



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

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

SUBJECT: AIRPORT ON-DEMAND GROUND
TRANSPORTATION DISPATCH
SYSTEM

DATE: August 27, 2012

Approved

Date

9/4/12

RECOMMENDATION

1. Adopt a resolution:
 - (a) Authorizing the City Manager to negotiate and execute an agreement with Taxi San José to manage the Airport On-Demand Ground Transportation Dispatch Services for a three-year term from October 1, 2012 through September 30, 2015, with space rent to the City in an annual amount of \$90,752.16
 - (b) Authorizing the City Manager to exercise one, two-year option to extend the Agreement on the same terms and conditions and at the City's sole discretion.
2. Approve an Ordinance amending San José Municipal Code Section 25.08.750 to allow permits rather than agreements for providers of on-demand services at the Airport.

OUTCOME

Award of a contract for Taxi San José's management of the Airport On-Demand Ground Transportation Dispatch Services will maintain continuity of the operation and improve the operational efficiency of the services provided to on-demand (walk-up) passengers by taxi and door-to-door shuttle operators. Several additional administrative functions, which will now be performed by the contractor rather than the City, will assist in addressing of staffing and budgetary constraints. In addition, Airport Access Permit holders will have a clearer hierarchy and process for the resolution of issues and the payment of fees.

EXECUTIVE SUMMARY

In 2004, following a lengthy study and strong stakeholder input, the Taxi Services Model (Model) for the City was approved by City Council. This Model included creation of a new dispatch system at the Airport for on-demand (walk-up) taxi passengers, including opening the

August 27, 2012

Subject: Airport On-Demand Ground Transportation Dispatch Services

Page 2 of 11

Airport to all taxi companies. Taxi San Jose (TSJ) was awarded an On-Demand Ground Transportation Dispatch Services Agreement to manage the Airport taxi and door-to-door shuttle services and began operations in September 2005. Their agreement expires September 30, 2012.

Airport staff conducted stakeholder meetings in October 2011, to gather input and comments regarding the Model and the Airport dispatch system to help determine the next steps to take prior to expiration of the TSJ agreement. While many of the stakeholder comments reflected diametrically opposed viewpoints, there was strong support for the Model and for TSJ's operations during the comment period. Staff reviewed all of the comments and as there was not a consensus among the industry, staff worked to develop the recommendations in this memorandum.

Despite creating ongoing administrative challenges for Airport staff, staff believes that the current Model is achieving the objectives set by Council in 2004 and has improved taxi service throughout the City. TSJ has performed the dispatch services for almost seven years and while there are detractors within the taxi industry, staff is supportive of their knowledge of the system, drivers and companies, as well as their ability to perform their duties.

Staff is recommending TSJ continue providing service at the Airport with the following five administrative changes to help address the budgetary and administrative challenges of the system.

1. Require TSJ to collect fees directly from the Permit holders, eliminating the Airport as a middleman to the process;
2. Designate TSJ with the primary responsibility for enforcing related rules and regulations;
3. Designate TSJ as responsible for managing and maintaining the taxi staging area and facilities;
4. Change the waiting list for individual Airport permits to be based on length of service;
5. Simplify the permitting processes for the Permit holders and companies in the system.

TSJ will experience an increase in its rental costs as the result of construction of a new staging facility on the Airport; however staff has proposed the elimination of the current \$25 per month administrative fee paid by the Permit holders to the Airport, which more than offsets the increased rent. TSJ will propose their fee structure, including their new responsibilities, for each year of the term of the Agreement.

By approving the recommended actions, Council will:

1. maintain a consistent on-demand operation at the Airport;
2. maintain the principles of the 2004 Model
3. further improve the efficiencies of the dispatch system for the Airport, TSJ, the industry and the customers of the Airport using their services; and
4. reduce the Airport staff resources assigned to taxi service activities

BACKGROUND

In 2004, City Council approved the Taxicab Services Model (Model) and gave direction to staff to establish a program at the Airport to manage multiple taxi companies and drivers. The Model included the implementation of a management company for taxi dispatch operations and establishment of 300 Airport Access Permits for taxi drivers. Of these, 195 were issued to individual drivers and 105 driver permits were issued to taxi companies.

In September 2005, following an RFP process and award by the City Council, Taxi San José (TSJ) began operation as the On-demand Ground Transportation Dispatch Services contractor at the Airport, dispatching both taxis and commercial door-to-door shuttles. The agreement with TSJ was for two years with five, one-year options. Each option year has been exercised by the City and the current agreement with TSJ will now expire on September 30, 2012.

In October 2011, Airport staff conducted public stakeholder meetings to gather input from the industry and other interested parties regarding the existing on-demand system and the Model. Staff received more than 260 oral and written comments during the comment period.

Staff reviewed all of the comments submitted. The comments related to the taxis ranged from full support for TSJ to demands to change the model to a completely open system. Suggested stakeholder ideas included:

- redistributing Airport Access Permits to drivers only;
- redistributing all the Airport Access Permits to the companies only;
- redistributing company Airport Access Permits equally or providing a minimum of seven Permits to each company;
- support for the current dispatch company model;
- support for allowing a taxi company to propose for the dispatch management service contract; and
- completely rejecting any taxi company from being a part of the dispatch management services.

On March 29, 2012, the Airport provided an Information Memorandum to City Council (see Attachment A) stating staff's determination that there was no need to change the basic model for Airport taxi service and that the goals of the Model were still valid. The memo stated the staff's intent, due in part to staffing and budgetary constraints, to negotiate some administrative changes and enter into a new agreement with TSJ rather than completing an RFP process for the program. Staff did not receive any comments or concerns from Council offices following issuance of the memorandum.

Additional stakeholder meetings with the On-Demand system taxi companies, drivers and door-to-door shuttle operators were held on June 20, July 11 and July 18, 2012, to update the stakeholders on the direction Staff was taking with the TSJ agreement. Comments were received at all three meetings.

The staff direction was discussed at the Airport Commission meeting of August 13, 2012, which again gave the industry stakeholders the ability to express their opinions and the Commission the opportunity to provide their advice to staff.

ANALYSIS

Goals and Benefits of the Taxicab Services Model

The Model approved in 2004 established the core goals of:

- 1) stimulating competition in the industry;
- 2) creating greater choice of cab companies for drivers and customers;
- 3) enhancing the quality of taxi service; and
- 4) emphasizing the taxi industry's responsibilities for the service provided.

As a result of the successful implantation of these goals, the Model has created a more competitive dynamic within the industry while strengthening the incentives for the industry to better serve pre-arranged trips and the downtown market.

Specifically for the Airport, the Model established goals to:

- broaden access of San José taxi companies and drivers to serving the Airport taxi stands;
- create multiple strong, competitive taxicab companies with effective dispatch operations; and
- strike a better balance between supply and demand for cabs and improving driver incomes on days they work at the Airport.

In October 2011, Airport staff conducted a series of public stakeholder meetings to gather input from the industry and other interested parties regarding the existing on-demand system and the Model. As a result of the outreach meetings, staff received 261 written and oral comments. The comments received by staff reflected a wide range of views on the Airport model for on-demand service. Often the comments reflected diametrically opposed viewpoints on the Model and on TSJ. The nature of the comments received by staff is further discussed in the Public Outreach/Interest section of this report. With oral and written comments supporting both sides of every major topic area, staff took the responsibility to recommend how to move forward on the Airport portion of the Model.

After lengthy consideration of stakeholder comments, staff concluded that the current Model is meeting its goals and providing the benefits envisioned when the Model was adopted in 2004. However, with some administrative changes, the operation of Airport portion of the Model could become more efficient and effective.

TSJ has provided the services of dispatch management for almost seven years and has adapted to the changes in traffic volume, construction activities and multiple relocations of operations facilities. They have refocused their management processes and team over the years to be able to

August 27, 2012

Subject: Airport On-Demand Ground Transportation Dispatch Services

Page 5 of 11

maintain a positive level of service to the Airport passengers. They have committed to providing an open and transparent operation with a goal of high service levels to the Airport passengers as well as the stakeholders within the industry.

A further consideration in developing a recommendation included the substantial reduction in Airport staff levels over past few years. An RFP process consumes large amounts of staff time to develop, publish, judge and recommend for award, in addition to the time required to adequately transition to the new operations, with or without a new operator. Given current Airport staff resources, including minimal Landside Operations and ground transportation staff who manages the program, the implementation of a RFP process at this time would severely reduce the ability to effectively manage and maintain the daily and on-going tasks of the ground transportation and Landside operations activities to the detriment of customer service.

While staff understands the preference for an RFP process in most cases, given:

- 1) the Taxi Services Model is achieving the desired outcomes;
- 2) TSJ's satisfactory performance over almost seven years of service; and
- 3) the staffing and budgetary constraints currently in place at the Airport and in the City,

staff has concluded that recommending a new agreement with TSJ, including the following proposed administrative changes, will best serve the interests of the City at this time.

Recommended Administrative Changes

Staff is recommending administrative changes in the new agreement to improve the efficiencies of the Airport on-demand operation to the benefit of the City as well as the industries involved. Staff believes more efficient management of the dispatch system, the funding and collection of monies, and the enforcement of the rules and regulations will result in a more cohesive operation that puts more emphasis on the customer service and trip economics of taxi and shuttle trips from the Airport while still supporting the core goals of the Taxi Model. The administrative changes recommended by staff include:

1. TSJ will Collect Permit Fees Directly from Permit Holders

Staff has determined that changing the process for collection of fees that support TSJ operations will greatly improve the efficiency of the operation. Currently, there are two types of fees for on-demand taxi and door-to-door shuttle companies at the Airport: (1) monthly permit fees (currently \$ 236.99 for taxicabs and \$92.27 for door to door shuttle vehicles) and (2) a \$25 monthly administrative fee to cover staff expenses. These fees are currently collected by the Airport from the 300 taxi permit holders (through their affiliated companies) and the door-to-door shuttle companies. The Airport then pays TSJ a management fee pursuant to the terms of the current Agreement.

The proposed new agreement with TSJ provides that TSJ will collect the monthly permit fee directly from the permit holders, thus eliminating the Airport's need to collect and disburse these

funds for payment to TSJ. As provided in the current Airport rate resolution, any proposed increases to the permit fees will be subject to annual review and approval by the Director of Aviation and 30-days prior notice to the impacted permit holders. Consistent with the proposed Airport rate resolution, the contract with TSJ will allow permit fees to be collected monthly or per trip, as approved by the Director of Aviation. The Airport would no longer collect its \$25 per month administrative fee revenues due to the reduction in administrative tasks. This recommended change would significantly streamline the fee collection process, and reduce Airport revenues by \$100,000 a year.

2. Designate TSJ the Primary Responsibility for Enforcing Related Rules and Regulations

Assigning the primary responsibility for the investigation aspect of the enforcement of rules and regulations to TSJ will improve the efficiency, consistency and effectiveness of the on-demand taxi operation. TSJ's enforcement responsibility would include the administration of all steps that are part of the due process related to violations of the rules and regulations. Airport staff would participate only in the final suspension or revocation process of a permit. All the rules and regulations included in the current permits and contracts would be included as part of TSJ's enforcement responsibilities in the new agreement. This recommended change allows for a single responsible party for the day-to-day administration of the system and gives permit holders a single consistent point of contact and administrative process, rather than the current bifurcated administrative process between TSJ and Airport staff.

3. Designate TSJ as Responsible for Managing the Ground Transportation Staging Facilities

Staff recommends that TSJ take responsibility for maintaining the current staging lot and the soon-to-be completed staging lot building in a more effective manner. TSJ would have sole responsibility for the all maintenance and repairs for the both the staging lot and staging lot building, with the cost for these activities to be paid from the fees collected by TSJ. In addition, this recommendation will result in a consistent review of vehicle waiting times to ensure the proper number of vehicles is allowed entry into the staging and loading areas. This recommendation will ensure the proper number of vehicles to more closely match customer demand, which should maintain and improve the economics and reduce the waiting times for the drivers working the Airport on any given day.

4. Revise the Waiting List for Individual Permit Holders to be Based on Length of Service

The waiting list for taxi driver individual Airport Access Permits is currently established by lottery each year. While this has provided the opportunity for multiple drivers to gain permits, it also has caused some friction due to the annual changing of individual positions on the list. A very large number of drivers and company representatives are in support of changing the list to one that is established based on length of taxi driver service within the City, and this would be reflected in the proposed change to the San José Municipal Code as stated below. Staff supports this decision and would develop a process to fairly establish the list. The revised list would become the permanent waiting list effective in January 2013.

5. Simplify the Permitting Process

With the implementation of the aforementioned recommendations, the issuance and renewal of Airport Access Permits, which will continue to be managed by Airport staff, can be simplified so that issued permits can be renewed regularly unless revoked.

Company contracts would be converted to permits, similar to all other commercial ground transportation providers. Converting company contracts to permits, requiring verbiage changes to Municipal Code Section 25.08.750 and following sections, will reduce the administrative processes required of the Airport, the companies and the drivers, thus making the on-demand system more efficient and consistent with other commercial operators. The administration of the related rules and regulations would be transferred to the TSJ contract with all permits referencing TSJ's authority and responsibilities.

In addition, amending the Municipal Code to outline the current methods of distribution of Airport Access Permits would provide additional clarity and guidance to those seeking the permits. The distribution of individual taxi permits would continue to be completed via the waiting list for individual drivers and the annual permit reallocation to the companies would continue to be determined by the current combination of minimum qualifications and the number of off-Airport trips. To coincide with the TSJ agreement, all current Airport Access Permits and contracts which currently expire on different schedules, would be extended or amended to have an expiration date of September 30, 2012.

Finally, effective with this Agreement, TSJ will pay rent to the Airport for the newly-constructed staging lot building they will be using at a cost recovery rate based on a 10% capitalization rate of the capital improvement. The rent will be \$7,562.68 per month for an annual amount of \$90,752.16. TSJ has paid the rental costs for a trailer under the current agreement. The new taxi staging lot building will be replacing old trailer facilities when completed in spring of 2013.

By approving the terms of the recommended three-year agreement with one, two-year option exercisable by the City Manager, City Council will

- maintain a consistent on-demand operation at the Airport;
- maintain the principles of the original 2004 Model; and
- help improve the efficiencies of the on-demand system for the Airport, TSJ, the industry stakeholders and, most importantly, the customers of the Airport who utilize the service.

The length of term allows TSJ to make technological improvements to its operations with a two year option period that allows for review and consideration of TSJ's performance and the continuation of the current Airport on-demand service model.

The proposed TSJ Agreement incorporates the aforementioned administrative changes. As a result of updating the original operating structure of the on-demand system over the years and the administrative changes now being recommended, staff recommends that Council authorize

August 27, 2012

Subject: Airport On-Demand Ground Transportation Dispatch Services

Page 8 of 11

the City Manager to negotiate and execute the proposed new agreement on the terms outlined in this memo.

EVALUATION AND FOLLOW-UP

The on-demand services at the Airport are under constant monitoring by Airport staff. Bi-weekly meetings and quarterly reviews between TSJ and the Airport will maintain the focus on the provision of high quality services to Airport passengers and the development of good economics for the industries involved. Staff will provide City Council with updates, as required, and upon the annual reallocation of the company Airport Access Permits.

POLICY ALTERNATIVES

Alternative #1: Reject negotiation for a TSJ agreement and recommend an RFP process using the current Airport dispatch management framework with the inclusion of the recommended administrative changes.

Pros: Opens the opportunity to other operators, taxi companies or organizations to manage the dispatch system. Incorporates the administrative changes staff proposes for efficiencies. May result in different dispatching operations and/or cost models. TSJ, as a non-profit organization, has some potential advantages from a cost perspective over for-profit entities.

Cons: Would require an extension of the existing TSJ agreement of nine months to one year to complete the RFP process. May result in increase expenses, and changes in the way vehicles are dispatched depending on proposal approved.

Reason for not recommending: The amount of Airport staff time needed to conduct a RFP process will significantly impact staff's ability to manage other daily and ongoing operational activities to the detriment of customer service. A minimum of nine months extension of the current TSJ agreement would be required to complete the RFP process. TSJ has performed at a satisfactory level and has agreed to performance of the additional administrative tasks.

Alternative #2: Reject the TSJ agreement and further review the Taxi Services Model prior to moving forward with an RFP or Agreement

Pros: Could provide an opportunity to change the Model to improve the on-demand service. Could provide options for other models to be put into use at the Airport including a closed concession, a completely open system, or modified open system model.

Cons: Opens up the model for review, which would very likely be a time-consuming, contentious process requiring extensive stakeholder outreach and a level of staff time and effort that would significantly exceed current staff resources – both at the Airport and in other impacted City departments (e.g., Department of Transportation) and potentially exceed the additional benefits of any new changes. In addition, depending on the changes to the Model, could also negatively affect taxi operations and service levels in other parts of the City and cost

August 27, 2012

Subject: Airport On-Demand Ground Transportation Dispatch Services

Page 9 of 11

the Airport, the City and even stakeholders more in resources and costs to operate. Changes to the Model could also result in an imbalance of stakeholder interests/concerns, creating further contention among stakeholders.

Reason for not recommending: The current model is meeting its intended goals and has significantly benefited the taxi service levels in the City, the industry and its customers by opening the Airport to more companies, providing drivers with more independence and improving service to the public. With minor administrative changes, the current model could further improve its efficiency and effectiveness.

PUBLIC OUTREACH/INTEREST

- 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)**

This memo is posted with the agenda for the September 11, 2012 City Council meeting. In addition, copies of this report have also been made available to key stakeholders.

October 2011 Stakeholder Meetings and Comments

On October 13 and 14, 2011, Airport staff conducted four public stakeholder meetings to gather input from the industry and other interested parties regarding the existing on-demand system and the Model. Staff also accepted written comments through October 31, 2011. At least 116 attendees participated in the meetings and 261 written and oral comments were received during the comment period.

The public stakeholder comments received by staff reflected a diverse range of viewpoints on the Model. Input was received from individuals, representatives of driver groups, taxi companies, both large and small, commercial shuttle companies and TSJ. The majority of the comments were related to the taxi industry with very few related to the door-to-door shuttle industry. Many of the comments were in direct contradiction with each other. All of the comments submitted are available for viewing on the Airport's website at www.flysanjose.com under the Ground Transportation page within the Business section of the website.

Staff reviewed all of the comments submitted. The comments related to the taxis ranged from full support for TSJ to demands to change the model to a completely open system. Suggested stakeholder ideas included:

- redistributing Airport Access Permits to drivers only;
- redistributing all the Airport Access Permits to the companies only;
- redistributing company Airport Access Permits equally or providing a minimum of seven Permits to each company;
- support for the current dispatch company model;
- support for allowing a taxi company to propose for the dispatch management service contract; and
- completely rejecting any taxi company from being a part of the dispatch management services.

A large number of the meeting attendees and submitted written comments supported TSJ. However, as in the other related topic areas, there was a portion of the industry that expressed the belief there should be an RFP process to obtain another company as they did not support TSJ, its management practices and staffing levels and that another proposer might provide a less expensive alternative.

Stakeholder Meetings June and July 2012

Stakeholder meetings with the on-demand taxi companies, taxi drivers and door-to-door shuttle companies were held on June 20, July 11 and July 18, 2012, to discuss the direction staff was taking in regards to the TSJ agreement and the administrative changes being proposed. A variety of comments were received and again from diverse points of view. While many participants supported the direction being taken there continues to be a group of drivers that feel that an RFP process should be conducted as they believe a less expensive option is possible and that they do not support TSJ or their management team. Staff has considered their input and continues to support the direction and recommendations being made in this memorandum.

Airport Commission Meeting August 13, 2012

The staff recommendation was presented to the Airport Commission at their meeting on August 13, 2012. Stakeholders were allowed to present their opinions and the Commission members discussed the topic fully. The Commission voted unanimously to support the staff recommendation to extend the services of TSJ and to work to ensure the resulting agreement is as beneficial as possible. Comments discussed were similar to the other stakeholder meetings in that many varying points of view were received from the industry, with no single consensus of ideas with the exception of the support for the current city-wide services model. 18 of the approximately 35 stakeholders attending the meeting spoke with about half of the speakers supporting TSJ, while the other half spoke against TSJ and in support of a new RFP. Staff appreciates the Commission's comments and action and continues to support the direction and recommendation of this memorandum.

August 27, 2012

Subject: Airport On-Demand Ground Transportation Dispatch Services

Page 11 of 11

COORDINATION

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

FISCAL/POLICY ALIGNMENT

This action improves the efficiencies and effectiveness of Airport services both related to customer service improvement and fiscal responsibility. Redirecting the collection of fees related to their services to the contractor reduces the staffing tasks for the Program and transfers the collections risk to the contractor.

COST SUMMARY/IMPLICATIONS

Budgetary accounting for the collection and disbursement of funds for the TSJ operation will be eliminated, while collection of Airport trip fees will continue. Approximately \$100,000 in administrative fees will no longer be received by the Airport. Rental fees for the facilities will be obtained in the amount of \$90,752.16 annually.

CEQA

CEQA: Not a Project, File No. PP10-066(e), Services that involve no physical changes to the environment.

/s/

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

For questions please contact Bob Lockhart, Airport Operations Manager at (408) 392-3514.



SENT TO COUNCIL:

Distributed on:
APR - 2 2012
City Manager's Office

Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

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

SUBJECT: Airport On-Demand Ground
Transportation Dispatch System

DATE: March 29, 2012

Approved:

Date

3/29/12

INFORMATION

In September 2011, Airport staff began a review of the current Airport On-Demand Ground Transportation Dispatch System, which includes taxi and door-to-door shuttle services at the Airport. Staff held stakeholder meetings and accepted written comments, reviewed input and assessed the ability to conduct a Request for Proposal process for these services as the agreement with Taxi San Jose, the current contractor, expires on September 30, 2012.

Staff determined that the basic model for the dispatch services does not need to change, that the goals of the Taxi Services Model approved by Council in 2004, are still valid and with minor administrative changes the current agreement framework can provide improved efficiencies for the Airport, the contractor and the industries involved.

Due to current Airport staffing and budget constraints, the Airport has determined the best option to maintain service levels and to improve the efficiencies of the dispatch system operation will be to negotiate with Taxi San Jose regarding the administrative changes desired and to extend their services beyond the current term for a minimum of two years.

While staff recognizes that there are parties within the industries who would rather see another operator or the system changed in major ways, with the limited resources we are currently facing staff feels that the benefits of maintaining the current framework and operator will provide better consistency of service, both to the public and to the operators within the system. Successful incorporation of the minor administrative changes may also improve efficiencies that may result in reduced waiting times for drivers and improved cost structures for permit holders.

Staff will begin discussions with Taxi San Jose in the next two weeks and will bring the contract to extend their services to Council for approval prior to the September expiration date.

/s/ Kimberly B. Aguirre for
William F. Sherry, A.A.E.
Director of Aviation

For questions please contact Bob Lockhart (392-3514) or Kathy Hausler (392-3515).