



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Aitken

**SUBJECT: AMENDMENT TO THE
AGREEMENT WITH
TAXI SAN JOSE**

DATE: November 12, 2019

Approved

Date

11/22/19

RECOMMENDATION

Adopt a resolution authorizing the City Manager to negotiate and execute a Fourth Amendment to the Agreement with Taxi San José to provide compensation effective December 1, 2019 of \$10,000 per month, not to exceed \$140,000, to Taxi San José to maintain operational viability of the On-Demand Dispatch Services at the Norman Y. Mineta San Jose International Airport.

OUTCOME

Approval of this compensation adjustment and financial assistance will provide operational funding to ensure Taxi San José can continue the dispatching and management of the on-demand taxicab and door-to-door commercial shuttle services at the Airport.

BACKGROUND

Taxi San José has been providing the dispatch management functions for the on-demand (non-reservation) taxicab and door-to-door shuttle operations since 2005. The current Agreement between the City and Taxi San José took effect February 3, 2016 and expires January 31, 2021.

Taxi San José operations are currently paid for through monthly fees collected by Taxi San José from the permit holders within the On-Demand Program. The Airport has not provided Taxi San José with compensation for its services, as the users of the services paid for them directly. There is a maximum of 300 taxi permits, issued to both taxi companies and individual drivers who affiliate with a permitted company, as well as eight commercial door-to-door shuttles in the Program. Due to the change in passenger use of modes of transportation to and from the Airport, most directly the TNCs (Uber and Lyft), the volume of taxi trips has dropped from averaging over 30,000 trips per month to between 10,000 and 12,000 per month currently. As a result of the drop in trips, the number of drivers and companies wishing to maintain Airport permits in the Program has dropped from 300 to 139 as of November 1, 2019. This has dramatically affected

the revenue stream for Taxi San José. Taxi San José has recently reduced hours and changed its dispatching technologies to try to reduce its expenses.

Due to the drop in permit holders and revenues, Taxi San José and the taxi drivers have requested assistance from the City/Airport to reduce fees and/or assist Taxi San José financially to help it remain financially viable and operational through the end of its contract term.

ANALYSIS

Taxi San José is currently charging \$330 per month from the permit holders (taxi and door-to-doors) to cover the expenses of its operations. With 300 permits, Taxi San José would accumulate over \$99,000 per month in revenue; however, with only 139 active permits, its revenue is only about \$45,870 per month. Taxi San José's average expenses are just over \$55,000 per month. As active permits continue to drop, the revenue to Taxi San José will continue to decrease accordingly. According to Taxi San José, the \$10,000 per month compensation assistance will allow it to stay operational through the remainder of its Agreement.

Staff will be working on an RFP for a new Ground Transportation model to provide passengers without reservations the opportunity to obtain ground transportation easily and effectively. Staff will work with the taxi industry, as well as other GT operators, to establish the scope and publish the RFP within 6 months, to allow for implementation at or before the expiration of the Taxi San José Agreement.

Taxi services in an efficient and effective manner is important to the passengers arriving to the Airport without prearranged transportation. These passengers, many from our international destinations, depend on the availability of a taxi for their transportation needs. An untimely departure by Taxi San José would disrupt the operations until another solution could be put in place. This action would provide for an orderly transition to the next model for on-demand ground transportation operations.

CONCLUSION

Staff is recommending an amendment to the Taxi San José Agreement for on-demand dispatch services to provide Taxi San José with \$10,000 per month in compensation, not to exceed \$140,000 for the remaining agreement term, effective December 1, 2019. The amendment would allow for up to fourteen-months compensation, with the City's ability to terminate the agreement at any time prior to its January 31, 2021 expiration date upon 30-day's notice, should a new Ground Transportation model be implemented. Taxi San José is aware that its own cost savings measures would need to be implemented to ensure their operations continue to the end of the Agreement without increases beyond the \$10,000 per month compensation.

EVALUATION AND FOLLOW-UP

Staff will monitor the permit levels, revenues, and expenses of Taxi San José. In addition, Staff will prepare an RFP for a new model that may be implemented by January 2021.

CLIMATE SMART SAN JOSE

The recommendation in this memo has no effect on Climate Smart San José energy, water, or mobility goals.

POLICY ALTERNATIVES

Alternative #: Do not provide a compensation adjustment to Taxi San José

Pros: Does not require the expense of up to \$140,000 from Airport funds to support on-demand dispatch services provided by Taxi San José.

Cons: High likelihood of Taxi San José becoming insolvent and taxi dispatch would need to be conducted by another party, possibly a taxi company, until a new model is implemented.

Disruption to the orderly flow of taxis could occur during the transition.

Reason for not recommending: Effective on-demand dispatch services for taxi and door to door shuttle providers are important to the 10,000 to 12,000 passengers per month who use taxi services at the Airport.

PUBLIC OUTREACH

This proposal has been discussed with Taxi San José, representatives of the taxi drivers using the Airport, and will be posted for the December 3, 2019 City Council meeting.

COORDINATION

This memo was coordinated with the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

This item was discussed at the November 4, 2019 Airport Commission meeting. No action was taken.

PUBLIC SUBSIDY REPORTING

The total compensation change will not exceed \$140,000, below the threshold of Public Subsidy reporting.

COST SUMMARY/IMPLICATIONS

The Airport will incur expenses of up to \$140,000 for the remaining agreement term with no corresponding revenue to offset the costs. The expenses will be covered through other cost savings.

BUDGET REFERENCE

The table below identifies the fund and appropriations to fund the recommended as part of this memo and remaining project costs, including project delivery, construction, and contingency costs.

Fund #	Appn #	Appn. Name	Total Appn	Amt. for Contract	2019-2020 Adopted Operating Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	Non-Personal/Equipment	\$46,007,740	\$140,000	X-3	10/22/2019, Ord. No. 30325

CEQA

Not a Project, PP17-003, Agreements/Contracts resulting in no physical changes to the environment.

/s/
 JOHN AITKEN, A.A.E.
 Director of Aviation

For questions, please contact Bob Lockhart, Deputy Director, at (408) 392-3510.