
M E M O R A N D U M

DATE: April 15, 2005
TO: City Council Members
FROM: Russell Weeks
RE: Proposed Amendment to Increase Maximum Rates Taxi Drivers May Charge Riders
CC: Rocky Fluhart, Cindy Gust-Jenson, Sam Guevara, Tim Campbell, Louis Zunguze, Alison McFarlane, Orion Goff, Edna Drake, Larry Bowers, Laurie Donnell, Larry Spendlove, Melanie Reif

This memorandum pertains to proposed amendments to *Salt Lake City Code* Section 5.72.455 titled *Maximum Rates*. The amendments would increase maximum rates taxicab drivers may charge customers. The City Council is scheduled to receive a briefing on the proposed amendments at its April 19 meeting. The Council also is scheduled to consider setting a May 3 date for a public hearing on the proposed amendments. It should be noted that the City Council also is scheduled to hear a report and recommendations from Ray Mundy, Ph.D., on amending *City Code* ground transportation ordinances, including taxicab regulations at the Council's April 19 meeting. At this point the only item scheduled for formal City Council consideration is whether to set a May 3 date for a public hearing on proposed amendments to Section 5.72.455.

Options

- Set date for public hearing.
- Move to next item on meeting agenda.

Current ordinances do not require the City Council to hold a public hearing on this issue. However, the City Council in the past has held public hearings on rate increases of all types and because taxicab companies operate under certificates of public convenience and necessity.

Potential Motions

I move that the City Council set a date of May 3, 2005, for a public hearing on proposed amendments to *City Code* Section 5.72.455 which regulates the maximum rates taxicab drivers may charge customers.

I move that the City Council consider the next item on the agenda.

SALT LAKE CITY CORPORATION

A. LOUIS ZUNGUZE
PLANNING DIRECTOR

BRENT B. WILDE
DEPUTY PLANNING DIRECTOR

DOUGLAS L. WHEELWRIGHT, AICP
DEPUTY PLANNING DIRECTOR

COMMUNITY DEVELOPMENT
PLANNING AND ZONING DIVISION

ROSS C. ANDERSON
MAYOR

COUNCIL TRANSMITTAL

TO: Rocky Fluhart, Management Services Director **DATE:** March 4, 2005
FROM: Louis Zunguze, Community Development Director
RE: This is a request to amend Section 5.72.455 Maximum Rates

STAFF CONTACT: Edna Drake, Business License Administrator
Phone: 535-6473

DOCUMENT TYPE: Ordinance

BUDGET IMPACT: None

Per Section 5.72.457 a public hearing was held on January 20, 2005 before Michael W. Crippen, Hearing Officer, pertaining to the petition filed by Yellow Cab Drivers Association, Inc. (Yellow Cab), Ute Cab Company (Ute Cab), and City Cab Company (City Cab) to increase the maximum taxicab rates. Attached is a copy of the Findings of Fact, Conclusions and Recommendation signed by the hearing officer Michael W. Crippen, is attached.

The recommendation states:

1. The maximum taxicab rates should be increase as follows:

Flag drop:	From \$1.60 to \$1.75
Per mile rate:	From \$1.60 to \$1.80
Waiting time:	From \$21.00 to \$22.00
Minimum fare from Airport:	From \$10.00 to \$12.00.

The City's Business Licensing Office recommends approval of the recommended taxi cab rate structure as outlined above, based on the findings outlined in Hearing Officer Crippen's "Findings of Fact, Conclusions and Recommendations", and specifically since the last hearing to increase the maximum taxi cab rates was in 1997 and, as indicated in paragraph No. 7 of the Findings, in comparison with cities in the same region, Salt Lake City's taxicab rates are generally low, at least with regard to drop charge and per-mile charge.

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Attorneys for Yellow Cab Drivers
Association, Inc., City Cab Company
and Ute Cab Company

BEFORE THE DESIGNEE OF THE MAYOR OF SALT LAKE CITY, UTAH

<p>IN RE: MATTER OF 2005 TAXICAB RATE INCREASES</p>	<p>FINDINGS OF FACT, CONCLUSIONS AND RECOMMENDATION</p> <p>Hearing Officer: Michael W. Crippen</p>
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Pursuant to Section 5.72.457 of the Salt Lake City Code, a public hearing was held on January 20, 2005, before Michael W. Crippen, Hearing Officer, pertaining to the petition filed by Yellow Cab Drivers Association, Inc. ("Yellow Cab"), Ute Cab Company ("Ute Cab"), and City Cab Company ("City Cab") (referred to herein collectively as the "Cab Companies") for increases in the maximum taxicab rates under Section 5.72.457(A) of the Salt Lake City Code. Representatives of the Cab Companies were present at the hearing, testimony was introduced, exhibits ("Ex.") were received, and arguments made to the Hearing Officer in support of the petition for rate increases. Donald J. Winder, Attorney at Law, appeared on behalf of the Cab Companies. Melanie A. Reif, Assistant City Attorney, Edna Drake, Business Licensing

Supervisor, and Teena Hartmann, Business Licensing Officer appeared on behalf of the City. The Hearing Officer, having considered the evidence and arguments, being fully advised in the premises and for good cause appearing, hereby issues the following Findings of Fact, Conclusions and Recommendation.

FINDINGS OF FACT

1. The Cab Companies filed a petition on December 22, 2004 and an amended petition on January 10, 2005 asking the minimum taxicab rates be increased as follows:

Flag drop:	From \$1.60 to \$1.75 (\$.15 increase)
Per mile rate:	From \$1.60 to \$1.80 (\$.20 increase)
Waiting time:	From \$21.00 to \$22.00 (\$1.00 increase)
Minimum fare from airport:	From \$10.00 to \$12.00 (\$2.00 increase)

(See Exs. 3 and 4). In their amended petition, the Cab Companies abandoned their request for additional future rate increases set forth in the original petition. (See Ex. 4).

2. Notice of Hearing was mailed to numerous parties on January 6, 2005 (Ex. 1) and published in the Salt Lake Tribune and the Deseret Morning News on January 10, 2005. (Ex. 2).

3. A hearing to increase the maximum taxicab rates last occurred in 1997.

4. Among sixty-one cities in the western U.S., Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Washington, and Wyoming, the average drop charge is approximately \$2.30 and the median drop charge is \$2.00. Thus, Salt Lake City has the fourth lowest drop charge; that is, fifty-seven of the sixty-one cities have a

higher drop charge than Salt Lake City. Raising the drop charge to \$1.75 will still leave Salt Lake City's drop charge as the eleventh lowest of the sixty-one cities. (Ex. 5).

5. The average per mile rate is \$1.93 and the median per mile rate is \$1.80.

Raising the rate from \$1.60 to \$1.80 in Salt Lake City will leave Salt Lake City in the middle of the distribution relative to other western U.S. cities. (*Id.*).

6. The average waiting time charge in the western U.S. cities is approximately \$23.61 and the median is \$21.00. Raising the rate by \$1.00 from \$21.00 to \$22.00 will leave Salt Lake City in the middle of the distribution for waiting time charges. (*Id.*).

7. Thus, based on comparisons with cities in the same region, Salt Lake City's taxicab rates are generally low, at least with regard to drop charge and the per-mile charge.

8. The Consumer Price Index (CPI) for all items and all urban consumers in the western U.S. has risen 19.5% since 1997. Gasoline, however, has experienced even a greater price increase. The CPI for gasoline in the western U.S. has increased 62.6% over the past seven years. The CPI for the Denver area have also increased over the past seven years, by an average of nearly 33% for gasoline, 21% for food, and 25% for shelter. (*Id.*).

9. Gasoline prices in Utah increased 25% from November 1, 2003 to October, 2004. (Ex. 7). The price of regular, unleaded gasoline in Salt Lake rose from \$1.489 per gallon in June of 2003 to \$2.00 per gallon in May of 2004. (Ex. 9). In 1998, the gasoline price for regular, unleaded was slightly over \$1.10 per gallon. (*Id.*).

10. The Wasatch Front Cost of Living Index for all items rose 19 points from 1997 through May, 2004. (Ex. 9).

11. These factors indicate the real take-home pay of taxicab drivers has decreased over the past seven years. That is, based on the CPI for the western U.S., in real dollar terms, if a taxicab driver earned \$20,000 per year in 1997, those dollars would only be worth approximately \$16,100 in 2004. Thus, the taxicab drivers have suffered nearly a 20% drop in their take-home pay because of inflationary trends. (Ex. 5).

12. The Hearing Officer takes judicial notice of the testimony given by taxicab drivers at a recently conducted hearing in the matter of Eagle Limo & Cab, LLC and Additional Applications, which testimony established the reduced income being received by cab drivers due to inflation and the increased costs of operating a taxicab.

13. Insurance premiums paid by Yellow Cab have increased over 72% over the previous seven years. (*Id.*).

14. Based on these inflationary trends, the rate increases requested by the Cab Companies are justified and appropriate.

15. A significant number of cab drivers take passengers to or from the Salt Lake International Airport (“the Airport”). Since 1997, the Airport has repeatedly raised the fees it charges for transporting passengers at the Airport.

16. The \$.15 requested increase in the maximum flag drop rate constitutes a 9% increase in the current rate and is less than the 19.5% CPI increase in the western U.S. from 1997 to 2004. A \$.15 increase in the maximum flag drop rate is reasonable, based upon the facts and evidence presented to the Hearing Officer.

17. The \$.20 requested increase in the maximum per-mile rate constitutes a 13% increase from the current rate and is less than the 19.5% CPI increase in the western U.S. from 1997 to 2004. A \$.20 increase in the maximum per-mile rate is reasonable, based upon the facts and evidence, especially noting the increases in gasoline prices and insurance premiums.

18. A \$1.00 requested increase in the maximum waiting time rate constitutes a modest 5% increase, which is significantly lower than the CPI increase in the western U.S. from 1997 to 2004. A \$1.00 increase in the maximum waiting time rate is reasonable, based upon the facts and evidence presented to the Hearing Officer.

19. The \$2.00 requested increase in the minimum fare from the Airport constitutes a 20% increase in the current rate and roughly equals the 19.5% CPI increase in the western U.S. from 1997 to 2004. The \$2.00 requested increase in the minimum fare from the Airport is reasonable, based upon the facts and evidence presented, noting the repeated increases in Airport fees and the significant number of taxicabs at the Airport. These increases are especially appropriate and reasonable, given the erosion in take-home pay experienced by the cab drivers. Cab drivers are significantly undercompensated.

20. It is fair and reasonable for the increased rates set forth hereinabove to be made effective upon approval by the City Council.

CONCLUSIONS

1. The Cab Companies' petition was timely filed in this matter.
2. The January 20, 2005 public hearing concerning the Cab Companies' petition was timely and properly noticed by Salt Lake City.

3. The maximum taxicab rates should be increased as follows:

Flag drop:	From \$1.60 to \$1.75
Per mile rate:	From \$1.60 to \$1.80
Waiting time:	From \$21.00 to \$22.00
Minimum fare from airport:	From \$10.00 to \$12.00

4. The rate increases set forth herein should become effective upon approval by the City Council.

RECOMMENDATION

Based upon the foregoing Findings of Fact and Conclusions, this Hearing Officer does hereby **RECOMMEND** the following:

1. The maximum taxicab rates should be increased as follows:

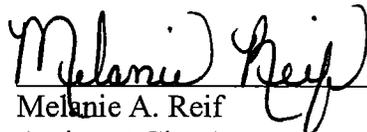
Flag drop:	From \$1.60 to \$1.75
Per mile rate:	From \$1.60 to \$1.80
Waiting time:	From \$21.00 to \$22.00
Minimum fare from airport:	From \$10.00 to \$12.00

2. Pursuant to 5.72.457(D) of the Salt Lake City Code, this recommendation is subject to the acceptance, modification, or rejection by the City Council.

Entered this 16 day of February, 2005.


MICHAEL W. CRIPPEN
Hearing Officer

APPROVED AS TO FORM:


Melanie A. Reif
Assistant City Attorney
Salt Lake City Corporation

CERTIFICATE OF HAND-DELIVERY

I hereby certify that I caused a true and correct copy of the foregoing proposed FINDINGS OF FACT, CONCLUSIONS AND ORDER, to be hand-delivered on the 15th day of February, 2005, to the following:

Melanie A. Reif
Assistant City Attorney
Salt Lake City Corporation
451 South State Street, #505A
Salt Lake City, Utah 84111

Edna Drake
Business License Supervisor
Business & Licensing Division
Salt Lake City Corporation
451 South State Street, Rm 225
Salt Lake City, UT 84111

Sam Guevara
Mayor's Chief of Staff
Salt Lake City Corporation
451 South State Street, #306
Salt Lake City, Utah 84111

Donald J. Wenden

SALT LAKE CITY ORDINANCE
No. _____ of 2005
(Amending Maximum Taxicab Rates)

AN ORDINANCE AMENDING SECTION 5.72.455, *SALT LAKE CITY CODE*,
PERTAINING TO MAXIMUM TAXICAB RATES.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. That Section 5.72.455, *Salt Lake City Code*, pertaining to maximum taxicab rates be, and the same hereby is, amended to read as follows:

5.72.455 Maximum Rates:

A. Except as otherwise provided herein, an owner or driver of a taxicab may establish and charge mileage rates lower than, but shall not establish and charge any mileage rate for the use of a taxicab greater than, one dollar seventy-five cents (\$1.75) for flag drop and ten cents (\$0.10) for each one-eighteenth (1/18) mile or fraction thereof. An owner or driver of a taxicab may establish and charge a rate for waiting time lower than, but shall not establish any rate for waiting time greater than twenty two dollars (\$22.00) per hour.

B. The foregoing notwithstanding, an owner or driver of a taxicab who is charged a fee by the City to deliver a passenger or to pick up a passenger at the Salt Lake City International Airport may, in addition to the rates allowed by subsection A of this Section, or its successor, charge an additional sum in the exact amount of such fee to be used to pay such fee. Further, an owner or driver of a taxicab may charge a minimum airport rate of twelve dollars (\$12.00) for service from the Salt Lake City International Airport.

SECTION 2. This ordinance shall take effect immediately upon the date of its publication.

Clear

Passed by the City Council of Salt Lake City, Utah this _____ day of _____,
2005.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

Transmitted to Mayor on _____.

Mayor's Action: _____ Approved. _____ Vetoed.

MAYOR

CHIEF DEPUTY CITY RECORDER

APPROVED AS TO FORM
Salt Lake City Attorney's Office
Date Feb. 23, 2005
By *Melanie Keif*

(SEAL)

Bill No. _____ of 2005.
Published: _____.

SALT LAKE CITY ORDINANCE
No. _____ of 2005
(Amending Maximum Taxicab Rates)

AN ORDINANCE AMENDING SECTION 5.72.455, *SALT LAKE CITY CODE*,
PERTAINING TO MAXIMUM TAXICAB RATES.

Be it ordained by the City Council of Salt Lake City, Utah:

SECTION 1. That Section 5.72.455, *Salt Lake City Code*, pertaining to maximum taxicab rates be, and the same hereby is, amended to read as follows:

5.72.455 Maximum Rates:

A. Except as otherwise provided herein, an owner or driver of a taxicab may establish and charge mileage rates lower than, but shall not establish and charge any mileage rate for the use of a taxicab greater than, one dollar ~~sixty~~sixtyseven-~~five~~five cents (\$1.~~60~~75) for flag drop and ten cents (\$0.10) for each one-~~sixteen~~sixteen~~eighteenth~~eighteenth (1/~~16~~18) mile or fraction thereof. An owner or driver of a taxicab may establish and charge a rate for waiting time lower than, but shall not establish any rate for waiting time greater than ~~twenty one~~twenty dollars (\$~~21~~20.00) per hour.

B. The foregoing notwithstanding, an owner or driver of a taxicab who is charged a fee by the City to deliver a passenger or to pick up a passenger at the Salt Lake City International Airport may, in addition to the rates allowed by subsection A of this Section, or its successor, charge an additional sum in the exact amount of such fee to be used to pay such fee. Further, an owner or driver of a taxicab may charge a minimum airport rate of ~~ten~~ten dollars (\$~~10~~10.00) for service from the Salt Lake City International Airport.

SECTION 2. This ordinance shall take effect immediately upon the date of its first publication.

Legislative

Passed by the City Council of Salt Lake City, Utah this _____ day of _____,
2005.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

Transmitted to Mayor on _____.

Mayor's Action: _____ Approved. _____ Vetoed.

MAYOR

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2005.

Published: _____.

Key Points

- The proposed increases to taxicab maximum rates are the first since 1997.
- The proposed increases would:
 1. Raise flag-drop rates (for entering a cab) by 15 cents from \$1.60 to \$1.75 – a 9 percent increase
 2. Raise per-mile rates by 20 cents from \$1.60 to \$1.80 – a 12.5 percent increase.
 3. Raise waiting-time rates by \$1 from \$21 to \$22 – a roughly 5 percent increase. (The current ordinance defines “waiting time” as “the time when a taxicab is not in motion, from the time of acceptance of a passenger or passengers to the time of discharge.”)
 4. Raise minimum fare airport rates by \$2 from \$10 to \$12 – a 20 percent increase.
- Reasons for the proposed increases were presented at a January 20 public hearing before Hearing Officer Michael W. Crippen. After the hearing, Mr. Crippen recommended that the proposed increases be enacted.
- According to the Administration transmittal, two reasons for Mr. Crippen’s recommendation are the Consumer Price Index “for all items and all urban consumers in the western U.S. has risen 19.5 percent since 1997,” and “the Wasatch Front Cost of Living Index for all items rose 19 percent from 1997 through May 2004.”
- Mr. Crippen also found that increasing the flag-drop rates, mileage rate and waiting time charges would leave those rates near or below median rates among 61 cities in the Intermountain West and Pacific Coast states. It should be noted that Mr. Crippen’s findings of fact do not appear to address median rates for airport minimum fares.

Matters at Issue/Questions for Consideration

- At the City Council meeting March 8, Dr. Ray Mundy who is studying the city’s ground transportation industry for the Council said in response to a question from a City Council Member that he had looked at Mr. Crippen’s recommendations to raise maximum rates. He said that although he had not done a detailed study, the proposed rates “looked very reasonable” and later in his response said he thought the existing rates needed to be increased.
- However, Dr. Mundy questioned the validity of the current and proposed airport minimum fee. He said the minimum fee appeared to require consumers to pay for addressing the problem of taxicab drivers waiting for long times at the main airport only to receive a “three-dollar or four-dollar trip.”

- In an April 12 telephone conversation Dr. Mundy said that “short-term” raising the maximum rates taxicab drivers may charge customers probably is reasonable. However, he noted that his recommendations – based on his meetings with the City Council and the City Council Taxi Subcommittee – may change the structure of the taxicab industry and at least some of the rates.
- Dr. Mundy also repeated his skepticism of the minimum airport rate. He said increasing the rate may give further advantage to pre-arranged shuttles in the long-term.
- Given Dr. Mundy’s comments, one question the City Council may wish to consider is whether the Council should adopt the proposed rates but include a provision that the rates would be subject to change if the City Council adopts the recommendations Dr. Mundy will make on April 19.
- Another issue potentially worth consideration is: How would the proposed increases be apportioned? It should be noted that Mr. Crippen’s findings of fact indicated that “taxicab drivers have suffered nearing a 20 percent drop in their take-home pay because of inflationary trends.” However, the findings also said, “Insurance premiums paid by Yellow Cab have increased 72 percent over the previous seven years.” Given that, is there a way to determine how much of the proposed increases will go to taxicab drivers and how much to taxicab companies?
- If some proposed increases fall below median prices for 61 cities in the Intermountain West and Pacific Coast states, should they be increased to the median prices?
- It should be noted that *City Code* Section 5.72.430 says that if the City Council adjusts maximum rates, “the taximeter shall be adjusted to the new rates, and the taximeter of every taxicab in which a meter has been installed shall be immediately inspected, tested and sealed by the department or the license office. A fee of five dollars (\$5.00) will be charged by the department or the license office for each meter reprogrammed and sealed.”

Discussion/Background

Again, the only formal action the City Council will consider pertaining to this issue on April 19 is whether to set a date for a May 3 public hearing on the proposed amendments to City Code Section 5.72.455 which regulates maximum rates taxicab drivers may charge customers. The City Council will hear a briefing on this issue during the April 19 work session. The Council also will hear a presentation by Dr. Ray Mundy on future potential revisions to existing ordinances that regulate ground transportation. That presentation will be based on direction given to Dr. Mundy by the City Council and the City Council’s Taxicab Subcommittee.

The taxicab industry filed a petition on December 22, 2004, under *City Code* Section 5.72.445 titled *Maximum Rates*. The industry submitted a revised petition on January 10, 2005. Hearing Officer Michael W. Crippen then received written and oral reasons in support of the rate increase at an administrative hearing on January 20, 2005.

Paragraph D of Section 5.72.445 says: “The decision of the hearing officer, following the conclusion of said hearing, shall act as a recommendation to the City Council. In the event said decision recommends an increase in taxicab rates, the City business license supervisor shall, as soon as practicable, present to the City Council the recommendation of the hearing officer for the Council's consideration. The City Council may accept, modify, or reject the hearing officer's recommendations.”

It should be noted that amendments to Section 5.72.445 were part of an overall package of amendments the Administration proposed in 2004. The City Council adopted amendments to the section in December and January. The amendments permitted the taxicab industry to petition for increases to maximum rates once a year but struck language that required the industry to file a petition by March 1 of each year.

Major discussion points have been outlined in previous sections of this memorandum. However, perhaps three more points might be raised:

- Consumer Price Index information Mr. Crippen used in reaching his conclusions did not include the most recent surge in gasoline prices.
- Dr. Mundy, at the City Council's meeting March 7, estimated that many taxicab drivers on average earn about \$5 per hour in a 12-hour to 14-hour work day after paying the cost of leases to taxicab companies and paying for gasoline.
- The City Council also may wish to consider whether changes to the existing maximum rates taxicab drivers may charge customers should be part of an overall package of City ordinance changes that include recommendations that Dr. Mundy may make on April 19 or whether the proposed changes should be implemented in the short-term but carry a sunset provision if the City Council adopts a different approach to regulating the taxicab industry.