COUNCIL AGENDA: **08/09/22**
FILE: **22-1127**
ITEM: **2.12**

CITY OF SAN JOSE
CAPITAL OF SILICON VALLEY

Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL

FROM: Anthony Mata
Julia H. Cooper

SUBJECT: **SEE BELOW**

DATE: July 25, 2022

Approved

Date **7/29/2022**

SUBJECT: ORDINANCE REGULATING TAXICABS IN SAN JOSE

RECOMMENDATION

Maintain the permit fee schedule, increase the insurance requirements, and maintain the requirement for taxicabs to have distinguishing vehicle markings and colors, but allow taxicab companies to select a new paint color, if desired.

OUTCOME

Maintain cost recovery for permitting taxicabs, ensure the appropriate level of liability insurance, and allow taxicab companies to select a new vehicle paint color to use for their vehicle fleet.

BACKGROUND

On October 20, 2021, the City of San José (City) Mayor Sam Liccardo and Councilmember Raul Peralez presented a joint memorandum[1] regarding "*Taxi Issues"* to the Rules and Open Government Committee dated October 14, 2021, recommending staff review and respond to the issues and concerns raised by the taxicab industry, and directing staff to delay any new requirements imposed on the taxicab industry until the analysis is provided to City Council. This memorandum serves to provide the requested information, analysis, and staff's recommendation.

The taxicab industry raised concerns to four items:

1. the increased permit fees for taxicab drivers and taxicab vehicles;
2. the increased insurance requirements;
3. the taxicab color schemes (paint colors); and
4. the requirement for taxicab meters in the vehicle.

[1] https://sanjose.legistar.com/View.ashx?M=F&ID=9889956&GUID=03BFB8E9-A96A-4E8E-972A-029EDD33255B

ANALYSIS

The following sections contain staff's recommended approach to each of the taxicab companies' four concerns.

Permit Fees:

In the San José Police Department fee program, certain businesses and activities are subject to regulation. Fees are charged to offset the costs for processing permits and licenses that accompany the regulatory process, and to partially offset costs for related investigative work.

The 2022-2023 permit fee schedule for taxicabs[2]:

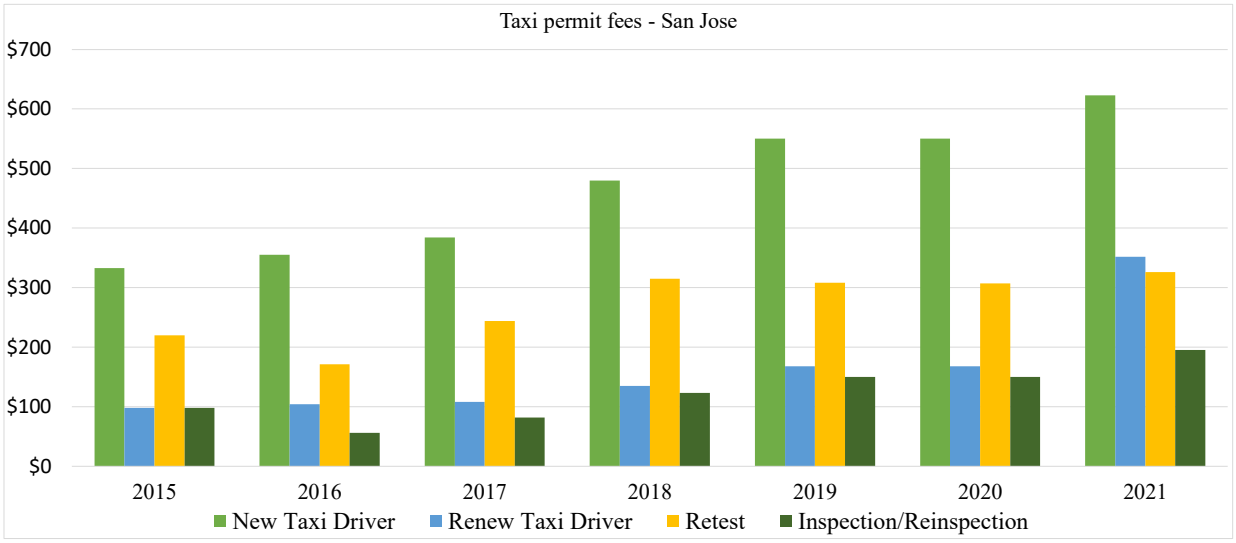
Restricted Owner's License	$2,011	Per Company, Annually
Taxi Company Application	$7,520	Per Application
Taxi Company Renewal	$504	Per Application (1 Year)
Taxicab Driver's Permit – New	$676	Per Initial Permit
Taxicab Driver's Permit – Renewal	$387	Per Two Year Renewal
Taxicab Driver's Permit – Missed/Retest	$318	Per Retest
Taxicab Vehicle Inspection/Re-inspection	$233	Per Inspection/Re-inspection

The following is a chart and graph of taxicab permit fees from 2015 – 2021 for the City of San José.[3]

Taxi permit fees

	2015	2016	2017	2018	2019	2020	2021
New Taxi Driver	$333	$355	$384	$480	$550	$550	$623
Renew Taxi Driver	$98	$104	$108	$135	$168	$168	$352
Retest	$220	$171	$244	$315	$308	$307	$326
Inspection/Reinspection	$98	$56	$82	$123	$150	$150	$195

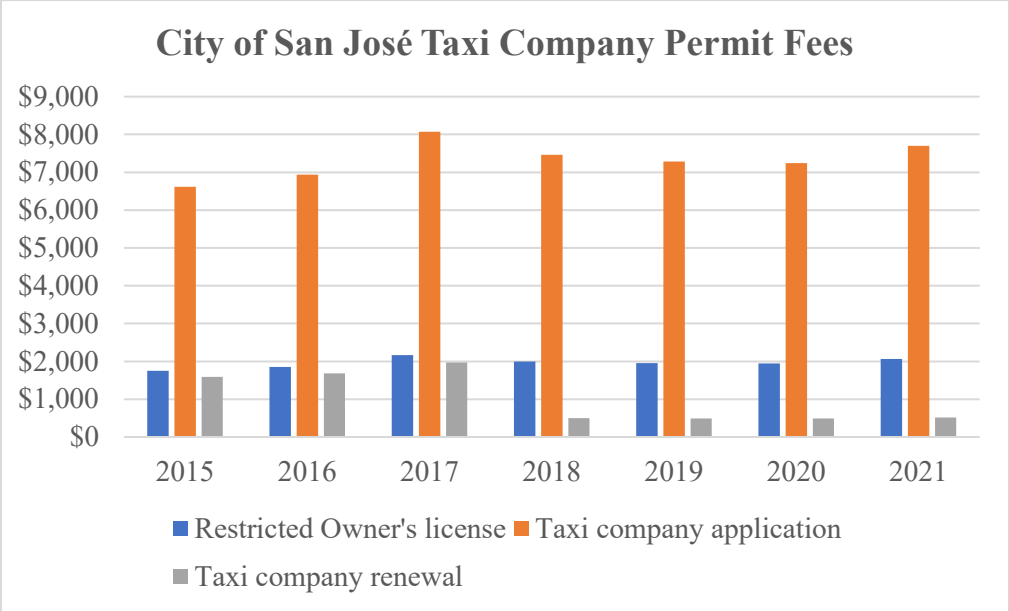
[2] https://www.sjpd.org/records/fees/permit-fees
[3] https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents



Below is the taxicab company fees from 2015 – 2021.[4]

Taxi Company Permit Fees

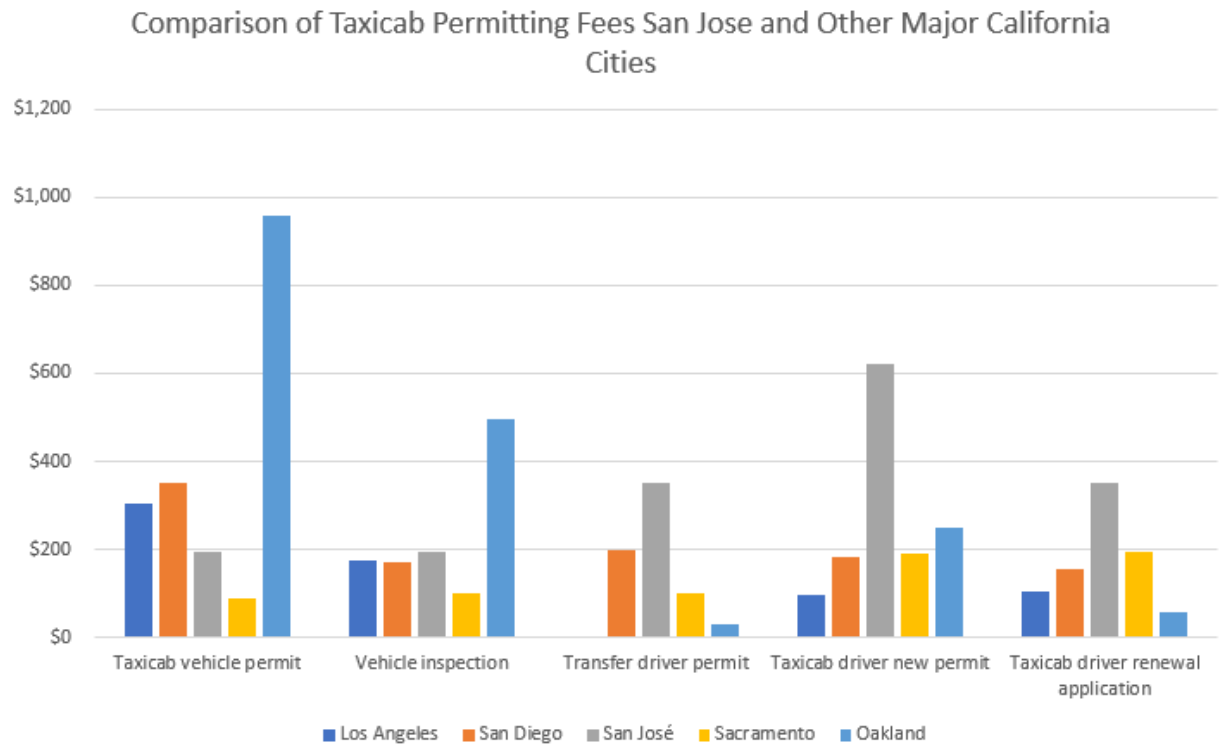
	2015	2016	2017	2018	2019	2020	2021
Restricted Owner's license	$1,747	$1,853	$2,164	$1,996	$1,952	$1,942	$2,063
Taxi company application	$6,612	$6,938	$8,071	$7,464	$7,287	$7,242	$7,701
Taxi company renewal	$1,586	$1,681	$1,972	$500	$490	$487	$517



[4] https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents

The table below summarized the survey results of major cities within California of taxicab permitting fees[5]:

City	Taxicab vehicle permit	Vehicle inspection	Transfer driver permit	Taxicab driver new permit	Taxicab driver renewal application
Los Angeles	$304	$174	N/A	$98	$104
San Diego	$350	$172	$200	$183	$154
San José	$195	$195	$352	$623	$352
Sacramento	$90	$100	$100	$190	$195
Oakland	$960	$495	$31	$251	$57



The taxicab permit fees listed in the above chart are found on each city's public website for the fee schedule (see footnotes). The taxicab permit fees for drivers renew every 2 years in San José. They are reasonably similar to other cities in California such as Los Angeles, San Diego, Sacramento, and Oakland, which are annual fees.[6]

[5] Los Angeles: https://codelibrary.amlegal.com/codes/los_angeles/latest/lamc/0-0-0-164780#JD_71.06.1.
Oakland: https://cao-94612.s3.amazonaws.com/documents/Master-Fee-Schedule-FY-2020-21-28-Jul-20-Updated.pdf
Sacramento: https://www.cityofsacramento.org/Online-Services/FeeChargeSearch
San Diego: https://www.sdmts.com/business-center/for-hire-vehicle-administration/fees; https://www.sdsheriff.gov/i-want-to/get-a-permit-or-license/regulatory-licenses-and-fees
San José: https://www.sanjoseca.gov/your-government/departments-offices/office-of-the-city-manager/budget/budget-documents

[6] San Francisco utilized a medallion system that was not comparable to San José's permit fees.

Recommendation: Permit fees should remain in effect to provide adequate cost recovery for the processing of the permits. As outlined above, calculating fees for permits are based on those City staff involved with processing the permits and the number of hours for processing.

Insurance:

The City requires minimum levels of liability insurance as part of the taxi permit process to ensure that taxicab companies can meet their obligations to passengers and other third parties (such as other motorists, pedestrians, and bicyclists) in the event of bodily injury or property damage arising from a vehicle accident. The minimum limits of liability are intended to address the possibility of severe claims, such as a fatality(ies) arising from a vehicle accident.

Consistent with the insurance required of a charter-party carrier of passengers as defined by the California Public Utilities Commission[7], the City's insurance requirements are set based on vehicle seating capacity.

Vehicle Seating Capacity	Amount of Coverage
Seven passengers or less	$ 750,000
Eight passengers through fifteen passengers (inclusive)	$1,500,000
Sixteen passengers or more	$5,000,000

Presently, taxicab companies are exempt from the requirements for vehicles with seven passengers or less as the City requires taxicab companies to maintain auto liability insurance with at least $300,000 in combined single limits for bodily injury and property damage. The auto liability insurance requirement of $300,000 applies to permits issued to taxicab companies by both the Police Department and Airport Department. Benchmarking with peer agencies in the Bay Area indicates the following insurance requirements for taxicab companies.

Government Agency	Amount of Coverage
City of Oakland and Port of Oakland[8]	$1,000,000
City and County of San Francisco[9]	$1,000,000 Temporarily Reduced to $ 300,000
City of Los Angeles[10]	$ 300,000
City of San Diego[11]	$ 300,000
City of Sacramento[12]	$ 500,000

In response to the impact of the COVID-19 pandemic on the San Francisco taxi industry, the San Francisco Municipal Transit Authority authorized a temporary modification of the auto liability insurance required of taxicab companies from a minimum amount of $1,000,000 to $300,000[13]. The temporary modification, effective June 24, 2020, has been extended through June 30, 2023.

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[7] https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M169/K870/169870310.pdf#115

[8] https://library.municode.com/ca/oakland/codes/code_of_ordinances?nodeId=TIT5BUTAPERE_CH5.64TA_5.64.090INRE

[9] https://www.sfmta.com/notices/temporary-modification-taxi-insurance-requirements-12-month-extension-1

[10] City of Los Angeles Municipal Code Section 71.14

[11] https://www.sdmts.com/business-center/for-hire-vehicle-administration/permits

[12] City of Sacramento City Code 5.136.440 Automobile liability Insurance Required

[13] https://www.sfmta.com/notices/temporary-modification-taxi-insurance-requirements-12-month-extension-682020

Recommendation: Staff recommends revising the auto liability insurance requirement applicable to taxicab companies from a minimum of $300,000 in combined single limits for bodily injury and property damage to a minimum of $750,000 combined single limit for bodily injury and property damage.

Increase in Claims Severity: Automobile liability limits of $300,000 are low and would not provide adequate protection for taxicab passengers or other third parties seriously injured in a vehicle accident caused by a taxicab company, particularly one that involved a fatality. Notwithstanding the reduction in vehicle miles traveled, vehicle accident fatalities have been increasing throughout the COVID-19 pandemic. The National Safety Council estimate of total motor-vehicle deaths for 2021 is 46,020, up 9% from 42,339 in 2020 and up 18% from 39,107 in 2019[14]. Additionally, information from data aggregator Advisen indicates the median cost of a single-fatality loss has risen steadily since 2011, and increased another 16% to $5.1 million in 2019[15]. According to data from the Center for Risk and Uncertainty Management at the University of South Carolina, commercial auto liability rates have increased since the start of the pandemic, driven by material increases in the severity of auto liability losses even though loss frequency has trended downward since the start of the pandemic due to reductions in the number of miles driven[16].

Consistency with Regulation of Passenger Carriers: Increasing the minimum limits requirement for taxicab companies from $300,000 to $750,000 would also provide consistency in the regulation of passenger carriers throughout the City. The minimum coverage requirements are also consistent with that of other jurisdictions such as the California Public Utilities Commission, the City of Oakland, and the City and County of San Francisco, though San Francisco has reduced the minimum coverage amount from $1,000,000 to $300,000 on a temporary basis. Moreover, most taxicab companies are purchasing limits in excess of the new requirements. Certificates of insurance for 22 taxicab companies that have provided the City evidence of insurance since 2008 show that 13 taxicab companies evidenced minimum liability coverage of $1,000,000.

Color Scheme:

The taxicab color schemes are regulated by the San José Municipal Code.

Section 6.64.160 requires the applicant to provide *"The applicant's trade name and distinguishing vehicle markings, color or colors."*[17]

Section 6.64.180 states a taxicab license application may be denied when the *"applicant's proposed color scheme or other marking, design or insignia, will tend to confuse the identification of taxicabs which applicant proposes to operate with those operated under existing taxicab licenses."*[18]

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[14] https://injuryfacts.nsc.org/motor-vehicle/overview/preliminary-estimates/
[15] https://www.advisen.com/tools/fpnproc/fpns/articles_new_1/P/362243669.html?rid=362243669&list_id=1
[16] Overview & Outlook for the P/C Insurance Industry: Challenges and Opportunities in the Post-COVID Era pages 48 and 49
[17] https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT6BULIRE_CH6.64TALISERE_PT4TALI_6.64.160AP
[18] https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT6BULIRE_CH6.64TALISERE_PT4TALI_6.64.180GRDE

Section 6.64.370 subsection (B) requires *"The owner and the driver shall maintain the paint, color scheme, decals and lettering on the exterior of a taxicab in good condition and in the same condition as originally approved by the chief of police."* [19]

Recommendation: The San José Municipal Code requiring unique and distinct color schemes should remain, but staff will allow the taxicab company to select a new paint color to reduce the setup costs for the taxicab vehicles.

Vehicles should continue to have distinct markings, insignia, colors that are permanently affixed to the vehicle. The decals must be permanently affixed to their vehicles to clearly distinguish these taxis from other non-taxis or other taxi companies. The recommendation is consistent with ordinances San José Municipal Code sections 6.64.160 subsection (B), 6.64.180 subsection (D), and 6.64.370 subsection (B). [20]

Taximeter:

San José Municipal Code section 6.64.090 states *"A 'taxicab' is a passenger vehicle for hire, used to transport passengers on public streets. The charge for the use of a taxicab is determined either:*

A. By a taximeter; or
B. As a prearranged fare/rate provided by app" [21]

The San José Municipal Code regulating ground transportation at the airport provides direction to providers regarding the need for a taximeter under section 25.08.730 (B):

> *"Except for ground transportation providers operating a taxicab at a prearranged fare/rate provided by app as permitted under Chapter 6.64 of Title 6 of this Code, each ground transportation provider operating a taxicab using a taximeter shall ensure that its taximeter is accurate and shall charge passengers only pursuant to a properly working taximeter."* [22]

Recommendation: Taxicab inspections had required a taximeter to be in the vehicle. Currently, some taxicabs use a software application or "app" to allow consumers to determine their rate, route taken, and estimated time of wait similar to the ones used by rideshare companies such as Uber and Lyft. Staff will no longer require a taximeter in the vehicle as long as the taxicab driver is utilizing an app to determine the fares.

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[19] https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT6BULIRE_CH6.64TALISERE_PT4TALI_6.64.370IDTA
[20] https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT6BULIRE_CH6.64TALISERE_PT1TAENPR
[21] https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT6BULIRE_CH6.64TALISERE_PT2DE_6.64.100TA
[22] https://library.municode.com/ca/san_jose/codes/code_of_ordinances?nodeId=TIT25AI_CH25.08COAC_PT7GRTRPR_25.08.730GRTRPRESRE

CONCLUSION

The recommendation responds to the taxicab industry concerns regarding taxicab permits, insurance increase, color schemes, and taximeter requirements. The recommendation also strikes a balance with the City's needs for regulating the taxicab industry and obtaining only the necessary fees to maintain its operation.

EVALUATION AND FOLLOW-UP

This memorandum will not require any follow-up from staff.

CLIMATE SMART SAN JOSÉ

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

PUBLIC OUTREACH

The Police Department contacted taxi companies operating in San José for information and input for the memorandum. This memorandum will be posted on the City's Council Agenda website for the August 9, 2022 City Council meeting.

COORDINATION

This memorandum has been coordinated with the Airport Department, the City Attorney's Office and the City Manager's Budget Office.

COMMISSION RECOMMENDATION/INPUT

No commission recommendation or input is associated with this action.

CEQA

Not a Project, File No. PP17-005, Adjustment to Fees, Rates and Fares without changes to or expansion of services.

/s/
ANTHONY MATA
Chief of Police

/s/
JULIA H. COOPER
Director of Finance

For questions about the taxi permit fees, color schemes, and meter requirements, please contact Lieutenant Jason Kidwell, San José Police Department, Permits Unit at Jason.Kidwell@sanjoseca.gov. For questions regarding insurance, please contact Miguel Bernal, Risk Manager, City of San José Finance Department, at Miguel.Bernal@sanjoseca.gov.