



# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Councilmember Ash Kalra  
Councilmember Kansen Chu  
Councilmember Xavier Campos

**SUBJECT:** AGREEMENT WITH TAXI SAN JOSE FOR AIRPORT ON DEMAND  
GROUND TRANSPORTATION DISPATCH SERVICES      **DATE:** September 14, 2012

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Approved \_\_\_\_\_ Date \_\_\_\_\_  
*Ash Kalra* *Kansen Chu* *9-14-12*  
*Xavier Campos JS*

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## RECOMMENDATION

Accept staff's recommendation to extend the agreement with Taxi San Jose for three years, with one two-year option, with the following amendments:

1. Direct the City Auditor to conduct an audit of Taxi San Jose and the current airport taxicab model.
2. Reduce the amount of space rent due to the City to an annual amount based upon an amortization period of at least 20 years.
3. Direct staff to analyze the effectiveness of the current methodology for airport permit allocation and reallocation.

## BACKGROUND

While we respect staff's assessment of Taxi San Jose (TSJ) and the services that TSJ has provided over the last several years, we are committed to the principles of transparency and openness; accordingly, we believe that an audit is appropriate. However, it is important to approve staff's recommendation to extend the current agreement with TSJ for three years. First, given the long list of pending audits, it is unclear how this audit will be prioritized on the current list of pending audits, and, therefore, whether an audit of TSJ and the current airport taxicab model can be conducted in a period of time shorter than three years. If it cannot be conducted in that time, it will end up being a waste of funds and the City Auditor's time. Additionally, if an audit does reveal any issues with TSJ, a three year extension gives us sufficient time to have the option of giving TSJ time to correct the issues, or, if necessary, to issue a new RFP.

Secondly, staff's recommendation is to charge over \$90,000 in annual rent for the new facility. This figure represents the estimated cost of building the new facility amortized over a period of ten years. Importantly, even after paying over \$90,000 in rent for ten years, the taxicab industry will have no ownership interest in the facility, despite essentially paying for its construction. While the taxicab

industry will be benefitting from the new facility and therefore should bear some of the cost, having them pay the entire bill seems excessive. Accordingly, we recommend that the amortization period upon which this rental rate is based be changed to at least twenty years.

Lastly, with respect to the permit allocation criteria, we understand the important considerations that led to the establishment of the current criteria, such as the need for taxicabs to service areas other than the airport within San Jose. However, much has changed since these decisions were made, so given the administrative costs and staff time that is involved in tracking this data, it is an appropriate time to conduct a review to determine whether this requirement is still necessary. It is also a good opportunity to assess other aspects of the current methodology, including minimum fleet size, and percentage of trips using clean air vehicles.