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# CITY OF OAKLAND

## AGENDA REPORT

**TO:** Office of the City Administrator  
**ATTN:** Ms. Deborah Edgerly  
**FROM:** Administrative Hearing Officer  
**DATE:** June 17, 2008

**RE:** **Adopt an Ordinance Amending Oakland Municipal Code (OMC) Chapter 5.64, "Taxicabs", to:**

- a) **Increase Basic Fare Components, Add New Fare Components, and Authorize Collection from Passengers of All Mandatory Fees Paid by Drivers**
- b) **Authorize City Administrator to Establish a Gasoline Surcharge Should Gasoline Prices Warrant**

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### SUMMARY

On May 27, 2008, the Public Safety Committee heard a number of proposals to amend the City's taxi ordinance. Several speakers testified to the financial crisis currently being experienced by Oakland's taxi drivers. Staff's previous report, delivered to the Committee on February 27, 2007, listed the high cost of leasing cabs and Oakland's low taxi fares, which have not increased since 2001, as two of the major problems faced by Oakland's cab drivers. Since that time, skyrocketing gasoline prices have greatly exacerbated the situation, affecting even those who drive their own cabs. In the past two months staff has received numerous calls from drivers who say they can no longer afford to drive.

Due to inadequate time to discuss the entire proposal, the Public Safety Committee continued the majority of the taxi item to their June 24, 2008 meeting. However, they found the drivers' financial situation to be of such urgency as to move the fare increase and gasoline surcharge proposals separately and immediately to the entire Council. This report and the proposed ordinance amendments are aimed at providing immediate relief for this situation. In turn, that relief should get more cabs back out on the street serving Oakland's residents and visitors.

### FISCAL IMPACTS

Taxi fare increases have no direct fiscal impact on the City.

### BACKGROUND

On February 27, 2007 staff delivered a report to the Oakland City Council's Public Safety Committee that 1) provided feedback from the biennial hearing conducted October 11, 2006 for the purpose of re-evaluating "the number of taxicab permits for which public convenience and necessity exists" and 2) at the request of the City Council's Rules and Legislation Committee

Item: \_\_\_\_\_  
City Council  
June 17, 2008

provided a) an overview of the current structure of Oakland's taxi industry, b) outlined problems that have been brought to the City's attention, and c) presented areas in which improvements could be made.

The Public Safety Committee directed staff to study alternative models and make recommendations. Oakland's fare structure is one of the items proposed for revision. In preparation of the proposal, staff gathered data from other jurisdictions, and, based upon the request of the Public Safety Committee at their May 27 meeting, has again queried Bay Area jurisdictions and Los Angeles to gather current fare data. The fare data from the other jurisdictions is presented as Attachment A.

The full staff report, currently being considered by the Public Safety Committee, divides the issues into customer, company, and driver categories. Both the Customer and Driver categories provide support for a fare increase.

## **KEY ISSUES AND IMPACTS**

### **1. Resident and Customer Issues**

#### **INABILITY TO GET TAXIS AND EXCESSIVE WAITS**

The most common complaint of Oakland residents is of excessive waits or inability to get taxis. This appears to be especially prevalent late at night and for residents who live in areas the drivers consider to be dangerous, remote, or unprofitable. Driver safety concerns are straightforward and commonly understood. They are discussed in the full staff report and will be covered during the June 24th Public Safety Committee.

Remoteness and profitability concerns are more complex and are inter-connected. From a purely financial perspective, drivers are reluctant to drive a great distance to pick up a fare, particularly if the request is for a short ride. Calls for taxi service are dispatched to the nearest driver(s). If the nearest driver believes the fare is too far away, he<sup>1</sup> may also be unwilling to go to the location due to a history of fare no-shows when too much time has passed between the call for service and the arrival of the cab.

#### **Partial Solution - Fare Increases**

Drivers acknowledge that they are reluctant to pick up fares at some specific locations, such as grocery stores, where they expect that the rides will be very short, resulting in a low fare, often under \$5.00. This is most likely to happen when the dispatched driver, although closest in the system, is still some distance from the fare. Staff proposes a minimum \$5.00 fare, which should make these kinds of trips more attractive to drivers.

Because night calls are often mentioned as the most difficult time to obtain a cab, staff is proposing a nighttime surcharge of \$1.00. New York City uses a nighttime surcharge of 50 cents as an incentive for drivers to drive during the hours of 8 p.m. through 6 a.m. An Oakland cab

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<sup>1</sup> Because Oakland has no female taxi drivers, this report refers to drivers in the male gender. As was explained in the February 27, 2007 report to the Public Safety Committee, there have been female drivers in the past.

user recommended the \$1.00 charge on the grounds that most of these trips are discretionary and can be budgeted by the user. Also taxi patrons are fewer in Oakland and the distances between patrons greater than in New York City.

A reduced gate for drivers willing to drive nighttime hours, would also provide drivers a financial incentive to drive during these hours. This is an issue that could be deliberated through collective bargaining between companies and employee-drivers.

The current and proposed basic fare components are:

Fare Component	Current	Proposed
Minimum Fare	\$ 2.24	Greater of \$5 or calculated fare
Flag Drop	\$ 2.00	\$ 3.00
Mileage	\$ .24 per 1/10 mile	\$ .26 per 1/10 mile
Waiting time	\$24.00 per hour	\$26.00 per hour
Night surcharge	None	\$ 1.00 after 10 p.m. until 6 a.m.

Oakland currently authorizes drivers to collect only the flag drop, mileage and waiting time charges. This means that the Oakland airport fee of \$2.50 per trip, bridge tolls, which vary by bridge, and other costs of travel cannot legally be collected by the driver. The proposed amendments of Section 5.64.100 authorize the addition of all government-mandated costs incurred by the driver.

Staff also proposes Council authorize other charges, currently imposed by other jurisdictions, which are included in the proposed amendments:

Small animal (except service animals)	\$1.00	Washington D.C.
Additional stops requested	\$1.00	Washington D.C.
Obtaining change	\$ .50	Washington D.C.
Luggage that keeps trunk open	\$1.00	San Francisco
% of fare over 15 mi. out of City limits	150%	San Francisco

## 2. Driver Issues

### **UNCONTROLLED COSTS - CONTROLLED INCOME**

One of the drivers' main concerns is costs. They must pay the cost of gasoline, which, since the last change in fares in 2001, has increased more than 160 percent. When fares are paid by credit card, the large taxi companies charge the drivers a flat fee or percentage fee that exceeds that charged by the credit card companies. Additionally, because the City's fare structure does not specify bridge tolls or airport access fees, the drivers must absorb these costs or illegally pass them on to the customer.

By far, the greatest cost to drivers is the “gate”, which is their weekly lease rate for the taxi. Drivers report that this ranges from \$450 for cars without airport access to \$775 for Compressed Natural Gas (CNG) Cars with airport access. While one might be tempted to argue that, in our capitalistic system, costs such as these are controlled by the market, that argument fails in an industry where income is controlled by the government but costs are not, as is the case in the Oakland taxi business. The fees that drivers can charge are strictly regulated by the City and have not changed since 2001. No similar caps are imposed upon Oakland’s taxi company owners. The issue of the gate is further discussed and a temporary gate freeze proposed in the full staff report and proposed amendments currently being considered by the Public Safety Committee. It is mentioned here because it affects the income of the drivers.

### **Other Costs in Addition to the Gate**

#### **a) Gasoline**

Capped by the OMC, Oakland’s taxi fares last increased in 2001. Drivers bear the cost of gasoline, and they complain that the cost of gasoline has increased so greatly since the 2001 fare increase that it cuts deeply into their earnings. The Consumer Price Index and Internal Revenue Service mileage reimbursement rates substantiate this complaint.

The Consumer Price Index (CPI) established a baseline for prices of consumer goods between 1982 and 1984. This is considered the 100 percent level. Between the baseline years and 2001, a period of 17 to 19 years, gasoline prices increased 24 percent over the baseline. When staff first drafted the comprehensive report, of which this report is a sub-section, the CPI data for 2007 had not yet been released. Between the end of 2001 and the end of 2006, a period of only five years, gasoline prices increased an additional 96 percent over the baseline, from \$1.20 per gallon in 2001 to \$2.38 in 2006.<sup>2</sup>

The 2007 CPI has since been released. By the end of 2007, at \$3.07, the average price of a gallon of gas had increased of 69 cents in 2006, more than half the total increase of the previous five years. And in the first four months of 2008, it increased an additional 42 cents to \$3.49 per gallon. Bay area gasoline prices have generally exceeded the national average, and, as of this writing most, if not all, stations charge over \$4.00 per gallon of regular unleaded gasoline. In summary, since Oakland’s taxi fares last changed in 2001, the cost of gasoline has increased more than 300 percent.

The per mile auto reimbursement standards set by the Internal Revenue Service take a comprehensive view of the cost of maintaining and operating a vehicle. In 2001 the rate was 34.5 cents per mile. The rate for 2008 is 50.5 cents per mile, a 46 percent increase. This may provide a better guide for setting taxi fares, as it should allow a hard-working driver to pay his expenses and still make a living. The major expenses are the gate, which takes into account all of the company-paid costs of maintaining the cab, plus gasoline.

A taxi fare consists primarily of the flag drop, which is the amount that registers on the meter as soon as the trip commences, and the mileage rate. A 46 percent increase in Oakland’s current

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<sup>2</sup> [www.bls.gov/cpi/cpi\\_dr.htm#2007](http://www.bls.gov/cpi/cpi_dr.htm#2007)

\$2.00 flag drop would result in a flag drop of \$2.92. Flag drop rates in the cities studied ranged from \$2.20 in Long Beach to \$3.10 in San Francisco. Both San Jose and New York City have a \$2.50 flag drop.

A 46 percent increase in Oakland's current mileage rate of \$2.40 per mile would result in a mileage rate of \$3.50 per mile. The per mile rate of cities studied ranged from \$2.00 in New York City to \$3.00 in Sunnyvale and Marin County. A rate of \$3.50 per mile would be considerably higher than any of the cities studied or any of twenty-four major cities, whose January 2006 rates were published by the transportation consulting firm Schaller Consulting at [www.schallerconsult.com](http://www.schallerconsult.com).

Finding an appropriate balance between the flag drop and the mileage rate increases is important. At the 2006 OMC mandated biennial public hearing, representatives of Oakland's taxi companies and drivers requested a flag drop of \$3.00 and a mileage rate of \$2.60, explaining that this would generate at least a \$5.00 fare for any trip over eight tenths of a mile, approximately the distance from Oakland City Hall to Jack London Square. At Oakland's current rates this trip generates a fare of \$4.08, and the fare does not reach \$5.00 until the trip reaches one and a third miles. This proposed fare increase should encourage street drivers to respond to calls at grocery stores and other locations where their experience has taught them the ride is likely to be short and the prospect of picking up a return trip passenger is small.

According to MapQuest, the distance from Oakland Airport to City Hall is 9.35 miles. Assuming there was no waiting time and excluding any other charges, the fare, at the proposed rates, would be \$27.31, compared to the current fare of \$25.44. A \$1.87, or 7%, increase in the cost of a taxi ride from the airport since 2001 does not seem excessive. Staff supports the proposed \$3.00 flag drop and \$2.60 per mile fare. Staff also proposes a minimum fare of \$5.00 as an incentive to drivers for short trips, such as from grocery store to home, the trips Oakland residents have reported as the most difficult daytime service to receive.

Another tactic, specifically aimed at offsetting high gas prices, is a gasoline surcharge that is activated when gasoline prices in the local area exceed a threshold level. These surcharges are established for a limited period of time. At the end of the period, if the gasoline price has dropped below the threshold, the surcharge is lifted. Washington D.C. established a \$1.50 gasoline surcharge for a four month period when gasoline prices spiked. Because of the recent spike in gasoline prices and uncertainty about potential future increases, staff proposes, as amended section 5.64.100D, a \$1.00 per trip surcharge that would be authorized by the City Administrator and that would expire 90 days after authorization.

#### b) Credit Card Fees

The OMC currently does not require taxis to accept credit cards, and it does not restrict credit card fees. Drivers complain that the companies charge fees as high as 10 percent or \$10.00 for the processing of fares paid by credit card and that the drivers are sometimes not paid the fare until the credit card company pays the taxi company. At the airport, if drivers are unwilling to accept credit cards, they are sent to the end of the queue.

Cities address this issue in different ways. San Francisco does not allow either the customer or the driver to be charged a fee for the payment of a fare by credit card. The taxi company, therefore, absorbs the fee, generally two to three percent of the fare, charged by the credit card company. New York City does not allow the customer to be charged a fee but authorizes companies to collect from the driver up to five percent of the fare when credit and debit charges are incurred. Although staff has not found a city that authorizes the customer to be charged, an additional option would be authorization of a customer charge, either a percentage or flat fee.

Proposed ordinance section 5.64.100C provides three options for Council's consideration: 1) company absorption of the fee, 2) passage to the driver of the actual fee charged, or 3) charge to the driver of not more than 5%. Because of the current imbalance of power between the companies and drivers, and because the contours of the employer-employee relationship are yet to be defined, staff supports absorption of the fees by the taxi companies.

### **SUSTAINABLE OPPORTUNITIES**

**Economic:** The proposed fare increases should have an immediate positive affect on the taxi drivers' ability to earn a reasonable income, without having to work an unreasonable, possibly illegal, number of hours and without all profits being immediately consumed by costs. Increased driver income, in turn, should result in increased business taxes paid to the City. However, without either a freeze on the gate or the power to negotiate with the companies on said gate fee, these gains could be quickly eroded by increases in the gate.

Although the proposed fare increases are relatively small and not out of line with other Bay Area jurisdictions, they could still negatively impact the poor and those on fixed incomes who are not eligible for or not included in the City's Scrip subsidy program.

**Environmental:** There are no direct environmental effects of fare increases.

**Social Equity:** Taxicabs are an important mode of transportation for those with low incomes. Although the proposed fare increases would negatively impact those with low or fixed incomes, it is hoped that the increases are small enough that the impact will not be prohibitive.

### **DISABILITY AND SENIOR CITIZEN ACCESS**

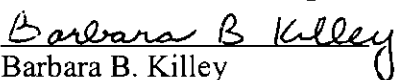
Fare increases negatively impact those on fixed incomes, including many seniors and persons with disabilities. However, these populations are also populations that have a greater need for taxis. As drivers withdraw from driving because they cannot make a living, the net impact on seniors and those with disabilities may be more negative than the small increases proposed.

**ACTION REQUESTED OF THE CITY COUNCIL**

Staff requests that the City Council:

1. Accept this report.
2. Adopt a preferred option for the credit card use fees.
3. Adopt the Proposed Amendments to the Taxicab Ordinance (OMC Chapter 5.64).

Respectfully submitted,

  
Barbara B. Killey  
Assistant to the City Administrator

APPROVED AND FORWARDED TO  
THE PUBLIC SAFETY COMMITTEE.

  
Office of the City Administrator

Attachments: A – June 2008 City Taxi Fares

**JUNE 2008 CITY TAXI FARES**

<b>City</b>	<b>Flag Drop</b>	<b>Additional Mile</b>	<b>.8 Miles<sup>1</sup></b>	<b>9.35 Miles<sup>2</sup></b>	<b>Effective Date</b>	<b>Considering Increase</b>
<b>Oakland – current</b>	<b>\$2.00</b>	<b>\$2.40</b>	<b>\$3.92</b>	<b>\$24.44</b>	<b>2001</b>	<b>Yes</b>
Berkeley	\$2.40	\$2.40	\$4.32	\$24.84	2002	Yes
Los Angeles	\$2.45	\$2.45	\$4.41	\$25.36	2007	Yes
San Jose	\$2.50	\$2.50	\$4.50	\$25.88	2003	Yes
Mountain View	\$2.50	\$2.50	\$4.50	\$25.88	2007	
Santa Clara	\$2.50	\$2.50	\$4.50	\$25.88		
Marin County	\$2.50	\$3.00	\$4.90	\$30.55		
San Diego	\$2.60	\$2.80	\$4.84	\$28.78	2007	
Sunnyvale	\$3.00	\$3.00	\$5.40	\$31.05	2006	
<b>Oakland – proposed</b>	<b>\$3.00</b>	<b>\$2.60</b>	<b>\$5.08</b>	<b>\$27.31</b>		
San Francisco	\$3.10	\$2.25	\$4.90	\$24.14	2006	No
Sacramento	\$4.00 non-airport \$2.80 airport	\$2.50 non-airport \$2.40 non-airport	\$6.00 \$4.72	\$27.38 \$25.24	2005	

<sup>1</sup> Distance from City Hall to Jack London Square

<sup>2</sup> Distance from City Hall to Oakland Airport



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APPROVED AS TO FORM AND LEGALITY

*D. Bialosky*

City Attorney

**OAKLAND CITY COUNCIL**  
**ORDINANCE No. \_\_\_\_\_ C.M.S.**

**Adopt An Ordinance Amending Oakland Municipal Code Chapter 5.64 To:**

- A) Increase Basic Fare Components, Add New Fare Components, And Authorize Collection From Passengers Of All Mandatory Fees Paid By Drivers**
- B) Authorize City Administrator To Establish A Gasoline Surcharge Should Gasoline Prices Warrant**

**WHEREAS**, the City controls the fares and charges that taxi drivers can collect; and

**WHEREAS**, the cost of living, and in particular, the cost of gasoline has increased greatly since the last fare change in 2001; and

**WHEREAS**, drivers are required to pay, but the current ordinance does not permit drivers to collect, government-mandated fees such as airport charges and bridge tolls; now, therefore

**THE COUNCIL OF THE CITY OF OAKLAND DOES ORDAIN AS FOLLOWS:**

**SECTION 1.** It is the intent of the City Council in enacting this ordinance, to improve the ability of Oakland's taxi drivers to make a living and therefore in turn increase the availability of taxis to residents and visitors.

**SECTION 2.** The City Council finds and determines the foregoing recitals to be true and correct and hereby makes them a part of this ordinance.

**SECTION 3.** The City Council finds and determines that the adoption of this Ordinance is exempt from CEQA under Sections 15061(b)(3) of the State CEQA Guidelines and authorizes the filing of a Notice of Exemption with the Alameda County Clerk.

**SECTION 4.** Oakland Municipal Code Chapter 5.12 is hereby amended to read as follows; additions are indicated by underscoring and deletions are indicated by ~~strike-through type~~; portions of the regulations not cited or not shown in underscoring or strike-through type are not changed:

Oakland Municipal Code Chapter 5.64 is amended as follows:

**5.64.100 Fare structure.**

A. Rates, fares, and charges for taxicabs and taxicab service shall be as set by the City Council by ordinance.

Effective ~~January 1, 1992~~ July 1, 2008:

Flag drop (excluding mileage)	<del>\$2.00</del>	<u>\$3.00</u>	
Mileage	<del>0.24</del>	<u>0.26</u>	each 1/10 mile
Waiting time	<del>24.00</del>	<u>26.00</u>	per hour
Minimum fare			Greater of \$5.00 or taximeter calculated fare
Oakland Airport fee			Fee set by Oakland Airport
Night surcharge		1.00	Trips commencing after 10 p.m. until 6 a.m.
Small animal (except service animal)	1.00		
Additional stops requested		1.00	
Obtaining change		.50	
Luggage that forces trunk open		1.00	
% of fare over 15 mi. out of City		150	

B. Taxicabs may collect any fee that they are mandated by a governmental or regulatory body to pay. Taxicabs may also collect the applicable bridge toll for toll bridges crossed, regardless of whether the crossing is in the direction that charges the toll.

C. Passengers shall not be charged a fee for the use of credit cards, nor shall [Option 1] drivers be charged by taxi companies for passengers' use of credit cards. [Option 2] drivers be charged more than the fee charged by the credit card company for passengers' use of credit cards. [Option 3] drivers be charged more than five (5) percent for passengers' use of credit cards.

D. Upon a determination by the City Administrator that a gasoline surcharge is warranted due to the cost of gasoline, a surcharge of \$1.00 per trip will be put in effect for a ninety (90) day period. A sign at least five (5) inches by seven (7) inches shall be posted in the interior of each taxicab, stating the amount of the surcharge, the beginning and ending dates, the section of the Oakland Municipal Code upon which the surcharge is based, and a phone number to call to confirm the validity of the surcharge.

BE. The ~~City Manager~~ City Administrator may approve lower fares from those heretofore established if such lower fares, including group rides and shared rides, are set forth in a written agreement entered into between any fleet management permittee and programs benefiting persons over the age of sixty-five (65) or persons whose mobility is restricted as a result of a physical disability. Agreements must be able to be readily monitored by the Chief of Police and must result in the reasonable reduction of taxicab fares from those heretofore established to be charged to senior citizens.

CF. Except as authorized under subsection B of this section, no driver shall accept an additional passenger without the prior consent of any passenger who has already hired the taxicab.

DG. It is unlawful for any person to hire any taxicab or to enter and obtain a ride in the same, and to thereafter depart from such taxicab without paying to the driver the legal fare. (Ord. 12340 § 1 (part), 2001; Ord. 12034 § 1 (part), 1998: prior code § 5-29.10)

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 20\_\_\_\_\_

**PASSED BY THE FOLLOWING VOTE:**

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: \_\_\_\_\_

LaTonda Simmons  
City Clerk and Clerk of the Council  
of the City of Oakland, California

DATE OF ATTESTATION: \_\_\_\_\_

# Notice & Digest

**An Ordinance Amending Oakland Municipal Code (OMC) Chapter 5.64, "Taxicabs", to a) Increase Basic Fare Components, Add New Fare Components, and Authorize Collection from Passengers of All Mandatory Fees Paid by Drivers and b) Authorize The City Administrator to Establish a Gasoline Surcharge Should Gasoline Prices Warrant**

This is an ordinance amending Oakland Municipal Code Chapter 5.64 to increase the basic taxi fare components, add new fare components, and authorize the collection from passengers of all mandatory fees paid by drivers. A separate amendment provision authorizes the City Administrator to establish a one dollar (\$1.00) gasoline surcharge per taxi trip, should gasoline prices warrant.