

Vehicle Impound Section Privatization

Service Being Privatized:

The service being privatized is the Metropolitan Nashville Police Department’s Vehicle Impound Section (Tow-In-Lot). This service includes three primary activities including accepting impounded vehicles, processing them to establish ownership, and selling or releasing the vehicles. This service is identified in the Metro Code as follows: “There is established, under the jurisdiction of the police department, a tow-in lot, which is herein defined as a place where motor vehicles which are required to be removed from the streets and other public places of the metropolitan government area because of violations of traffic laws and regulations, penal ordinances of the metropolitan government and laws of the state and the United States, and which come into police custody by reason of such vehicles being stolen, abandoned or an obstruction to traffic, or of which the police department has acquired custody for the protection of motor vehicles and their safekeeping.(12.72.010)”

1. Schedule for Implementation:

November	Dec/Jan	February	March	April	May
Legislation Filed	Anticipated Council Approval	Contract Initiation	Transition Period		Transition Completed
Employee Communication					

2. Cost to Continue Providing the Service and Cost Savings: The fiscal year 2011 estimated annual cost of providing impound lot services, net of any related revenue, is \$442,156. There is an accumulated deficit of approximately \$2,917,885 at the end of the fiscal year 2011 in the fund. If there is no change to fees or business practices, it is estimated that there will be a \$5.4 Million accumulated deficit by the end of fiscal year 2016. This amount includes an estimated annual amount of \$60,000 to cover direct bill items, which were previously unbilled to the impound lot. If no other actions are taken, it is estimated that the impound lot storage flat fee would need to increase from \$200 to \$500 to close the fund deficit in 5 years. The proposed privatization should contribute to closing the accumulated deficit and provide funding stability for tow-in-lot operations.

The following table provides several years of historical information on revenue, expense, accumulated fund balance, and the number of vehicles received by the impound lot.

	Revenue	Expense	Fund Balance	Vehicles Received
FY06	1,729,365	4,322,944	(2,593,579)	9,071
FY07	2,873,191	2,523,424	(2,243,812)	10,170
FY08	2,611,393	2,274,478	(1,906,898)	8,121
FY09	2,182,249	2,265,100	(1,989,749)	6,337
FY10	1,582,671	2,068,650	(2,475,729)	4,609
FY11*	1,271,275	1,713,431	(2,917,885)	3,761

**estimated*

In the period of fiscal years 2007 through 2011, revenue declined at a faster pace than expenses. This resulted in the growing fund balance deficit. The revenue decline was due to a decrease in vehicle intake at the Impound Lot. In the same period, the Police Department was able to reduce total operating cost by keeping staffing levels and other non-salary expenses to the minimum needed to support daily operations. Even with our best efforts, these actions were not sufficient to prevent the Impound Lot from going into deeper deficit.

For comparison purposes, the following chart outlines the projected financial position of impound lot operations “As Is” vs. the “Proposed” privatization over the same contract period.

	FY11*	FY12**	FY13***	FY14***	FY15***	FY16***
As Is						
Expense	1,713,431	1,773,431	1,773,431	1,773,431	1,773,431	1,773,431
Revenue	(1,271,275)	(1,271,300)	(1,271,300)	(1,271,300)	(1,271,300)	(1,271,300)
Net Loss / (Gain)	442,156	502,131	502,131	502,131	502,131	502,131
Deficit	2,917,885	3,420,016	3,922,147	4,424,278	4,926,409	5,428,540
Proposed						
Expense	1,713,431	1,540,359	375,000	375,000	375,000	375,000
Revenue	(1,271,275)	(1,638,584)	(475,000)	(475,000)	(475,000)	(475,000)
Net Loss / (Gain)	442,156	(98,225)	(100,000)	(100,000)	(100,000)	(100,000)
Deficit	2,917,885	2,819,661	2,719,661	2,619,661	2,519,661	2,419,661

* Actual amounts pending completion of FY11 audited financial statements

** FY12 As Is amounts are based on FY12 expenditures and revenue; Proposed amounts are based on pro-rated FY12 expenditures, estimated revenue, and vendor compensation

*** FY13 - FY16 As Is amounts are based on FY12 expenditures and revenue; Proposed amounts are based on vendor compensation

3. Cost to Metropolitan Nashville Police Department after privatization: Metropolitan Nashville Police Department will incur a cost of \$188,900 a year in the General Fund for the law enforcement portion of the Vehicle Impound Lot.
 - Metropolitan Nashville Police Department will need to maintain an Impound Lot Evidence Administrator position (1.0 FTE) at the annual cost of \$77,300 to oversee the contract compliance to the law enforcement portion.

- After privatization all VIN numbers now will have to be run through the Records Section (as they are NCIC certified) at the annual cost of \$111,600. The contractor is not, and cannot be, NCIC certified, and therefore will not be able to obtain VIN numbers checkup.
 - Metropolitan Nashville Police Department will request \$188,900 and 1.0 FTE in upcoming FY13 Budget to cover the Impound Lot evidence cost and operations after privatization.
4. Positions to be Eliminated: There will be a total of 29 FTE (positions) eliminated. The current staff (20 FTE's) at the Vehicle Impound Lot will be transferred to other vacant position in the Police Department. The estimated annual salary and fringe of the currently filled positions total \$904,300.
 5. Plan for Assisting Employees in Finding other Metro Employment: All individuals currently working for the impound lot will be transferred to other Police Department operations. No individual will lose their job or compensation as a result of this privatization.
 6. Schedule and Procedure for Providing Employees Information on Employment Status:
 - a. Personal meeting with employees before privatization
 - b. Letter to employees before privatization
 - c. As we are still uncertain as to the time frame involved in this effort, it remains to be seen exactly what vacancies will be available at the time these transactions will take place. All Vehicle Impound employees will be invited to apply for and participate in the interview process for all posted positions within the Metropolitan Nashville Police Department in which they qualify.
 - d. The vendor has also proposed to consider existing employees for staffing its operations, but it is not known if employees will be interested in this option.