



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: William F. Sherry, A.A.E.

**SUBJECT: SECOND AMENDMENT TO
ON-DEMAND GROUND
TRANSPORTATION
MANAGEMENT CONCESSION
AGREEMENT WITH TAXI SAN JOSE**

DATE: April 27, 2009

Approved

Date

4/30/09

COUNCIL DISTRICT: City-Wide

RECOMMENDATION

Approve the Second Amendment to the On-Demand Ground Transportation Management Concession Agreement with Taxi San Jose to reduce the compensation due to Taxi San Jose, for the period of May 1, 2009 through September 30, 2009, by \$29,423.40, and to amend the Staffing and Supervision Plan required by the Agreement.

OUTCOME

The City Council's approval of the Second Amendment will result in a decrease in the monthly compensation due to Taxi San Jose from May 1, 2009 through September 30, 2009. This decrease in compensation will be the result of a reduction in staffing by Taxi San Jose and Taxi San Jose's agreement to waive the 3.4% Consumer Price Index (CPI) increase required by the Agreement, implemented per the Agreement in October 2008 and otherwise due to TSJ for this period of time.

BACKGROUND

Pursuant to an On-Demand Ground Transportation Management Concession Agreement with the City of San Jose (Agreement), Taxi San Jose (TSJ) has managed the Airport On-Demand Dispatch Services Program (Program) since its inception in September 2005. The Agreement had an original 2-year term and has 5 one-year options available. On January 23, 2007, Council approved a First Amendment to the Agreement which resulted in elimination of the increase in compensation due to TSJ for the second year of the Agreement, retroactive to October 1, 2006. On August 29, 2007, the City exercised the first of the five option periods available, extending the Agreement term to September 30, 2008. On August 8, 2008 the City exercised the second of the five option periods available, extending the term to September 30, 2009. Any changes in

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service requirements or related to their expenses must be approved through an amendment by Council.

The City is able to fund the services provided by TSJ under the Agreement by charging the industries using TSJ's services, the on-demand taxicabs and commercial door-to-door shuttles industries, Monthly Program Fees (Fees) which cover the expenses of the Program, including TSJ expenses and an administrative fee of up to \$25 per month.

To charge the industries the Fees, the Council has adopted a resolution governing the Fees which requires an annual review of the Fees charged to the above industries to ensure that the expenses of the Program, due as compensation to TSJ under the Agreement, are covered. A review in October 2008 projected a monthly fee increase for the on-demand taxicabs of \$32 per month, from \$240 per month to \$272 per month. The shuttles would continue to be charged the minimum \$100 monthly fee. These projected fees were based on: 1) the fact that the Fees charged to the on-demand taxicabs had not been revised since their inception in 2005; 2) the actual percentage of trips between the two industries involved had shifted to reflect more activity by taxicabs; 3) the full \$25 administrative fee had not been charged in the original calculation; and, 4) the CPI increases implemented per the Agreement had raised the TSJ Program expenses.

While the City compensated TSJ at an increased CPI beginning in October 2008 as required by the terms of the Agreement, the City did not pass the costs onto the industries through the Fees. Instead, in a series of meetings with the industries in October 2008, Airport staff presented proposed Fee increases which were based on the October 2008 review. The taxicab industry expressed its concerns with the increase to the Fees at the industry meetings and before the Airport Commission in December 2008 and again in February 2009. Thereafter, TSJ worked with the taxicab industry representatives and proposed some operational changes and waiver of TSJ's CPI increase to help minimize the ultimate increase in Fees for the taxicabs.

ANALYSIS

To help alleviate the impact on the above industries TSJ has proposed to reduce their monthly compensation through 1) waiving their rights to the CPI increase implemented per the Agreement and 2) a reduction in staffing and services. Both proposals are for a period beginning May 1, 2009 and continuing through the end of the current term of the Agreement, September 30, 2009.

The proposed reduction of the 3.4% CPI increase implemented per the Agreement in October 2008 amounts to a reduction of \$2,559.68 per month and the staffing and service reductions total \$3,325 per month. The total reduction will be \$5,884.68 per month from their monthly compensation rate of \$77,844.39. The five month total reduction is \$29,423.40.

TSJ has recommended the following changes in staffing and services:

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- Reduction of Dispatcher position hours through start and end of day hours adjustments:
 - Start of day at 700 AM vs. 4:30 AM
 - End of day at Midnight vs. 1:30 AM
- Elimination of an evening floater staff position
- Closing terminal operations earlier
 - Midnight vs. 1:00 AM, except for late flight arrivals

The reduction of staffing hours coincides with the reduction in passenger and flight volume at the Airport. Passenger volumes are now at a level in which the additional floater shift is not needed on a regular basis. TSJ has assured Airport Staff that TSJ has planned for emergency staffing needs in their calculations, so late flights and peak staffing issues should not be affected.

The reduction in the CPI, without further reductions in the services provided by TSJ, may have an effect on future potential staffing and wage increases paid by TSJ to its staff. For this reason, TSJ will be reviewing whether it will be able to waive its rights to future CPI increases in the remaining option periods, should those options be exercised by the City.

The proposed reduction in TSJ compensation will allow the Fees charged to the on-demand taxicabs to be established at \$253 per month and the Fees charged to the commercial door-to-door shuttles to be established at \$100 per month, per shuttle (the minimum rate possible for door-to-door shuttles in the rate resolution).

For the above reasons, Airport Staff recommends the Council approve a second amendment to the Agreement which, for the period of May 1, 2009 through September 30, 2009, will reduce the compensation due to TSJ; and, will allow for the changes in the services provided by TSJ under the Agreement as outlined above.

EVALUATION AND FOLLOW-UP

The approval of this action allows for a reduction in the monthly compensation due to TSJ under the terms of the Agreement and allows for the cost recovery of the Program at a reduced rate, as compared to the compensation currently due to TSJ pursuant to the Agreement and following the October 2008 review. If approved, the industries will be given the prescribed 30-day notice of the new Fees and the new Fees would be implemented beginning June 1, 2009. The Fees will then be reviewed upon exercise of the next option period of the Agreement, should the City exercise that option, and may be adjusted to maintain cost recovery. The changes in the Fees are not required to return to City Council for approval unless they need to be charged at a level outside of the current rate resolution parameters.

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POLICY ALTERNATIVES

Alternative #1: Maintain the current contract conditions and expenses with Taxi San Jose.

Pros: Allows TSJ to maintain current staffing levels and service hours

Cons: Maintains higher than necessary expenses which translates into higher costs for the on-demand taxicab industry working at the Airport. Does not take advantage of cost savings available and being proposed by TSJ.

Reason for not recommending: The proposals from TSJ take into account many discussions and recommendations from the on-demand taxicab industry and TSJ. The proposed reduction in TSJ expenses allows TSJ to maintain their required service levels while reducing the cost to the affected industries.

PUBLIC OUTREACH/INTEREST

The two stakeholder industries were informed of the October 2008 review of the Fees and the subsequent proposed increases in Fees at a series of industry meetings in October 2008. In addition, several meetings were held with industry representatives, Airport Staff and TSJ between October 2008 and March 2009 to discuss the potential increase in Fees. The Fees and TSJ's expenses were also discussed at the December 2008 and February and March 2009 Airport Commission (Commission) meetings. At its March 2009 meeting, the Commission supported TSJ's offer to waive its right to the CPI increase due to TSJ under the Agreement and the consequent reduction in Fees charged to the industries. The Commission also indicated they would be in favor of any other steps TSJ could take to reduce the cost of the services they were providing to the City and the industries.

- Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

COORDINATION

This memo has been coordinated with the Attorney's Office and the Budget Office. In addition, the issues discussed in this memo have been heard and approved by the Airport Commission.

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BUDGET REFERENCE

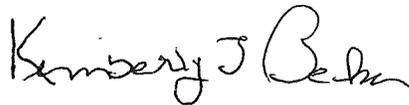
The second amendment reflects a reduction to expenses of \$29,423.40 and allows monthly fees for on-demand taxicabs and commercial door-to-door shuttle vans to be established to cover the reduced costs.

Fund #	Appn #	Appn. Name	Total Appn	Amt. of Agreement	2008-2009 Adopted Budget Page	Last Budget Action (Date, Ord. No.)
523	0802	NP/Equip-Airport	\$44,156,934	\$873,992 (annual)	Page XI-3	2/10/09, Ord # 28492

* The 2009-2010 Operating Budget and the implementing appropriation ordinance are scheduled for approval by the City Council on June 23, 2009.

CEQA

CEQA: Resolutions No. 67380 and 71451, PP 09-096


for William F. Sherry, A.A.E.
Director of Aviation

For questions please contact Bob Lockhart, Airport Operations Manager, at 277-5249.