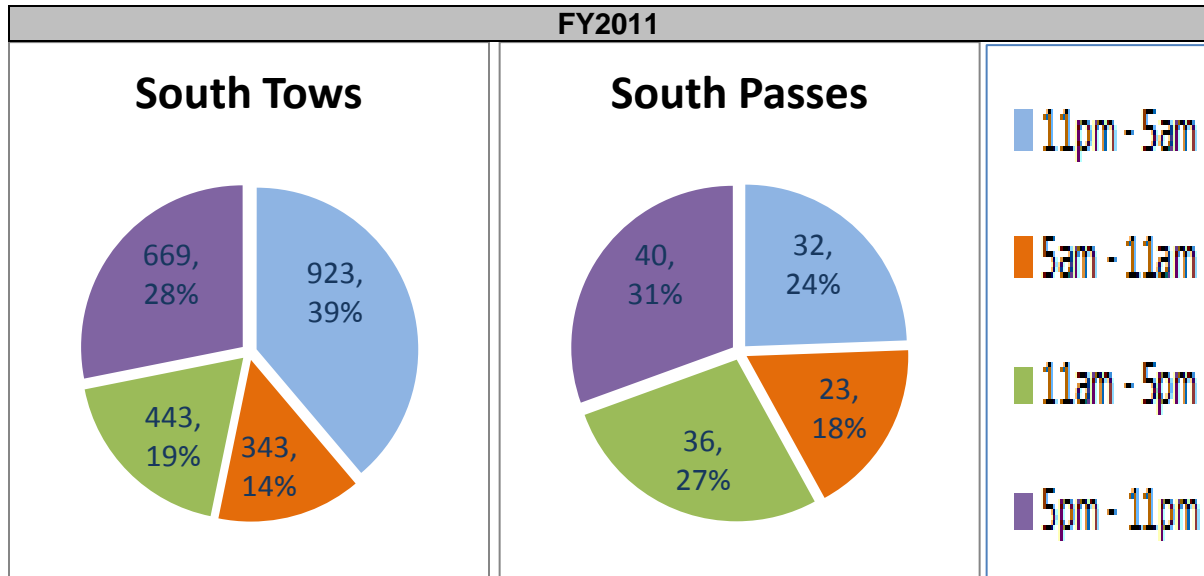
Source: Fort Worth Police Department Records

## Historical Analysis (Continued)

FY2012 tows (2,545) and passes (379), within the South Zone [based on time of day], are noted as follows.



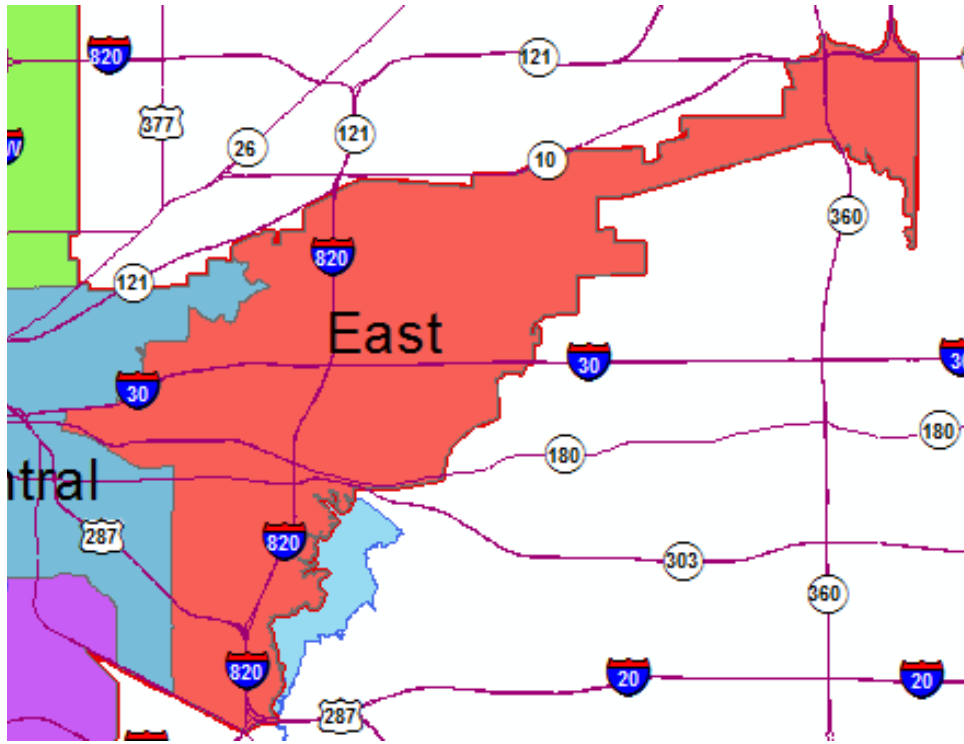
FY2011 tows (2,378) and passes (131), within the South Zone [based on time of day], are noted as follows.



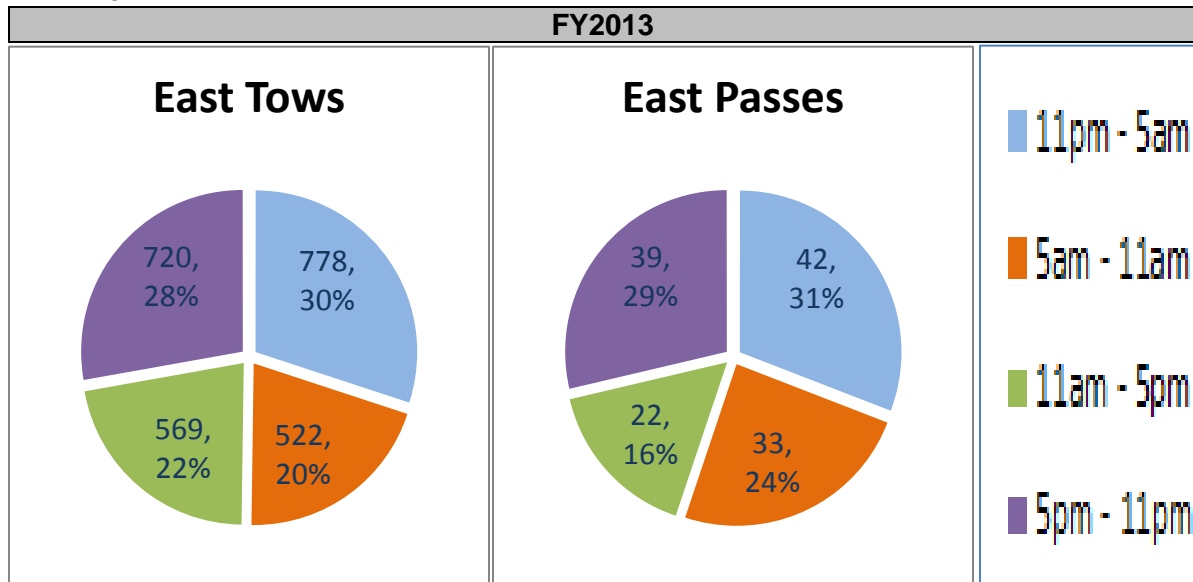
Source: Fort Worth Police Department Records

**Historical Analysis (Continued)**

**East Zone Towing Companies**



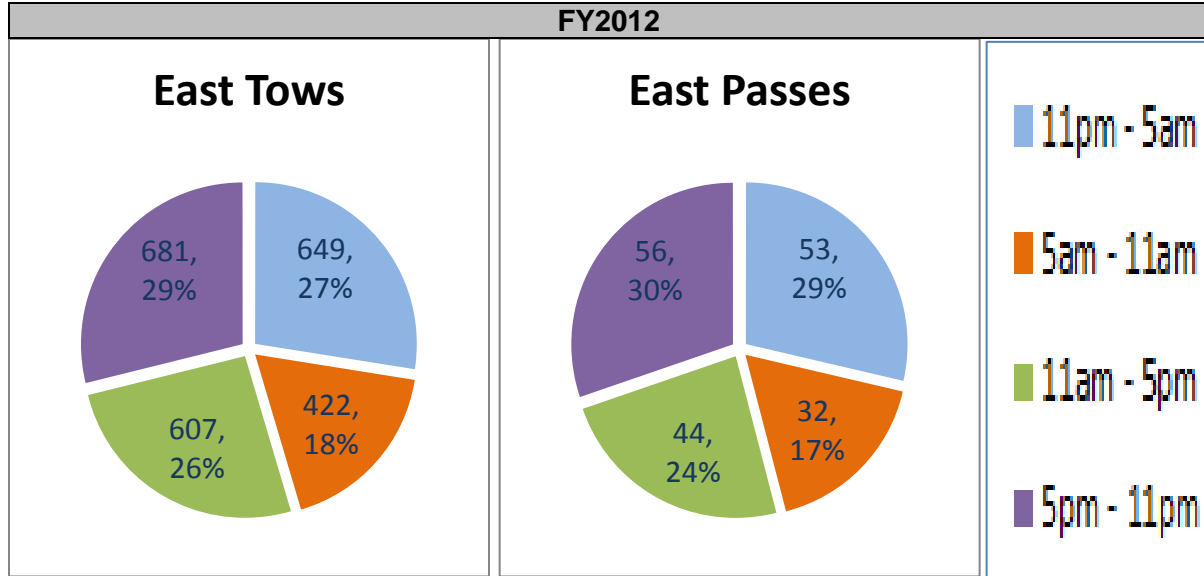
FY2013 tows (2,589) and passes (136), within the East Zone [based on time of day], are noted in the following chart.



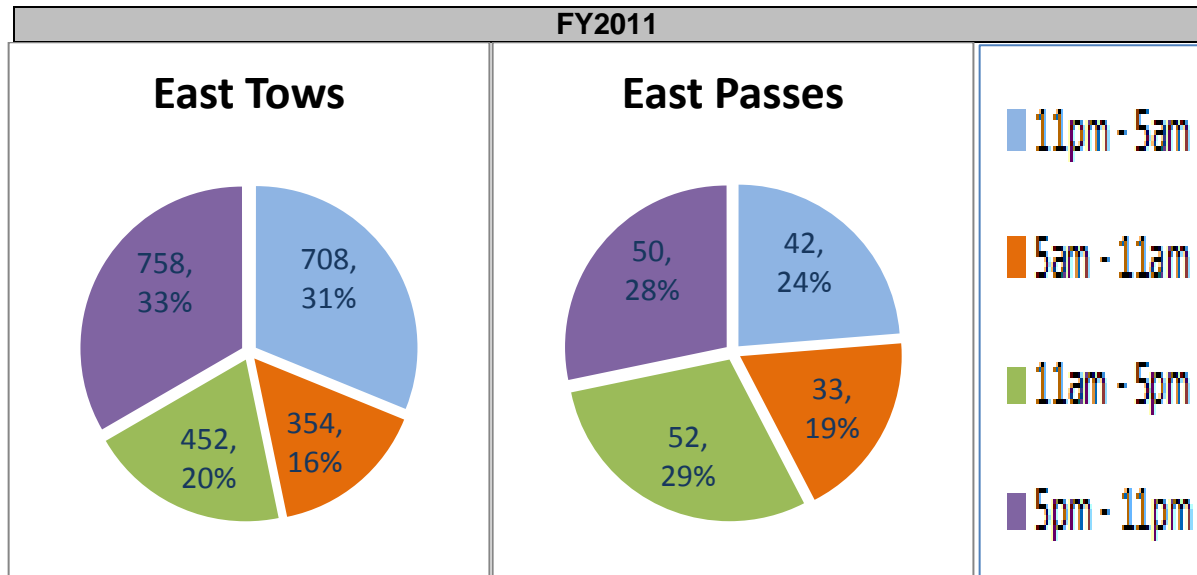
Source: Fort Worth Police Department Records

## Historical Analysis (Continued)

FY2012 tows (2,359) and passes (185), within the East Zone [based on time of day], are noted as follows.



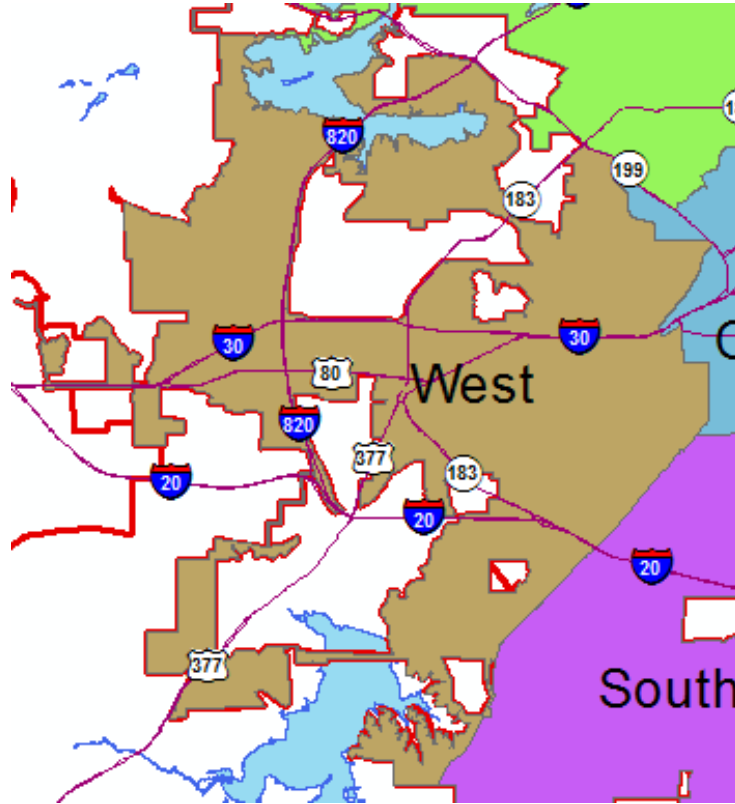
FY2011 tows (2,272) and passes (177), within the East Zone [based on time of day], are noted as follows.



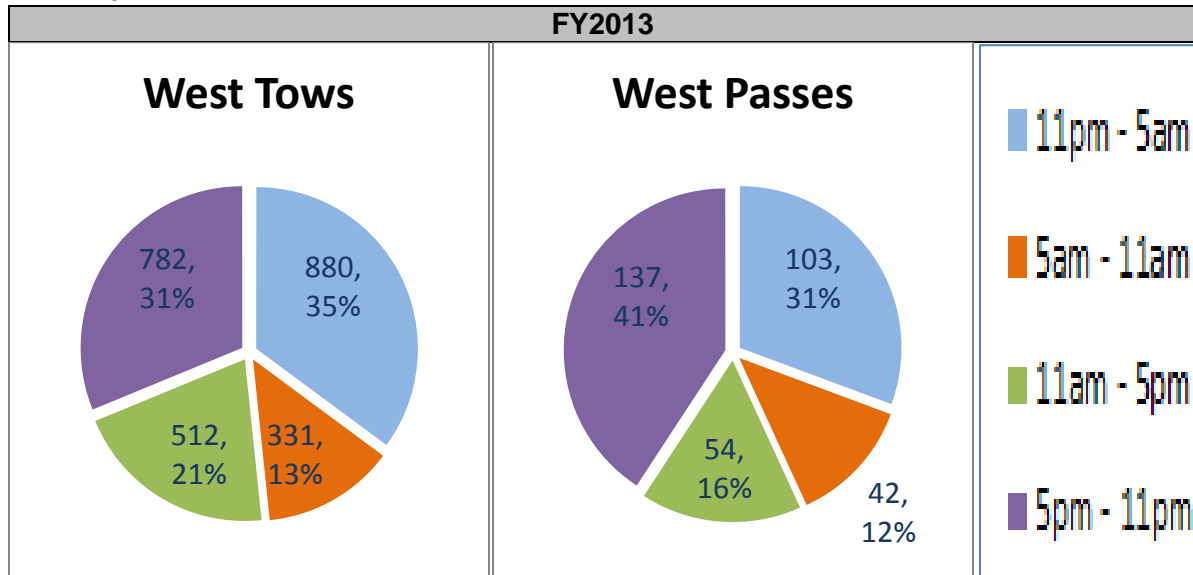
Source: Fort Worth Police Department Records

**Historical Analysis (Continued)**

**West Zone Towing Companies**



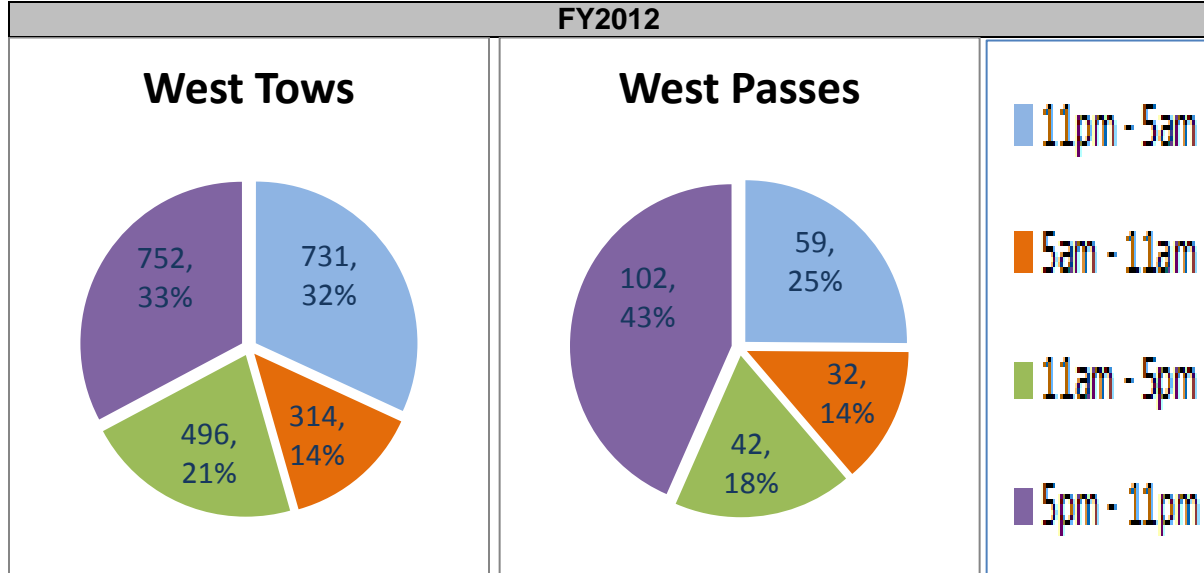
FY2013 tows (2,505) and passes (336), within the West Zone [based on time of day], are noted in the following chart.



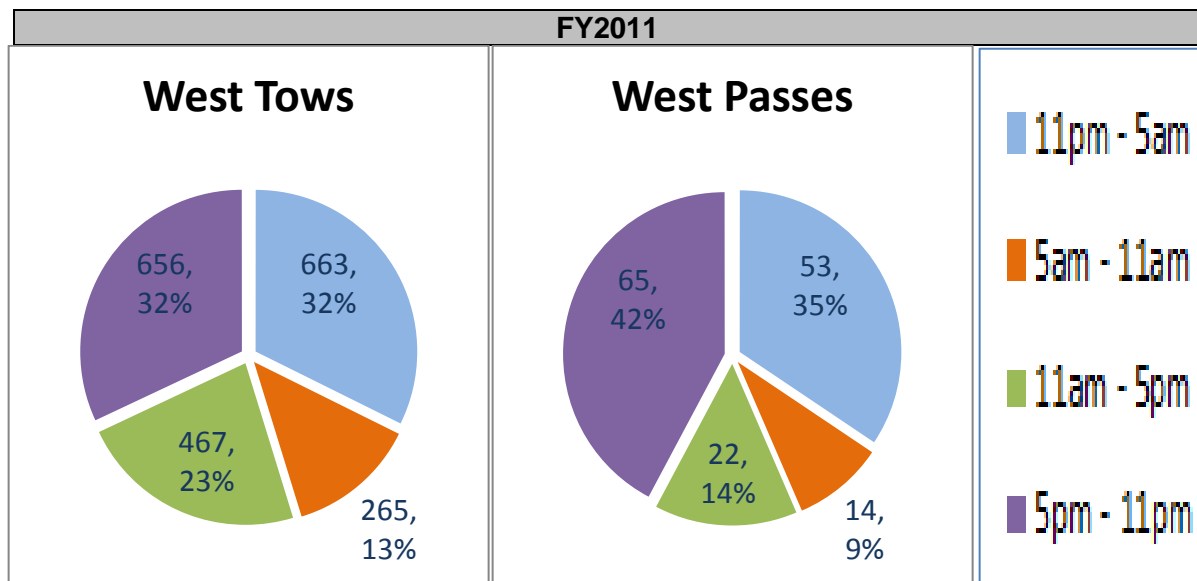
Source: Fort Worth Police Department Records

## Historical Analysis (Continued)

FY2012 tows (2,293) and passes (235), within the West Zone [based on time of day], are noted as follows.



FY2011 tows (2,051) and passes (154), within the West Zone [based on time of day], are noted as follows.

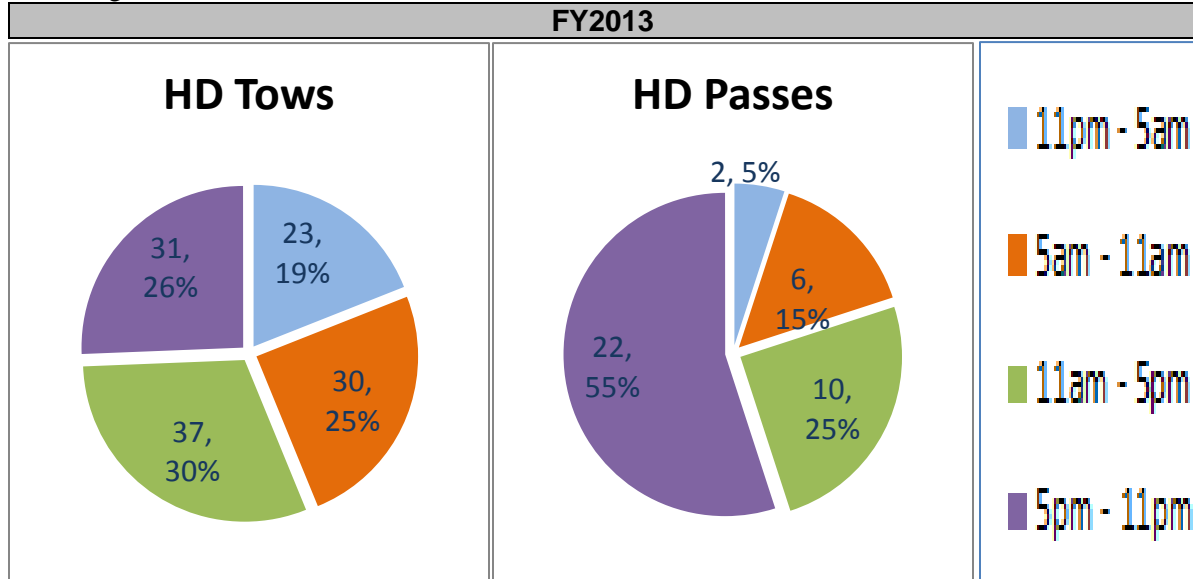


Source: Fort Worth Police Department Records

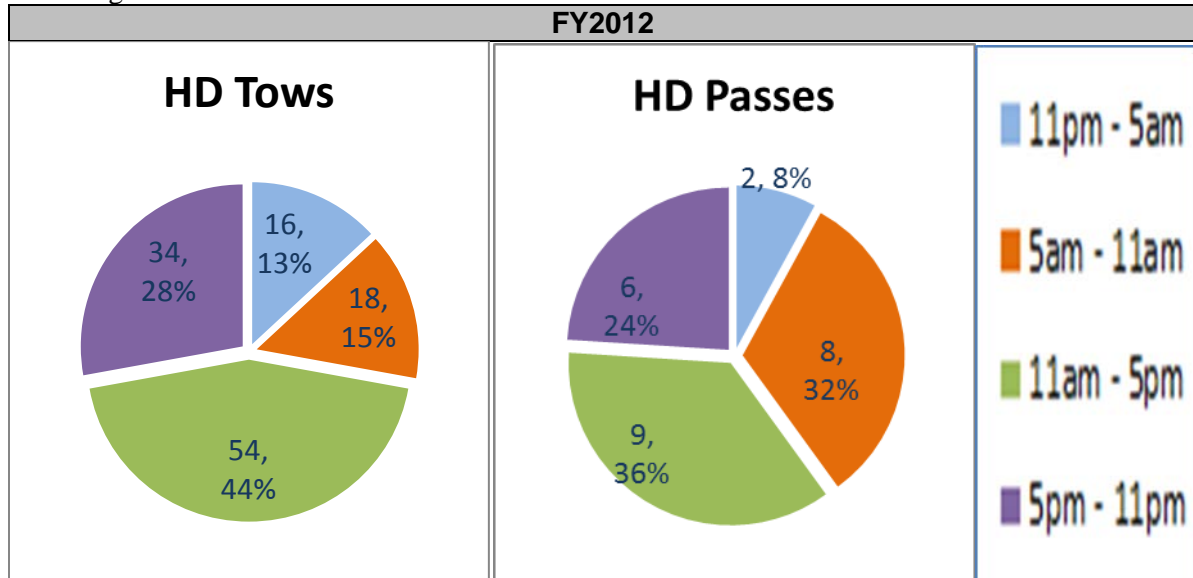
## Historical Analysis (Continued)

### Heavy Duty Towing Companies

FY2013 tows (121) and passes (40), within the HD Tows [based on time of day], are noted in the following chart.



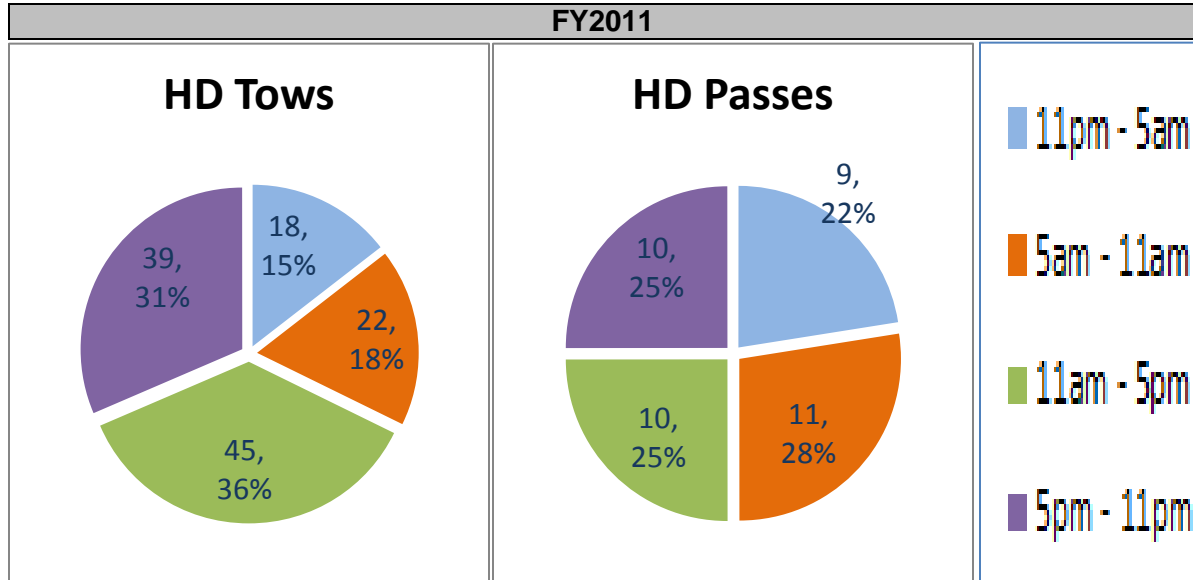
FY2012 tows (122) and passes (25), within the HD Tows [based on time of day], are noted in the following chart.



Source: Fort Worth Police Department Records

## Historical Analysis (Continued)

FY2011 tows (124) and passes (40), within the HD Tows [based on time of day], are noted in the following chart.



Source: Fort Worth Police Department Records



## Survey Results: Other Cities

The Department of Internal Audit surveyed seven Texas cities (including Fort Worth). The seven cities surveyed were: Arlington, Austin, Dallas, Fort Worth, Houston, Irving and San Antonio. Responses were received from all of the cities surveyed, and related to towing activity conducted during FY2013.

City	Population	Light Duty Tow Fee	Medium Duty Tow Fee	Heavy Duty Tow Fee	Number of Contracted Towing Companies (2013)
<b>Houston</b>	<b>2,195,914</b>	\$160 <sup>(1)</sup>	\$160 <sup>(1)</sup>	\$242.50/hr. <sup>(2)</sup>	280
<b>San Antonio</b>	<b>1,409,019</b>	\$120	\$240	\$145/hr. <sup>(2)</sup>	3
<b>Dallas</b>	<b>1,257,676</b>	\$121 <sup>(3)</sup>	\$191 <sup>(3)</sup>	\$445 <sup>(3)</sup>	38
<b>Austin</b>	<b>885,400</b>	\$150	\$400	\$800	46
<b>Fort Worth</b>	<b>792,727</b>	<b>\$135</b>	<b>\$135</b>	<b>\$216</b>	<b>22</b>
<b>Arlington</b>	<b>379,577</b>	\$152	\$152	\$225	1
<b>Irving</b>	<b>228,653</b>	\$72	\$75	\$125	1

Sources: U.S. Census Bureau (2013); Population and Housing Unit Estimates; Survey responses

- <sup>(1)</sup> Plus an additional \$3.10 per mile if the tow is over 20 miles
- <sup>(2)</sup> Two-hour minimum
- <sup>(3)</sup> Plus an additional fee if over two (2) hours



## Survey Results: Towing Companies

Surveys were also provided to the 23 towing companies with whom the City contracts for police-initiated tows (PIT). Responses were received from 15 of the 23 towing companies. The towing companies' responses are noted in the following chart.

Towing Company	Average Distance Traveled for PIT	Percentage of Light/Medium Duty PIT (last 12 months)	Percentage of Heavy Duty PIT (last 12 months)	Percentage of Light/Medium Duty PIT Requiring Additional Equipment (last 12 months)	Percentage of Heavy Duty PIT Requiring Additional Equipment (last 12 months)	Approximate Percentage of PIT Requiring Disposal or Handling of Cargo
Ed's Towing	30 + miles	100%	N/A <sup>(1)</sup>	2%	N/A <sup>(1)</sup>	90%
Sega Towing	11 – 20 miles	100%	N/A <sup>(1)</sup>	95%	N/A <sup>(1)</sup>	30%
Cardinal Towing	21 – 30 miles	100%	N/A <sup>(1)</sup>	0%	N/A <sup>(1)</sup>	0%
Ron's Towing	11 – 20 miles	100%	N/A <sup>(1)</sup>	0%	N/A <sup>(1)</sup>	0%
A-1 Towing	21 – 30 miles	90%	10%	1%	60%	70%
Lone Star*	1 – 10 miles	100%	N/A <sup>(1)</sup>	0%	N/A <sup>(1)</sup>	0%
Guy Simmons*						
Bivens Towing*						
Advanced*	11 – 20 miles	100%	N/A <sup>(1)</sup>	2%	N/A <sup>(1)</sup>	0%
Buddy's, Western Recovery Towing						
Cornish Wrecker Service	11 – 20 miles	95%	5%	5%	65%	65%
Beard's Towing	21 – 30 miles	80%	20%	5%	10%	50%
H & R 24HR Wrecker*	11 – 20 miles	100%	N/A <sup>(1)</sup>	5%	N/A <sup>(1)</sup>	5%
Denny's Towing	21 – 30 miles	95%	5%	10%	2%	0%

\* Owned by company doing business with the City of Fort Worth under different dbas

<sup>(1)</sup> Towing company did not contract with City of Fort Worth for Heavy Duty towing



Of the 15 tow companies that responded to the survey,

- four (4) responded that a standard tow fee between \$140 and \$150 was reasonable;
- nine (9) responded that a standard tow fee between \$160 and \$180 was reasonable;
- one (1) responded that a standard tow fee between \$190 and \$210 was reasonable; and
- one (1) responded that a standard tow fee between \$220 and \$250 was reasonable.

## Towing Issues

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The following towing issues were identified, based on information obtained from contracted towing companies and CFW employees involved in the police-initiated towing process.

- *City Cancellations after Dispatching Towing Companies:* Towing contractors are not paid any fees when the CFW cancels a dispatch after the towing contractor is in route and/or has arrived at the towing location. The towing contractors' concerns are that they have incurred expenses such as fuel and labor costs prior to receiving the cancellation notice.

As noted within the [Executive Summary](#) section of this report, we did not consider the impact of cancellations on towing contractors due to the intricacies and volume of cancellation data.

- *Towing Companies Traveling Outside of the Fort Worth City Limits:* Occasionally, towing contractors must travel outside the Fort Worth city limits for a police-initiated tow. An example would be the need for a towing contractor to return a vehicle, belonging to a CFW resident, from within the City of Dallas. In this instance, the towing contractor that recovers the vehicle from Dallas does not receive any additional payment for any additional mileage required to execute the tow outside of the Fort Worth city limits.
- *Time Required to Process Vehicles at City Auto Pound:* Towing contractors mentioned that an excessive amount of time is required to deliver vehicles and process the necessary paperwork at the CFW's Auto Pound. The Department of Internal Audit's study did not include an analysis of CFW Auto Pound operations.
- *Unlicensed Wreckers:* Contracted towing companies stated they have witnessed vehicle owners calling unlicensed towing companies to tow their vehicles. The contracted towing companies believe such action does not create a "level playing field" since they are required to pay for license/registration fees while the non-licensed towing companies do not. Internal Audit did not address this issue as it is outside the scope of our study and we were unable to verify this information. We did note that tows related to repossession of vehicles are *not* governed by State regulations outlined in the Texas Administrative Code, or Chapter 34 – Vehicles for Hire (Article V - Wreckers) of the CFW Code. As a result, the CFWPD has no control over vehicles used for repossession purposes.
- *Towing Contractors "Passing" on Dispatched Tows:* The CFWPD indicated that some towing contractors "pass" on tows. The Department of Internal Audit concluded that with a rotation system, tow "passes" should result in minimal service delays. CFWPD staff confirmed that the service impact, due to tow "passes", is less than two minutes. [Exhibit 1](#) of this report depicts the top 10 towing contractors that passed on CFW tows during FY2013.



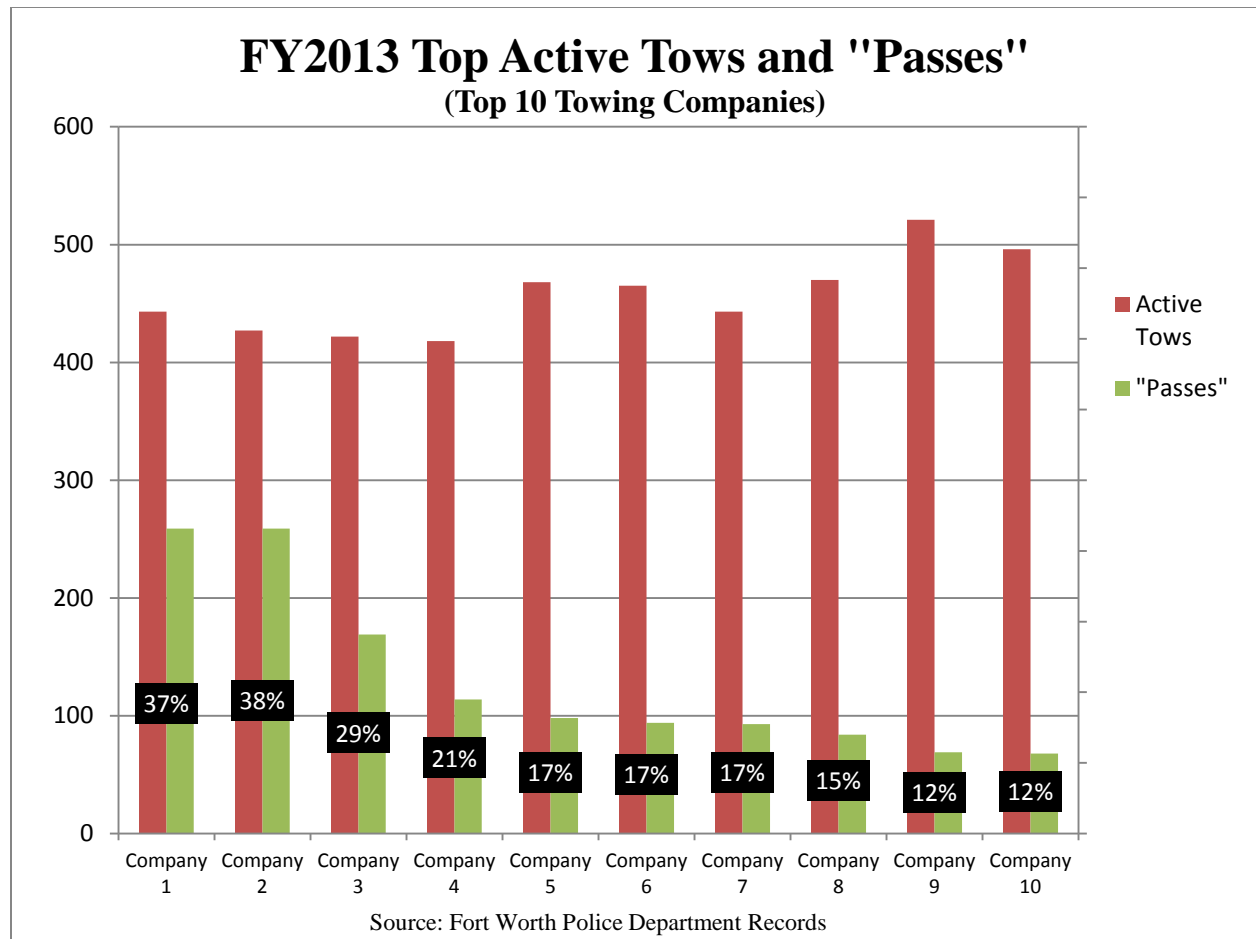
## Acknowledgements

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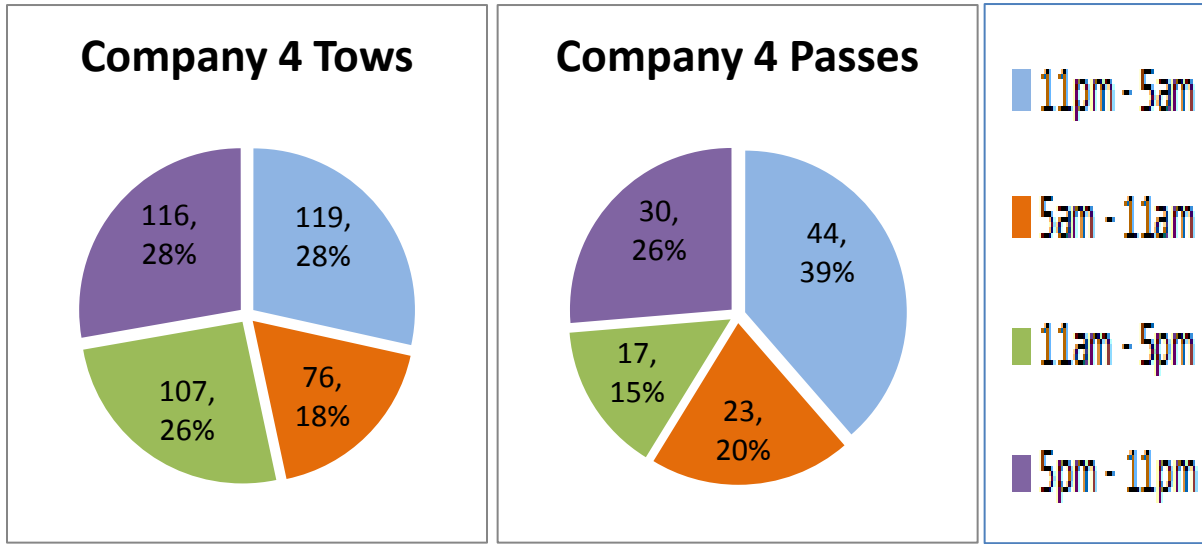
The Department of Internal Audit would like to thank the City of Fort Worth's Police Department, contracted towing companies and surveyed cities for their cooperation and assistance during this study.



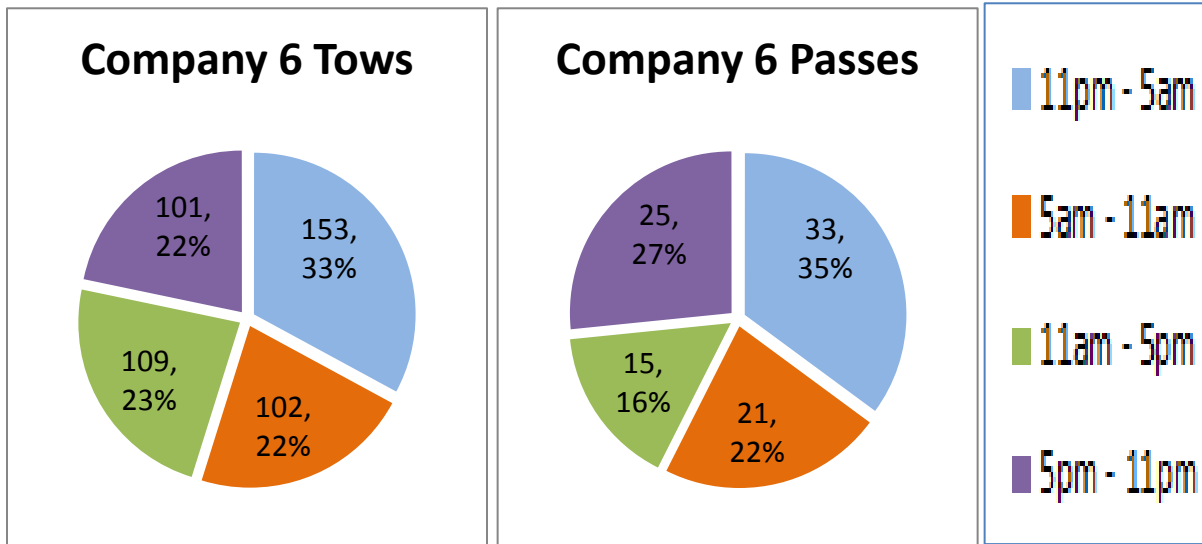
# Exhibit 1



### Central Towing Zone



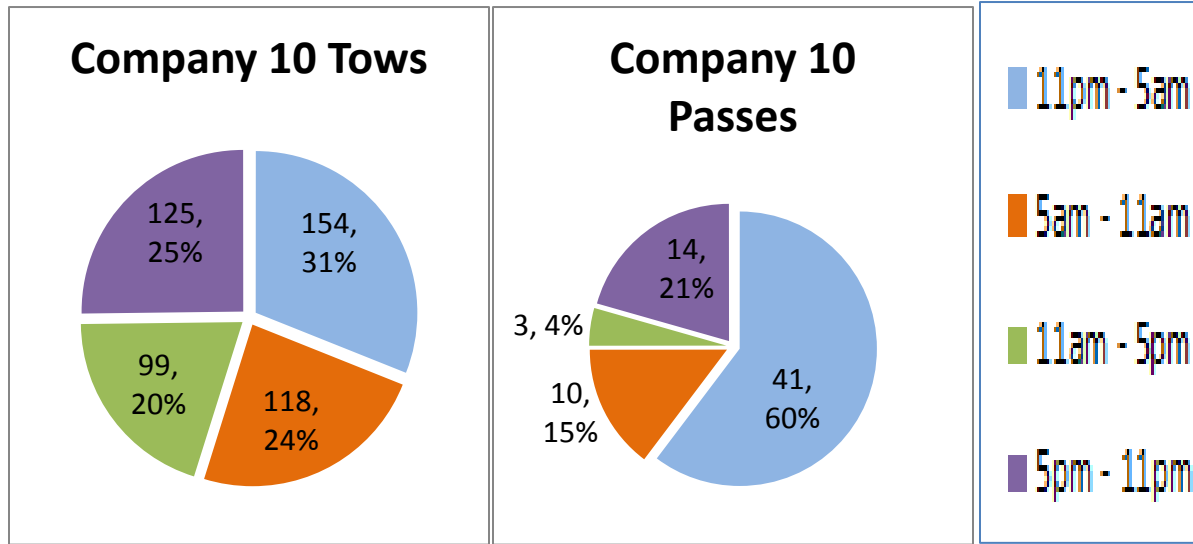
Total Tows = 418; Total Passes = 114



Total Tows = 465; Total Passes = 94

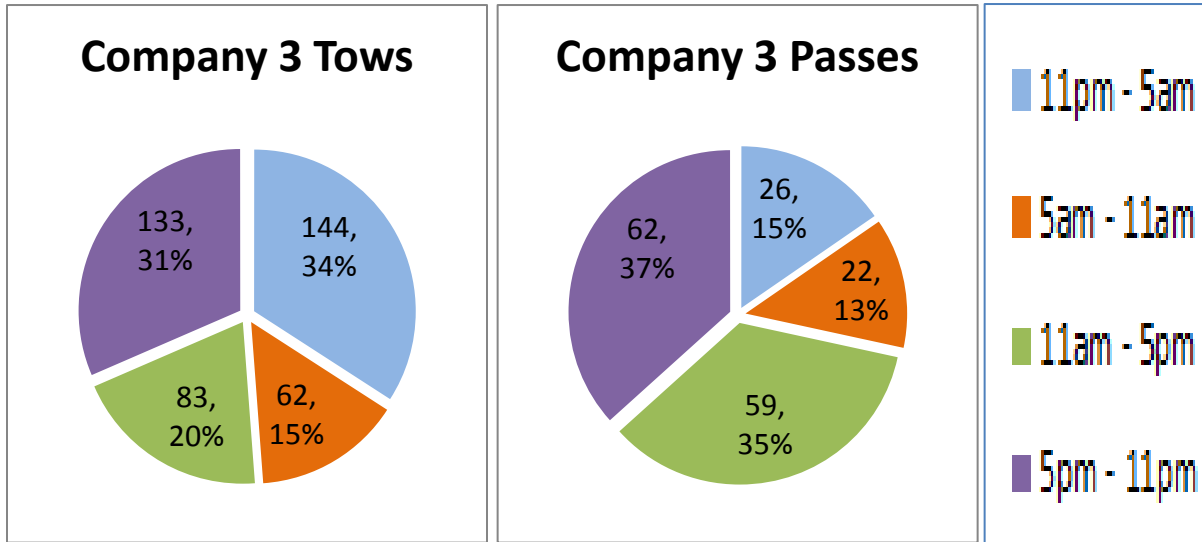


**Central Towing Zone (cont'd)**

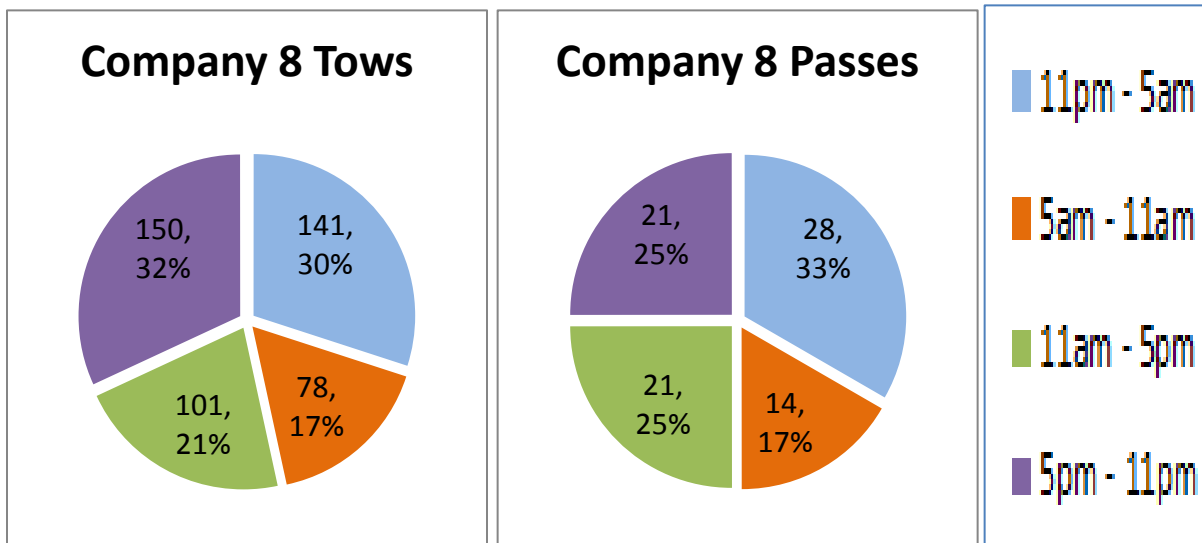


Total Tows = 496; Total Passes = 68

### North Towing Zone

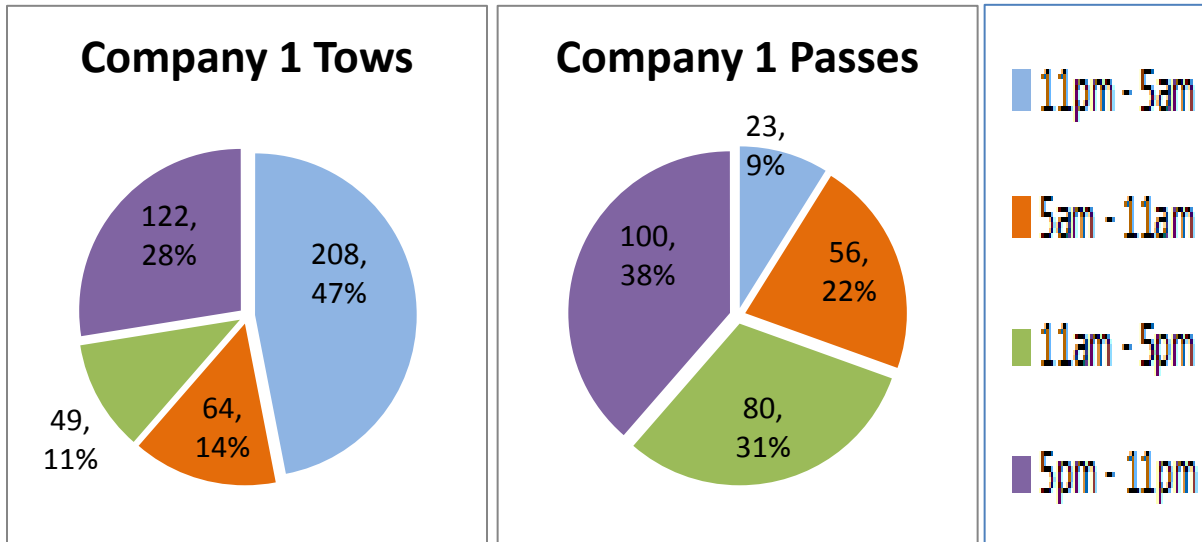


Total Tows = 422; Total Passes = 169

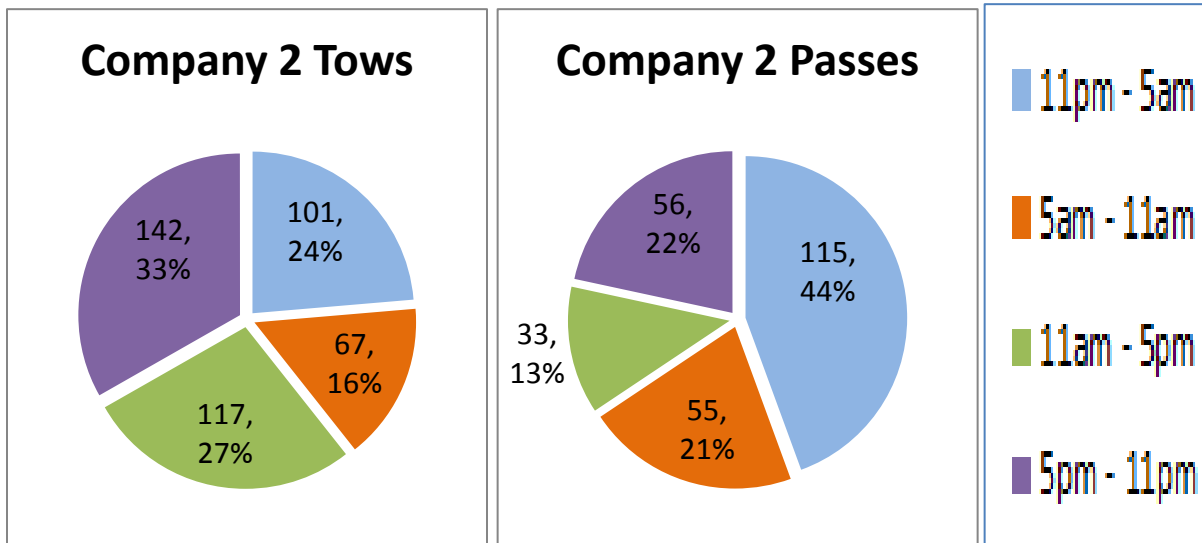


Total Tows = 470; Total Passes = 84

### South Towing Zone

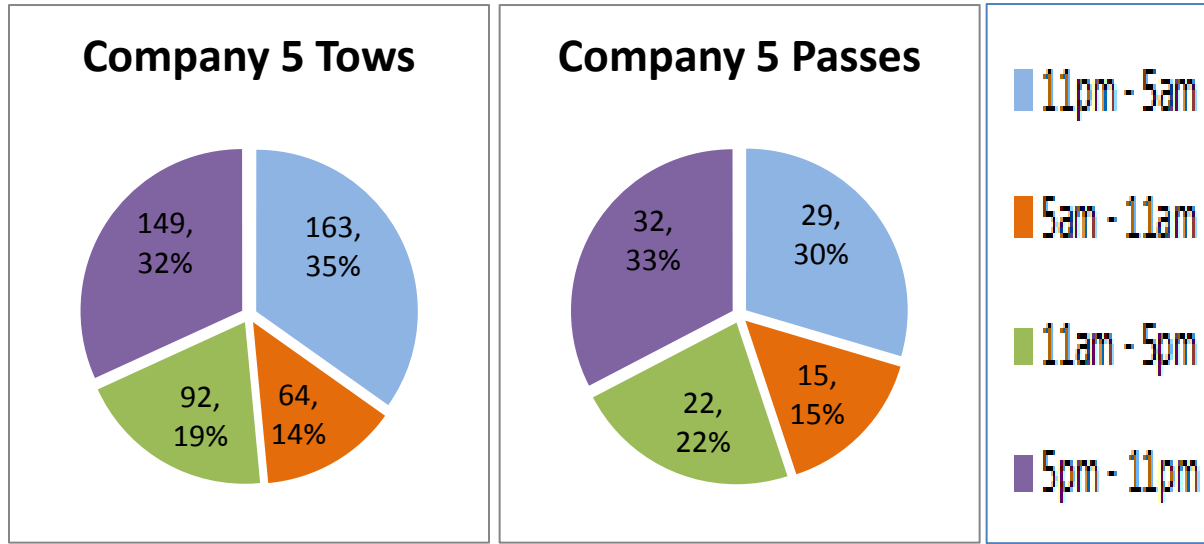


Total Tows = 443; Total Passes = 259

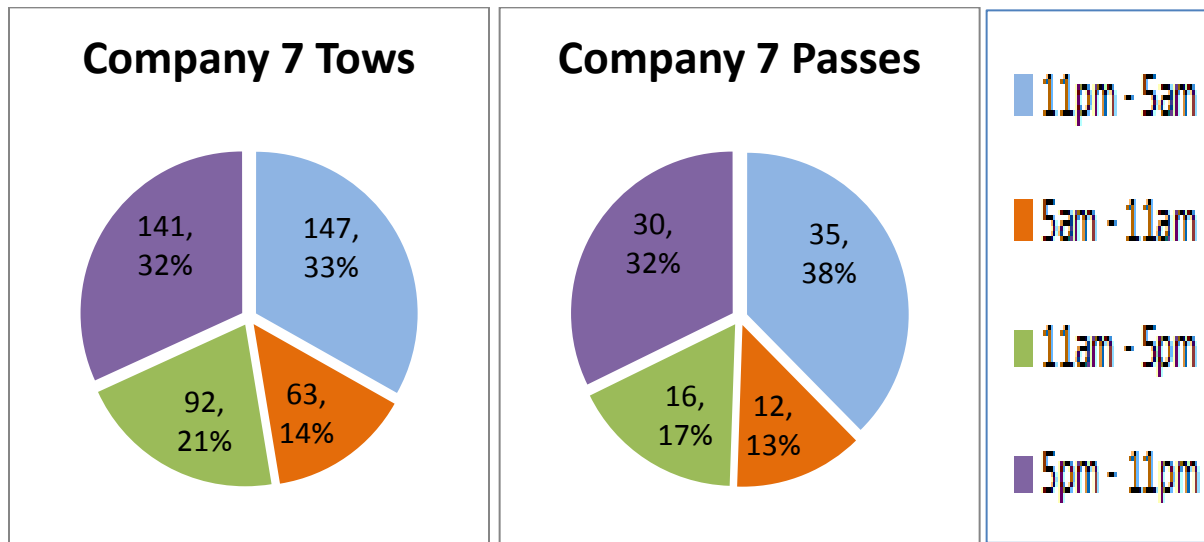


Total Tows = 427; Total Passes = 259

### West Towing Zone

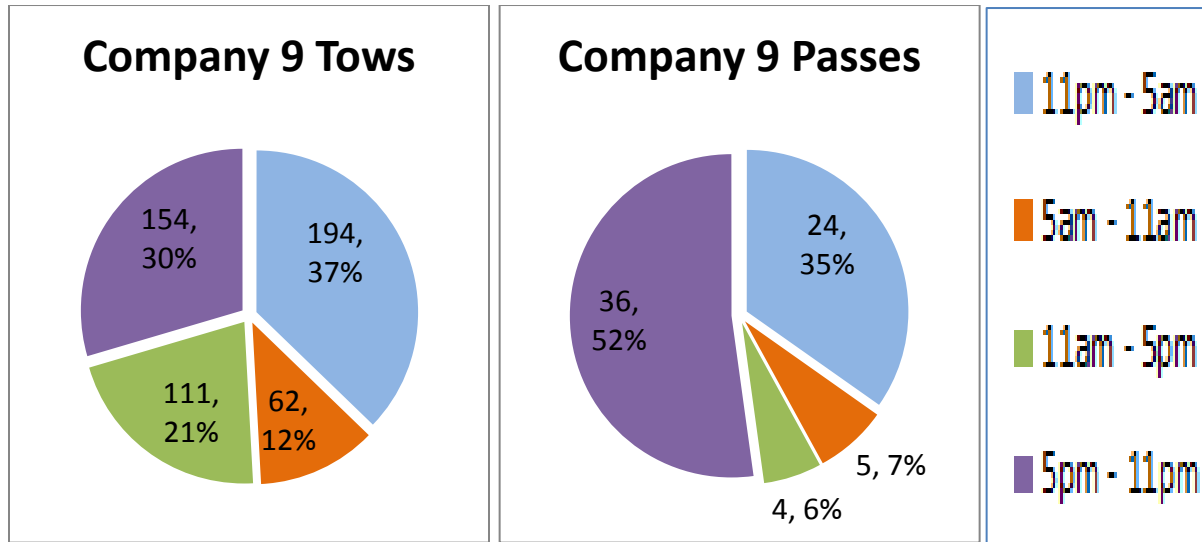


Total Tows = 468; Total Passes = 98



Total Tows = 443; Total Passes = 93

### West Towing Zone



Total Tows = 521; Total Passes = 69

Source: Fort Worth Police Department Records