

Public Safety Committee Memorandum

City of Arts & Innovation

TO: PUBLIC SAFETY COMMITTEE MEMBERS **DATE: MAY 17, 2017**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: REVISING TAXI CAB FRANCHISE REGULATIONS, FEES AND SERVICE REQUIREMENTS

ISSUE:

Receive information on taxi cab franchise regulations, fees, and services requirements and forward to City Council recommendations regarding the elimination and/or modification of certain City taxi franchise fees and regulations.

RECOMMENDATION:

That the Public Safety Committee recommend to the City Council to direct the City Attorney's Office and the Finance Department to develop the appropriate ordinances/resolutions to:

1. Eliminate the City's Taxi Franchise requirement and fees. In its place require the issuance of the "Vehicle for Hire" permit required, per Riverside Municipal Code 5.40, for all types of vehicles for hire operating in the City. This would eliminate the long process of public hearings, approvals, and the requirement for taxi companies to prove a "public interest, convenience, and/or necessity" for their operation which is not required for Transportation Network Companies such as Uber and Lyft, or other vehicles for hire operating in the City;
2. Update RMC 5.40 to include any additional regulations previously set forth in the Franchise agreement that are not currently included in RMC 5.40, such as: car insurance requirements, individual driver background checks, certification of meters by the County of Riverside, and all other public safety and customer protections;
3. Revise the City's Business Tax formulas for taxicab companies to the Business Tax Class A rates, which are the same rates for all other retail businesses in the City;
4. Eliminate the need for the City Council to review and approve taxi rates. Changes in rates can be reviewed and approved by the Chief Financial Officer as currently set forth in RMC 5.40; and,
5. Continue the requirement that fines and penalties may be imposed for breaches of the permit as set forth in RMC 5.40.

BACKGROUND:

The City's Municipal Code allows for the franchising of taxi services that operate in the City of Riverside, in addition to any applicable business taxes. Chapter 5.40 of the Riverside Municipal Code outlines the administration of Vehicles for Hire, Taxi Cabs, and Animal-Drawn Vehicles within the City of Riverside as well.

The City has existing but expired franchise agreements with three taxi companies serving the Riverside community: Yellow/Bell Cab, AA/Checker Cab, and Happy Taxi. Yellow/Bell is based in San Bernardino, AA/Checker is based in Riverside, and Happy Taxi is based in Corona. The now expired franchise agreements govern the City's relationship with the three service providers and contain the various City requirements and regulations applicable to the three companies. Additionally, the agreements provide that franchise fees be assessed to each taxi company based on the number of taxi vehicles each is authorized to operate within the City.

In June of 2015, the Public Safety Committee raised several questions about the prospect of making taxicab services more cost effective for the locally franchised service providers in order to level the playing field and compete with a new type of public transportation companies, referred to as Transportation Network Companies (TNC), such as Uber and Lyft. Uber and Lyft are companies formed under the concept of providing transportation to the public via internet application and wireless networks as opposed to the traditional system of telephone connection through a Taxi dispatch system. These TNC companies are regulated by the California Public Utilities Commission (CPUC) and not by local jurisdictions through Franchise Agreements.

The Committee asked staff to review changing state legislation and to meet with the three community taxi cab companies before returning to the Public Safety Committee with recommendations on how to "level the playing field".

DISCUSSION:

There has been tremendous turmoil in the public vehicles for hire industry with the introduction of TNCs like Uber and Lyft. It seems these firms have gained a substantial market share in a very short time, yet are beyond the regulation of local jurisdictions.

State Law dictates that the CPUC will regulate TNCs and thus, they are exempted from any local Franchise Rules or Regulations per State Public Utilities Code. Division 2, Article 8 of the Code states that "no governing body of any city or county may impose a fee on charter-party carriers operating limousines, which is defined as any sedan or sports utility vehicle with a seating capacity of not more than 10 passengers used in the transportation of passengers for hire on a prearranged basis within the state".

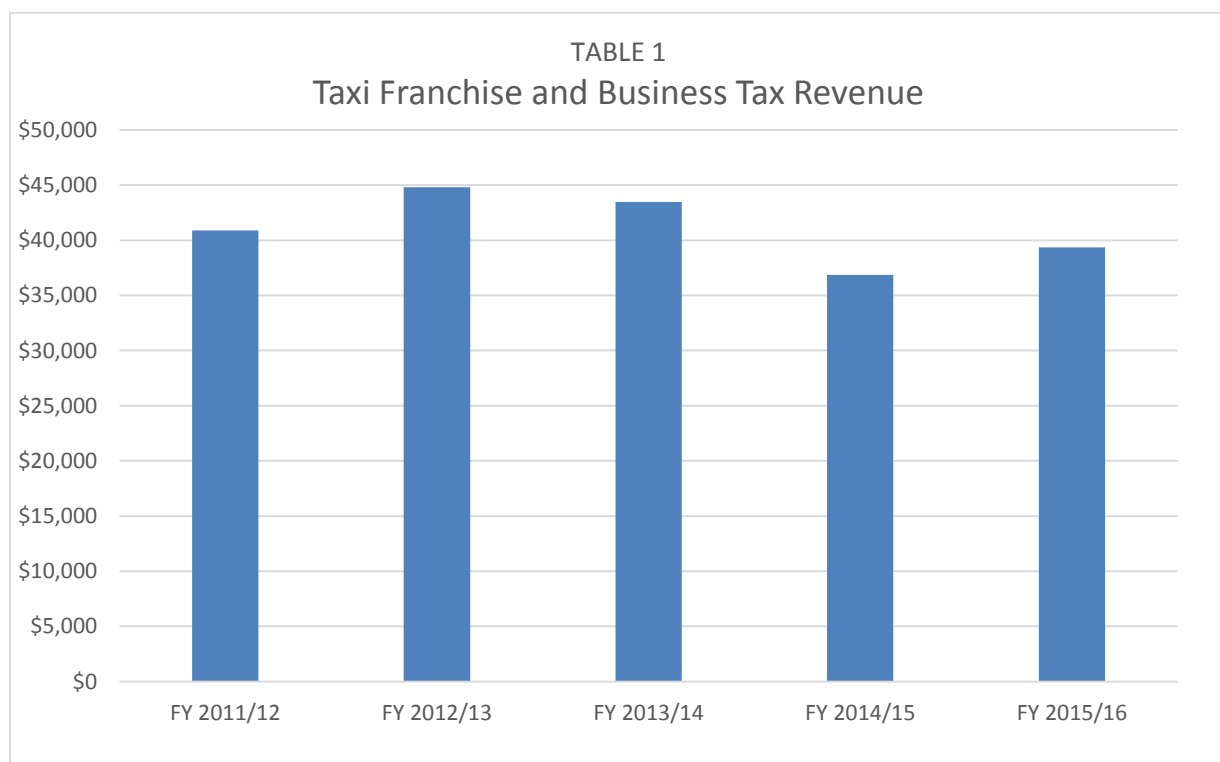
In the meetings between City staff and the Taxi Cab Companies, the companies indicated that the City needs to be fair and apply similar rules to the Franchised Taxi Cab Companies as the CPUC applies to the TNCs. Staff agrees, if the Committee and eventually the City Council agreed, to accomplish this, the City would need to modify the City Municipal Code, eliminate the franchise agreements and replace them with the vehicle for hire permit process, or renew the franchise agreements with different rules and regulations then previously applied (which staff believes is a much more complex and lengthy process).

After reviewing the CPUC's rules and regulations in regards to TNCs, City staff has prepared the following comparison, between TNC's and Taxi Cabs:

	CITY FRANCHISED TAXI CABS	CPUC FRANCHISED TNCs
Business Tax Fees	\$120.25 annually per vehicle	.033% of gross receipts
Franchise Fee	\$500-\$1,750 quarter	\$1,000.00 annual per TNC
Driver Background Checks	Required	Required
Insurance Required	Commercial general and auto liability coverage with a minimum \$1 million limit	Commercial general and auto liability coverage with a minimum \$1 million limit
Have meters that are inspected/certified by County	Required	N/A

Even though the City's Franchise Agreements have expired, the Taxi Cab companies have continued to pay their required fees in absence of other rules and regulations. Last fiscal year, Yellow/Bell had 45 taxi vehicles authorized, AA/Checker had 35 taxi vehicles authorized, and Happy had 10 taxi vehicles authorized for a total of 90 taxi vehicles authorized to operate within the City. This generated approximately \$36,000-\$45,000 per year of total franchise fees and permit revenues as seen in Table 1.

However, with the growth of TNCs and the subsequent regulation of these companies from the State CPUC, the local taxi cab companies are drastically losing market share and facing unfair competition. Staff believes that the City's regulations and requirements for taxi cabs need to be modified as they seem unduly burdensome and counterproductive in staying competitive with the TNCs. However, staff does not believe in abolishing all the regulations completely. Since public safety is of paramount importance, staff believes taxi cab companies should be required to maintain certain minimum requirements regarding insurance and driver background checks whether it is through an agreement or a franchise.



Per the Committee's direction, and after talking to local cab companies, reviewing the literature on taxi cab and TNCs procedures and talking with large municipal franchises providers, staff recommends the following changes to the Riverside Municipal Code and revised franchise agreements to alleviate the material differences between Riverside Franchised Taxi Cabs and the TNCs franchised by the CPUC:

- Revise the City's Municipal Code to change the current business tax fee from a per vehicle fee (\$120.25) to a Business Tax Class A, which is the same business tax all other retail businesses in the City fall under;
- Eliminate the franchise requirement and franchise fees and replace it with the requirement that each taxicab company obtain a Vehicle for Hire Permit under RMC 5.40. The term of the permit will be three (3) years with a \$100 initial permit fee and a \$75 renewal fee (adjusted for inflation). Currently the initial permit fee is \$92 with a renewal fee of \$76;
- Continue requiring driver permits of all taxicab drivers with updates as they expire (typically these costs are reimbursed by the taxi cab company if the driver successfully passes);
- Continue requiring meters that are inspected/certified by the County of Riverside; on an annual basis.
- Eliminate requirement that rates must be approved by the City Council, and instead require that any change in rates be reviewed and approved by the Chief Financial Officer per RMC 5.40 as currently required for all Vehicle for Hire operators;
- Continue requiring vehicles to not exceed 7 years in age;
- Continue requiring commercial general and auto liability coverage with a minimum \$1 million limit; and,
- Continue the requirement that fees/penalties may be imposed for breaches of the permit as currently set forth in RMC 5.40.310

While staff believes that the major reason the traditional taxi cab model is losing market share has more to do with technology innovations and customer service preferences, staff believes by making these changes, the City is attempting to "level" the playing field for the cab companies with the TNCs. Staff feels our recommendation are equitable because:

1. The annual business tax (license) requirement is relevant, as the TNCs are required to have a State Business Tax and every business operating in the City is required to have one.
2. Replacing the franchise requirement with the requirement for a Vehicle for Hire permit eliminates the franchise fees currently paid by the taxicab companies but not required of TNCs or other vehicle for hire companies operating in the City.
3. The driver permitting process and insurance requirements are similar between both

classes of companies.

4. The age of the taxicab fleet and having functionally certified meters is simply good customer service on the part of the cab companies.
5. Having the approval process for rate changes be the same as other vehicle for hire companies operating in the City further levels the playing field. As a note: The City Council has approved all the requested taxicab rate increases without exception, for at least the last decade, so this would eliminate another long inefficient process.

Having the taxi cab companies and the TNCs co-exist in the same community is currently a very active topic in the transportation industry. Across the state and the country, there are myriad lawsuits pitting the two groups against each other. This market segment is continuing to take shape as the various challenges are addressed in the courts and with the California Public Utilities Commission. If the Committee and City Council approve staff's recommendations, staff will certainly continue to monitor the issue and bring forward any related issues that need to be resolved locally.

FISCAL IMPACT:

There is a fiscal impact to the general fund if the Public Safety Committee recommends and the City Council approves staff's recommendations. The elimination of the taxi franchise fee represents a reduction of approximately \$16,000 per year of all franchise fees collected from cab companies. The change of Business Tax formulas impact would be unknown at this time. However, these losses would be somewhat offset by the revised Class A business tax rate based on the gross receipts from each taxi cab. The Class A retail rate recommendation changes the current business tax rate from a fixed \$120.25 per vehicle to the City's current Class A retail rate of \$119.75 for the first \$25,000 of gross revenue, \$0.84 cents per thousand after that and then \$0.13 cents per thousand after \$500,000.

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Attachment:	Presentation
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