



TAXICAB INDUSTRY REPORT

**RATES OF FARE
&
GATE FEES**

City and County of San Francisco

Office of the Controller

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I - EXECUTIVE SUMMARY

The economy is beginning to rebound, albeit a slower pace than would be optimal, and with it the outlook for the taxicab industry is improving as well. The Controller's review of the industry presents a number of key findings and recommendations as summarized below.

Key Industry Findings Summary

- **Upcoming Deadlines.** The \$1.50 gate fee add-on, which was designed to partially fund the Paratransit program sunsets on December 31, 2005. This \$1.50 corresponds to the \$0.10 flag drop rate add-on (from \$2.75 to \$2.85).¹ Supervisor Alioto-Pier has introduced legislation that would extend this funding by 24 months to December 31, 2007.
- **Gate Fee Sunset.** Resolution 173-04 which extended the date for enacting ordinances to prevent the expiration of the higher cap on gate fees charged to drivers expired on September 1, 2004. This expiration should have resulted in decreasing the mean gate fee cap from \$91.50 to \$86.50.² The Taxi Commission Director reports that they will survey mean fares to ensure that operating companies are complying with this rollback over the next quarter. To date, however, we have heard of reports that companies are charging the higher mean gate fee after September 1, 2004. We were unable to obtain actual survey data subsequent to September 1, 2004 to evaluate these claims.
- **Inflationary Cost Increases.** Bay Area general inflation has increased by 6.6 percent since January 2003 through October 2005. Transportation-related inflation is much greater at 14.3 percent, with the gasoline component being even greater. Based on the Department of Energy weekly survey of San Francisco gas prices through late November, the average increase of gasoline costs has been 51.9 percent since the beginning of January 2003.
- **Limited Market Recovery.** Limited recovery in demand for taxicab service has occurred since the early 2000s. A rebound in the tourist sector has helped, but San Francisco is still witnessing constrained population and job growth. Additionally, the limited recovery in airport traffic, notably business travel, as well as the opening of BART service has limited demand growth for taxicab services.

¹ \$0.10 additional collected per fare multiplied by the assumed 15 fares collected per 10-hour shift.

² \$85.00 is the amount cited in the Police Code. However, based on the Controller's interpretation of Section 1137 and 1137.5 of the Code, an additional \$1.50 should be added to this amount as the add-on fee for Paratransit funding.

- **Operating Company Financial Results.** Industry profitability is stabilizing for operating companies – with an average net profit margin after taxes of approximately 21 percent per year over the past four years and an average return on equity of approximately 70 percent. Larger companies appear to be faring better than smaller companies, where a number of smaller companies are still not profitable.

Controller’s Recommendations

GATE & FARE INCREASES, Inflationary Adjustment Impact

- Based on inflationary increases, gate and fare charges would need to increase as noted below to offset average additional costs.

	Inflation		Change	
	Current	Adjusted	\$	%
Gate Cap	\$ 86.50	\$ 92.21	\$ 5.71	6.6%
Fares				
Flag Drop	\$ 2.85	\$ 3.04	\$ 0.19	6.6%
Mileage	\$ 0.45	\$ 0.48	\$ 0.03	6.6%
Wait Time	\$ 0.45	\$ 0.48	\$ 0.03	6.6%

- If policymakers were to increase the gate cap at the general inflation rate of 6.6 percent since January 2003, the increase would equate to \$5.71 (from \$86.50 to \$92.21, plus the additional \$1.50 for paratransit noted above for a new total of \$93.71). Given the high industry net profit margins and returns on equity, policymakers may wish to consider inflationary increases to fund health insurance costs for drivers. The Department of Public Health will address the cost of insuring taxi drivers in its upcoming taxi driver health insurance report, which is pending release this month.

FUEL SURCHARGE, Mileage Impact

- In addition to the general inflationary increase noted for fares above, since gasoline costs are predominately paid by the taxi driver and represent an estimated 18-25 percent of daily operating costs, **an additional fare increase related to fuel (i.e. a fuel surcharge) should be considered.** The estimated amount of a surcharge needed to hold drivers harmless would equate to approximately a \$0.03 surcharge to the existing mileage rate, assuming average gas costs of \$2.51 per gallon.

PARATRANSIT FUNDING, Gate & Flag Drop Impact

- Based on the increases noted above for fares, paratransit fare costs are projected to increase by 11.5 percent. To fund the increased paratransit costs, an increased paratransit pass-through from operating companies is needed of \$1.50 (i.e. taking the gate cap add-on from \$1.50 to \$3.00), assuming that the total fare and fuel surcharge increase is covered by the taxi pass-through funding arrangement. This funding source currently represents about four percent of the total paratransit budget.
- A higher gate cap would then need to be recovered by drivers and would result in the average flag drop on all customers needing to increase an additional \$0.10 (i.e. the increase from \$0.10 to \$0.20 for paratransit) in addition to the other increases noted separately above.³
- The Taxi Commission should also consider altering the method by which taxicab operating companies provide pass-through funding. Consideration should be given to a monthly advance with an annual return that ties the pass-through remittances to the average percentage of total gate revenues collected for paratransit. For example, currently if \$1.50 of the total \$86.50 mean gate is related to paratransit; this equates to 1.73 percent of gate revenues. Thus, if 1.73 percent of gate revenues were credited to the paratransit program, then pass-through funding would be tied to actual collections by operating companies and thereby be guarded against any under or over recovery.

GATE FEE CAP ENFORCEMENT

- The Taxi Commission should analyze how best to address the over charging of the gate fee to drivers which had decreased from \$91.50 to \$86.50 as of September 1, 2004.

³ Assumes an average of 15 fares per 10-hour shift.

II - INTRODUCTION

This report provides an economic and fiscal update of the Taxi Industry. There are a number of key issues or concerns currently being discussed including:

- The sunset of funding for Paratransit support on December 31, 2005.
- The expiration of the higher gate fee cap on September 1, 2004, which was not enforced by the Taxi Commission at the time of expiration.
- The burden placed on drivers due to sharp increases in gasoline prices, and
- Continued interest in health insurance coverage for drivers.

III - BACKGROUND

The San Francisco taxi industry plays a significant role in meeting local transportation needs by providing an estimated 40,000 to 50,000 trips per day to local patrons and travelers. This compares to an approximate average of 600,000 unlinked MUNI passenger daily trips and a weekday count of 40,000⁴ commuter automobiles.

The industry is a mix of five main players: (1) the public who uses and benefits from taxi services; (2) drivers who provide services; (3) medallion permit holders (roughly one driver in eight is a medallion holder with another 447 medallions owned by non-drivers or corporations that obtained permits prior to the driving requirement of Proposition K in 1978); (4) taxicab operating companies that provide color schemes, dispatch, automobile ownership and maintenance services to drivers; and, (5) the City and County of San Francisco which under state law provides regulatory oversight of the industry.

⁴ Source: Metropolitan Transportation Commission

San Francisco Fare Rates

The City has provided a number of fare adjustments for the San Francisco taxicab industry since the early 1990s. These changes have generally followed cost of living increases and regulatory changes that increase operating cost.

Chart A: Recent Taxicab Rate History

Effective	Flag	Mileage	Waiting Time	Avg. Fare*	% Change
January 2006	\$2.75 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.80	-0.6%
December 2002	\$2.85 first 1/5 mile	\$0.45 per 1/5 mile	\$0.45 per minute	\$ 15.90	12.8%
June 2000	\$2.50 first 1/5 mile	\$0.40 per 1/5 mile	\$0.40 per minute	\$ 14.10	20.0%
January 1999	\$2.50 first 1/6 mile	\$0.30 per 1/6 mile	\$0.40 per minute	\$ 11.75	12.4%
June 1991	\$1.70 first 1/6 mile	\$0.30 per 1/6 mile	\$0.30 per minute	\$ 10.45	

* Average fare assumes 5 miles with 5 minutes of wait time.

Rates of Fare in Other Jurisdictions

For comparative purposes we have sampled the rates of other regulated jurisdictions and found that San Francisco rates are highest among those sampled. Chart B summarizes the rates of other regulated jurisdictions:

Chart B: Taxicab Rates Throughout the United States

Survey of US Cities:*	Flag Drop (initial charge)	Mileage (per mile)	Waiting Time (per minute)	Comparative Trip Cost **
Chicago	\$2.25 / first 1/9 mile	\$1.80	\$0.33	\$12.57
Houston	\$2.50 / first 1/6 mile	\$1.80	\$0.33	\$13.17
Los Angeles	\$2.00 / first 1/10 mile	\$2.00	\$0.38	\$13.88
New York	\$2.50 / no distance	\$2.00	\$0.20	\$13.50
Oakland	\$2.00 / no distance	\$2.40	\$0.40	\$16.00
San Jose	\$2.50 / first 1/10 mile	\$2.50	\$0.42	\$16.58
Comparison:				
Sample Average	\$2.29	\$2.08	\$0.34	\$14.28
San Francisco (current)	\$2.85 / first 1/5 mile	\$2.25	\$0.45	\$15.90
SF Higher / (Lower), \$	\$0.56	\$0.17	\$0.11	\$1.62
SF Higher / (Lower) - %	24.4%	8.0%	31.2%	11.3%

* Many jurisdictions have surcharges such as night rates, additional passengers, etc. that are not contained in these rates.

** Assumes a 5-mile trip with a 5-minute wait time.

Capping Gate Fees

Beginning in 1998 the City put a cap of \$85.00 on mean (average) gate fee charges for a 10-hour shift; the fee is prorated for fewer hours. Gate fee charges are taxicab company charges to drivers for the use of a cab. The charge can represent a full “gas and gate” meaning use of the color scheme, dispatch, company car ownership, insurance and maintenance cost or a portion of these services or a lesser amount of service. Smaller companies providing fewer services and charging less do not approach the cap because their charges are significantly below the \$85.00 level.

In December 2002, the cap was raised to \$91.50 (i.e. \$90.00 base plus \$1.50 add-on for Paratransit funding) providing a taxicab operating company met the Police Code 1095(b) reporting requirements. The \$1.50 add-on is to expire on December 31, 2005. Moreover, a provision was included which allows for the sunset of the higher mean gate fee cap if certain ordinances addressing long term lease fee caps and driver health benefits were not enacted in subsequent years. The deadline for enacting these ordinances was then extended by the Board of Supervisors per resolution 173-04 to September 1, 2004. No ordinances were enacted to create a health insurance program for drivers and we believe as a result of this the higher cap on gate fees charged to drivers expired and reverted back to \$86.50 (\$85.00 gate plus \$1.50 add-on) on September 1, 2004. However, the Taxi Commission failed to enforce this change and as a result operating companies are still charging drivers the higher mean gate fee (\$91.50).

Police Code Section 1137.5 allows MUNI to calculate on a monthly basis the increased cost of paratransit scrip incurred as a result of the increase in rates of fare for taxicabs and to divide that cost evenly among all taxicab permits in operation, to achieve an average increased cost per taxicab permits for each month. That section sunsets on December 31, 2005; Supervisor Alioto has introduced legislation extending it through December 31, 2007.

Updated Taxi Supply & Demand Information

The Controller’s March 2003 report on Medallion issuance identified a number of market forces that impact demand on the taxi industry. An update of this demand information illustrates that with the exception of Paratransit trips, there is continued sluggishness in passenger demand as compared to five years ago.

Chart C: Taxi Industry Demand and Supply Growth Over 5 years

Market Supply & Demand	Compound Average Annual Growth Since					
	2000	2004	2003	2002	2001	2000
Taxi Medallions Issued - Supply Measures						
Total Medallions	0.0%	1,381	1,381	1,381	1,381	1,381
Sedan Medallions	0.0%	1,306	1,306	1,306	1,306	1,306
Ramp Medallions	0.0%	75	75	75	75	75
Resident Component - Demand Measures						
Population (Residential)	0.6%	793,403	791,418	788,808	783,882	775,000
MUNI Passenger Trips (1000s)	-1.0%	217,049	216,947	234,303	236,205	226,182
Paratransit Trips	9.1%	747,126	833,482	807,598	669,622	527,629
Business & Tourism Component - Demand Measures						
Employment (All Jobs in SF, 100s)	-4.2%	5,036	5,132	5,349	5,730	5,981
SFIA Enplaned Passengers (1000s)	-6.5%	15,396	14,615	15,546	19,319	20,159
Occupied Hotel Room Nights* (1000s)	-0.6%	6,383	5,904	5,574	5,543	6,549

Sources: Bureau of Labor Statistics; PKF Consulting; S.F. Municipal Transportation Authority; S.F. Airport Commission.

By reviewing these demand factors we find that tourism has begun to show a moderate rebound but that jobs and daily transportation needs have yet to show significant growth. Moreover, Paratransit trips sponsored by MUNI, which in the past had been one of the few areas of residential demand growth, has been declining over the past two years reportedly due to restrictions by the program on the amount of available scrip for taxi transportation.⁵

Another demand factor that has and will increasingly impact taxi ridership to and from SFO is the opening of BART service at SFO.

CHART D: SFO BART Ridership

Fiscal Year Ending June 30	Total # of Passengers	Average Daily # of Passengers	% Change
2004	2,058,900	5,641	
2005	2,278,070	6,241	10.6%
2006*	2,506,646	6,868	10.0%

*Estimated, based on 5 months of actual data annualized.

Based on different weights given to the demand factors, the overall estimated year-to-year change in demand for taxi service from 2003 to 2004 increased by approximately two to four percent. This is the first time in the last 4 years that

⁵ Source: Annette Williams – MUNI Paratransit

there has been an increase in overall demand, although it is still substantially below pre-2000 levels. There were consecutive year-to-year declines experienced over the prior three years from 2000 to 2003. The following table summarizes this analysis. For example, residential demand factors such as population, MUNI ridership and paratransit trips decreased as a whole by 0.8% from 2003 to 2004. Likewise, business demand factors such as employment, hotel occupancy etc., increased by 6.2% during the same period. Knowing that demand for taxicabs is a combination of residential and business demand factors, different weights were assigned to each factor to estimate the overall year-to-year change in demand for taxicabs.

Chart E: Estimated Year-to-Year Change in Demand for Taxi Service

		2004	2003	2002	2001	2000
Demand Weights						
	% Business &	Year-to-Year Change				
% Resident	Tourism					
30%	70%	4.1%	-0.4%	-6.1%	-5.2%	2.7%
40%	60%	3.4%	-0.4%	-4.9%	-3.9%	2.8%
50%	50%	2.7%	-0.3%	-3.7%	-2.6%	2.9%
60%	40%	2.0%	-0.3%	-2.4%	-1.3%	3.0%
70%	30%	1.3%	-0.3%	-1.2%	0.1%	3.1%

Update on Operating Company Financials

In accordance with the City and County of San Francisco’s Police Code Article 16, Section 1095(b) (Taxi Regulations), the Controller has established procedures for the periodic filing of financial information. As in the past, the Controller’s Office uses taxicab operating company financial information to assess the overall fiscal health of taxicab operating companies. We aggregate the numbers to ensure that each operating company’s particular financial information remains confidential.

In August 2005, the Controller with the help of the Taxi Commission requested all 34 taxicab operating companies to submit detailed financial statements of their two most recently completed fiscal years to the Controller. In the past, we found that larger companies updated their reports while smaller companies did not as they were generally not affected by the gate fee cap. However, this year we were able to achieve a 100 percent response rate for financial record submissions from the 30 companies that were required to comply. The remaining four companies were exempt because they just recently went into business.

The Controller's observed that the vast majority of company revenue comes from gate fees with a few exceptions to those companies who still profit by holding pre-Prop K medallions. Advertising and gasoline sales provide other limited revenue. Profitability varies from company to company depending upon ownership (private, public or driver coop) and the ability to control expenses in the areas of insurance and property cost.

Chart F – Operating Company Performance

	Average	2004	2003	2002	2001
# of Operating Medallions	1,176	1,370	1,371	856	1,105
Taxi	1,125	1,298	1,296	831	1,073
Ramp	51	72	75	25	32
Statistics					
Operating Exp as % of Rev	64%	58%	68%	68%	64%
Operating Pretax Margin	21%	22%	19%	25%	20%
Net Profit/(Loss) Margin	21%	22%	18%	23%	20%
Return on Total Assets	34%	39%	33%	34%	31%
Return on PY Equity	68%	99%	60%	55%	57%
Return on Ending Equity	73%	104%	74%	55%	58%
Return on Average Equity	70%	101%	67%	55%	58%
Revenue per permit*	\$ 43,411	\$ 43,769	\$ 39,275	\$ 46,111	\$ 44,489
Operating Expense per Medallion	\$ 27,889	\$ 25,495	\$ 26,603	\$ 31,174	\$ 28,282
Net Income/loss per Medallion	\$ 9,151	\$ 9,636	\$ 7,150	\$ 10,767	\$ 9,052

Source: Based on data provided by taxicab operating companies

IV – POLICY IMPLICATIONS

In reviewing taxi fare rates and gate fee caps, we believe the next adjustment should be made concurrent with some of the major issues facing the industry.

Fare & Gate Fee Changes

BAY AREA TRANSPORTATION COSTS HAVE INCREASED BY 14.3% SINCE JANUARY 1, 2003.

In accordance with the Police Code we have reviewed changes to the Consumer Price Index. Our review indicates that since January 2003 Bay Area transportation costs have increased by 14.3 percent. This compares to a general Bay Area price increase of 6.6 percent over the same period.

Use of the CPI (U) - Private Transportation Component

For this review we used the United States Department of Labor’s All-Urban Consumers population (CPI-U) index for the San Francisco region because it represents the broadest section of consumers. Specifically, we use the CPI (U) – Private Transportation Component, because we believe this component closely represents the taxicab industry’s operating costs. Chart E provides price change data for the San Francisco-Oakland-San Jose metropolitan statistical area as measured by the CPI-U.

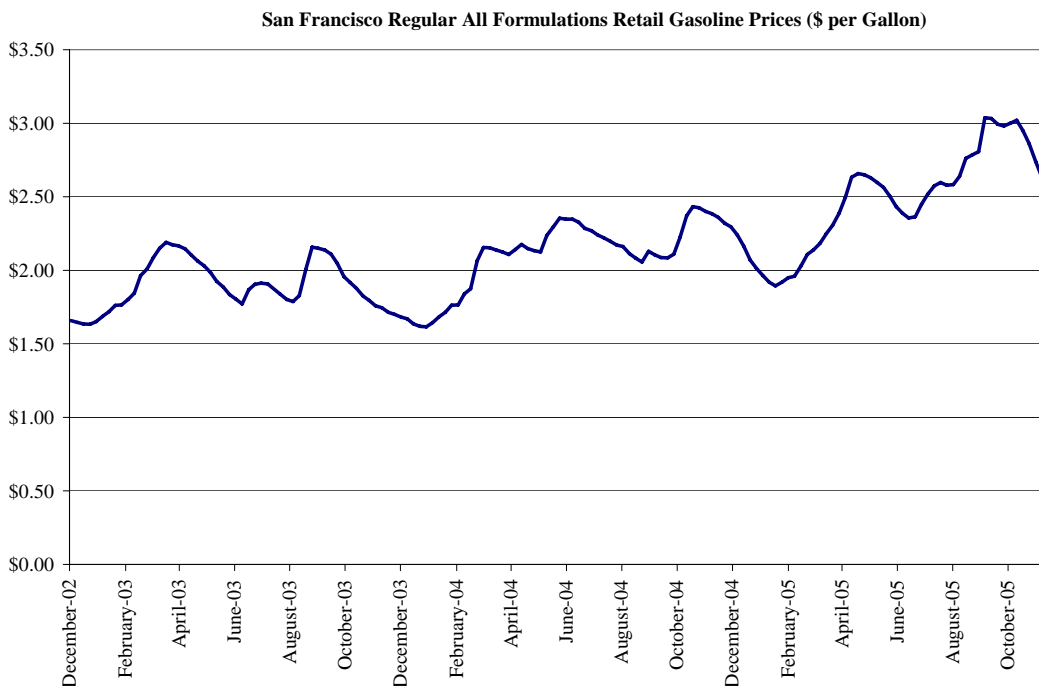
Chart G: Bay Area Cost of Living Increase Since January 2003

Index Component	January 2003	October 2005	% Change from Jan-03
	CPI-U on Last Rate Review	Latest CPI-U Information	
CPI-U: Private Transportation - Bay Area	142.8	163.2	14.3%
CPI-U: All Items - Bay Area	193.2	205.9	6.6%
CPI-U: Regular Unleaded Gas - Bay Area	123.0	221.8	80.3%

Source: Bureau of Labor Statistics

Of special note is the volatility of gasoline prices and how they can skew this measure. For example, gasoline prices increased by 80.3% over the same period, but only 0.3% during calendar year 2003.

Chart H: San Francisco Gasoline Price Trends



*Source: U.S Department of Energy

Fare Adjustment

Drivers in the industry are responsible for purchasing their own gas. As a result, a major concern among drivers is over gasoline prices that have increased by approximately 80.3% since the last fare increase. The Taxi Commission has proposed an **advertised surcharge or a meter increase** to address this issue. Due to the quickly changing nature of gas prices, a surcharge should be considered since it can easily be adjusted or removed with fluctuation in the price of gasoline. However, note that any surcharge should likely be tied to driving distance versus the flag drop or wait time.

Chart I: Driver Income/Expense Comparison

	<u>Beginning</u>	<u>Average of</u>	<u>Change</u>	<u>% Change</u>
	<u>of 2003</u>	<u>2005</u>		
# of Fares per 10-hour Shift	15	15		
Estimated Average Fare*	\$ 15.90	\$ 15.90		
Total Earnings per Shift	\$ 238.50	\$ 238.50		
Total Mileage per Shift*	120.00	120.00		
Fuel Economy (mpg)	15.00	15.00		
Assumed Fuel Use per Shift (gallons)	12.00	12.00		
Average Price of Gasoline**	\$ 1.65	\$ 2.51	\$ 0.86	51.9%
Price of Fuel per 10-hour Shift	\$ 19.81	\$ 30.10	\$ 10.29	51.9%
Gate Fee [^]	\$ 91.50	\$ 91.50	-	0.0%
Total Cost per Shift	\$ 111.31	\$ 121.60	\$ 10.29	9.2%
Gas as % of Estimated Total Cost	17.8%	24.8%		
Average Cost per Fare	\$ 7.42	\$ 8.11	\$ 0.69	9.2%

* Average fare assumed at 5 miles with 5 minutes wait time.

** US Department of Energy Weekly Survey of San Francisco Market.

\$2.55 is the average retail price of gas as of November 14, 2005.

[^] \$1.50 Paratransit add-on sunsets December 31, 2005

As illustrated in the table above, a driver today would pay approximately \$10.29 more per 10-hour shift for gas than he or she did at the time of the last fare increase. Moreover, this translates to about \$0.69 more per fare assuming an average of 15 fares per shift. After factoring in a gas surcharge to mitigate the spike in gas prices as well as an increase to the flag, mileage and wait time rates

for the 6.6 percent inflation since the last adjustment, the resulting average fare would increase from \$15.90 to \$17.73, an average increase of 11.5 percent.⁶

Gate Fee Adjustment

According to Section 1137.5 of the Police Code, any increase in the monthly cost of the Paratransit scrip shall be divided equally among all taxicab permits in operation. Thus, an increase in fares would also result in increased costs for operating companies that under the current legislation are responsible for reimbursing MUNI Paratransit for the cost of the increase in meter rates since December 2002. The projected average fare increase of 11.5 percent equates to an additional gate fee add-on of \$1.50 (from \$1.50 to \$3.00) if the full amount of the cost increase of paratransit is funded from this single source. Subsequently to hold drivers harmless for this increase in the gate fee, an additional \$0.10 would need to be added to the flag drop.

Inflationary increases in gate fees should be considered in tandem with the Department of Public Health's upcoming taxi drive health insurance report, given the stable profit margins and respectable returns on equity among taxicab operating companies. Moreover, some companies may not be fully complying with the gate fee reduction from \$91.50 to \$86.50, so the Taxi Commission should undertake an average gate fee survey and review. If gates fees were to be adjusted by the general inflation rate of 6.6% since January 2003 they would have to increase from the current \$86.50 base level to \$92.21.

Paratransit Funding

MUNI's paratransit program is impacted by changes in taxi fares as increasing fares result in higher program costs. Additionally, current taxi pass-through funding provides about four percent of paratransit program revenues. So any fare, gate or pass-through funding change requires consideration of the resulting impact on the paratransit budget.

Currently Police Code Section 1137.5 requires taxicab-operating companies to pass through funding related to a \$1.50 gate fee add-on to cover increased costs from the most recent previous fare increase. This pass-through funding arrangement is slated to sunset on December 31, 2005. However, Supervisor Alioto-Pier has proposed legislation that would extend the current program for 24 months to December 31, 2007.

The current \$1.50 gate fee add-on used to fund MUNI paratransit is paid by taxi drivers to taxi operating companies who then pass-through funding to MUNI


⁶ Assumes a 5-mile average trip with 5-minute wait time.

paratransit. Related to this gate fee add-on, taxi drivers were afforded an additional \$0.10 increase to their flag drop (from \$2.75 to \$2.85) at the time of the last increase, such that they could recoup the \$1.50 ultimately from paying customers. The assumption was that an average 10-hour shift resulted in 15 fares, so at \$0.10 per flag drop, a taxi driver would be able to be made whole for the \$1.50 add-on at the gate. Ultimately, paying customers pay the cost of providing this pass-through funding.

In practice, the monthly pass-through amount required from each operating company is dependent upon the number of medallions operating under the company for the month. If all 1,381 medallions were in operation and each medallion generated 30 fares per day (two 10-hour shifts at 15 fares per shift), this would result in 41,430 fares generating the additionally \$0.10 flag drop add-on. Taking the 41,430 fares times the additional \$0.10 flag drop add-on and 365 (number of days per year), an estimated \$1.51 million would be total funding generated to support pass-through funding annually for the paratransit program. However, in reality not all 1,381 permits are in operation for two, 10-hour shifts each and every day, and on some shifts the number of fares may be more or less than 15 for a 10-hour shift.

Since inception, the amount of pass-through funding has resulted in nearly a \$0.9 to \$1.0 million in annual funding for paratransit. The budget summary below highlights the key sources and uses for the program. The row indicated with an *arrow* reflects the amounts passed through to MUNI Paratransit since the advent of this mechanism as well as all other sources and uses of program funding.

CHART J: MUNI Paratransit Program Sources and Uses

	FY2001-02 Actual	FY2002-03 Actual	FY2003-04 Actual	FY2004-05 Actual	FY2005-06 Original Budget	% of FY2005-06 Original Budget
SOURCES						
Transit Operating Assistance (Federal) ¹	\$ 3,280,928	\$ 3,510,819	\$ 3,581,036	\$ 3,754,078	\$ 3,828,681	17.9%
SF Transportation Authority	9,661,000	9,661,000	9,670,000	9,670,000	9,670,000	45.3%
BART ADA Funding	1,257,990	1,282,498	1,208,743	1,261,666	1,437,512	6.7%
STA - Paratransit Funding	589,880	708,166	634,031	646,076	663,521	3.1%
MTA Operating Fund Allocation ²	2,621,975	3,056,247	2,745,038	2,938,996	4,047,590	19.0%
Taxi Pass-Through Funding (Gate / Flag Drop) ³		520,830	923,287	887,598	900,000	4.2%
Program Support from Department of Aging	730,833	673,042	672,596	680,329	784,816	3.7%
Total Sources	\$ 18,142,606	\$ 19,412,602	\$ 19,434,731	\$ 19,838,743	\$ 21,332,120	100.0%
USES⁴						
Paratransit Broker Contract	17,888,816	19,102,168	19,126,052	19,518,531	20,973,976	98.3%
Salaries & Fringes of MUNI's Staff ⁵	253,790	310,434	308,679	320,212	358,144	1.7%
Total Uses	\$ 18,142,606	\$ 19,412,602	\$ 19,434,731	\$ 19,838,743	\$ 21,332,120	100.0%

Note 1: Transit Operating Assistance (Federal) are part of the amount for the index code and subobject per the Department.

Note 2: Sources MTA's General Fund Contribution is used to balance Revised Budget and Actuals. Original Budget as adopted in AAO.

Note 3: Operating Company collect \$1.50 from drivers, who are then reimbursed from customers through a \$0.10 surcharge on the flag drop.

Note 4: Expenditures are shown net of van cash box collections.

Note 5: Salaries & Fringes of MUNI's staff are calculated based on the percentage of time employees work on paratransit activities.

On a related note, Ms. Annette Williams, the Paratransit program manager, reports that pass-through funding has been less than previously assumed in part because: 1) the declining number of paratransit users riding taxicabs and (2) paratransit riders making shorter trips. Both factors would help to mitigate program costs and also calculation that operating companies are requested to remit monthly.

V – SUMMARY OF TAXI INDUSTRY REPORTS

Pending Reports

The Department of Public Health (DPH) is currently finalizing a study on how to provide and fund health insurance benefits for drivers. The Controller has provided information to DPH on the fiscal health of the taxi industry (similar to the data included in this report) to assist them in evaluating possible funding alternatives. This report is expected to be completed before the end of 2005.

Previously Issued Reports

Over the past few years, at the request and direction of the Board of Supervisors (see Ordinance #228-02), and with the assistance of the Taxi Commission and the Taxi industry, the Controller completed a number of taxi industry studies. These studies involved:

- Issuance of Medallions Related to Supply & Demand (March 2003) - at the request of Supervisor Ammiano, the Controller developed a policy model in which key economic demands involving the local population and the business and tourist segments can be compared to the supply of taxicabs.
- Health Benefits for San Francisco Taxi Drivers (October 2003) – this study identified and developed health plan alternatives, funding sources and implementation issues necessary to enact a health benefits program for taxi drivers.
- Long Term Lease Report (October 2003) – this report outlined the nature and extent of long term leases impacting the industry. It describes how long term arrangements are used in various company/medallion- holder/driver relationships and how the city could regulate this type of arrangement.
- Taxi Driver Survey (April 2004) – this survey of all drivers was conducted by the Taxi Commission with the assistance of the


Controller. With this information the City has been able to quantify issues including driver need for health insurance and the frequency and type of long-term leases.

VI – NEXT STEPS

Consideration of Supervisor Alioto-Pier's proposed legislative extension to the paratransit funding should be considered before the end of 2005 to ensure continued paratransit funding as assumed in the budget. Absent this, a shortfall of program funding could occur if paratransit demand increases. Additionally, the Board of Supervisors and the Taxi Commission can consider the policy implications related to the inflationary and gas surcharge increases noted herein.

The Controller's next Taxi Industry Report is scheduled for August 1st, 2006 and then the Controller will issue reports subsequently every two years in each even-numbered year per the current code requirements.

APPENDIX A – Taxi Commission Presentation Summary




KEY INDUSTRY FINDINGS

- **Paratransit Sunset**, December 31, 2005.
- **Gate Cap Sunset**, per Resolution 173-04, sunset on September 1, 2004, mean gate fee cap from \$91.50 to \$86.50.
- **Inflationary Increases**
 - Bay Area general inflation up **6.6 %** from January 2003 to October 2005
 - Transportation-related inflation up **14.3%**, and
 - Average gas prices in San Francisco up **51.9%**.
- **Limited Market Recovery**
- **Operating Company Financials**
 - 21% average after-tax net profit margin over last four years.
 - 70% average return on equity over last four four years.

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RECOMMENDATIONS

- **FUEL SURCHARGE** – Consider Mileage Add-On
 - Gas costs represent 18-25% of taxi driver operating costs.
 - Estimated \$0.03 mileage rate add-on related to fuel costs could mitigate driver cost increases on average.
- **PARATRANSIT FUNDING** – Consider Resulting Gate & Flag Drop Impact
 - Assuming above average paratransit fare costs would increase an estimated 11.5%.
 - An additional \$1.50 gate fee add-on and \$0.10 flag drop add-on could mitigate paratransit cost increases.
 - Reconsider paratransit cost allocation to be based on actual gate add-on collections.
- **GATE FEE CAP ENFORCEMENT** – Consider more frequent Gate Fee surveys, audits and enforcement strategies.

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RECOMMENDATIONS

- If all proposed changes are adopted.

	Current	Potential Changes			Total
		CPI Inflation	Gas Surcharge	Paratransit Impact, Additional	
Gate Cap	\$ 86.50	\$ 5.71	\$ -	\$ 1.50	\$ 93.71
Fares					
Flag Drop	\$ 2.85	\$ 0.19	\$ -	\$ 0.10	\$ 3.14
Mileage	\$ 0.45	\$ 0.03	\$ 0.03	\$ -	\$ 0.51
Wait Time	\$ 0.45	\$ 0.03	\$ -	\$ -	\$ 0.48

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NEXT STEPS

- Board consideration of Supervisor Alioto-Pier's proposed legislative extension to **paratransit funding**.
- Board consideration of **taxi gate and fare inflation adjustments** as well as **gas surcharge** idea, along with resulting **impact on paratransit** program.
- Taxi Commission should consider altering the **paratransit pass-through funding mechanism** to be based on actual collections by Operating Companies.
- Taxi Commission should **survey and review of gate fee schedules** for potential over collection.
- Controller's next Taxi Industry Report is scheduled for August 1st, 2006.

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ADDENDUM TO TAXICAB INDUSTRY REPORT ISSUED DECEMBER 2005

**RATES OF FARE
&
GATE FEES**

City and County of San Francisco

Office of the Controller

March 2006

The following information should be read with the **Background** section of the *Controller's Taxicab Industry Report* of December 2005.

A-1 Summary Financial Statistics for Taxicab Operating Companies

The taxi industry is seeing improvement in revenues and profitability overall; however, this improvement is unevenly distributed across industry operating companies with some companies being profitable and others continuing to be unprofitable. Average gross income per medallion (including all sources of revenues, at operating companies that reported financials to the Controller's Office), has improved from 2003 to 2004 (going from \$44,009 to \$45,324 per medallion per year), but is still relatively flat when comparing the average results of 2004 to 2001. On a cautionary note, because of the uneven distribution of profitability in the industry, it will be difficult, at best, to make overall financial capacity assumptions concerning the ability for operating companies to contribute to taxi driver health insurance costs.

Of the 29 operating companies that reported financial data for 2004, 19 (66 percent) companies were profitable, and 10 (34 percent) companies were unprofitable. This compared to 62 percent being profitable in 2003, 63 percent in 2002, and 61 percent in 2001 for all companies reporting financial information. Average net income / loss per medallion was \$9,639 in 2004 compared to \$7,153 in 2003, \$11,253 in 2002 and \$8,578 in 2001 for companies reporting financial information (as reported and not otherwise adjusted for ownership structure differences). Resulting net profit / loss margins were on average 21 percent in 2004 compared to 16 percent in 2003, 21 percent in 2002 and 19 percent in 2001. After adjusting for ownership structure differences (explained further below), the overall industry profitability still shows improvement, albeit at lower levels of profitability. Summary operating company financial results are provided in the table below both 'as reported' and 'adjusted' for ownership structure differences. The financial results summarized below are weighted averages of all companies in the industry that reported financial data to the Controller's Office. Larger companies (typically those with more medallions) have a greater impact on the calculated averages than do smaller companies.

CHART F – Operating Company Performance

Summary of Taxicab Operating Company Financials for 2001-2004 as reported and Adjusted for Ownership Structure Differences

	Average 2001-2004 Total - All	2004 Total - All	2003 Total - All	2002 Total - All	2001 Total - All
# of Operating Medallions	1,381	1,381	1,381	1,381	1,381
# of Operating Medallions - Reporting*	1,182	1,370	1,371	819	1,166
Statistics - As Reported by Operating Companies					
Net Profit/(Loss) Margin (using Gross Income)	19%	21%	16%	21%	19%
Return on Average Equity (Net Inc./Avg.Equity)	70%	101%	67%	55%	58%
Gross Income per Medallion	\$47,188	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/loss per Medallion	\$9,156	\$9,639	\$7,153	\$11,253	\$8,578
# of Profitable Companies Reporting	13	19	18	5	11
# of Unprofitable Companies Reporting	8	10	11	3	7
Total # of Companies Reporting	21	29	29	8	18
No. of Medallions in Profitable Companies	850	1003	1003	631	764
No. of Medallions in Unprofitable Companies	331	367	368	188	402
Statistics - Adjusted for Ownership Structure Difference					
Net Profit/(Loss) Margin (using Gross Income)	3%	6%	1%	3%	1%
Return on Average Equity (Net Inc./Avg.Equity)	12%	30%	4%	8%	4%
Gross Income per Medallion	\$47,188	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/loss per permit	\$1,407	\$2,891	\$409	\$1,680	\$649
# of Profitable Companies Reporting	13	19	18	5	11
# of Unprofitable Companies Reporting	8	10	11	3	7
Total # of Companies Reporting	21	29	29	8	18
No. of Medallions in Profitable Companies	850	1003	1003	631	764
No. of Medallions in Unprofitable Companies	331	367	368	188	402

* Permit Statistics for 2003 & 2004 are based on permit info provided by the Police Taxi Detail.
Statistics for 2001 & 2002 are based on permit info provided by operating companies.

The summary data contains financial information both ‘as reported’ as well as ‘adjusted’ for ownership structure differences. This is helpful because taxi operating companies in San Francisco conduct business under various ownership structures, including cooperatives, corporations and sole proprietorships. Adjustments related to operating companies organized as cooperatives is particularly helpful because their members (dividend-eligible, medallion holders) are effectively stockholders or partners in the company and receive residual company profits in the form of dividends in lieu of receiving monthly medallion fee income. After adjusting for cooperative ownership structure differences, the overall profitability of the industry is lower than the data directly reported by operating companies, though industry operating improvement continues to be present. On an adjusted basis, the average net income / profit per medallion was \$2,891 for 2004, \$409 for 2003, \$1,680 for 2002 and \$649 for 2001 reflecting average net income / profit margins of 6 percent, 1 percent, 3 percent and 1 percent, respectively for years 2004, 2003, 2002 and 2001.