
MEMORANDUM

DATE: August 8, 2008
TO: City Council Members
FROM: Russell Weeks
RE: Request to Amend City Code Section 5.72.455 Regulating Taxi Fare Rates
CC: Cindy Gust-Jenson, David Everitt, Lyn Creswell, Frank Gray, Ed Rutan, Mary De La Mare Schaefer, Bob Farrington, Orion Goff, Brent Kovac, Laura Kirwan, Jennifer Bruno

POTENTIAL MOTIONS:

1. **["I move that the Council"]** Adopt an ordinance amending section 5.72.455 of the Salt Lake City Code, pertaining to maximum taxicab rates.

-OR-

2. **["I move that the Council"]** Not adopt an ordinance amending section 5.72.455 of the Salt Lake City Code, pertaining to maximum taxicab rates.
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This memorandum pertains to a proposed ordinance that would increase the maximum rate taxicab operators may charge customers from \$2 per mile to \$2.20 cents per mile. The City Council is scheduled to hear a briefing from the Administration at the Council's August 12 meeting. The City Council also is scheduled to set a date of August 19 for a public hearing on the proposed ordinance when it adopts the August 12 consent agenda.

The proposed ordinance stems from recommendations made June 25 by Salt Lake City Hearing Officer Michael W. Crippen after an administrative hearing May 29. The City scheduled the hearing at the request of the three taxicab companies that operate in Salt Lake City. The taxicab companies are authorized to operate in Salt Lake City under certificates of public convenience and necessity. Under City Code Section 5.72.457 certificate holders are to petition the Administration each year as to the adequacy of taxi rates in Salt Lake City.

The last time the City Council adopted an ordinance raising maximum taxi rates was July 17, 2007, when the Council adopted an ordinance raising the per-mile rate from \$1.80 per mile to \$2 per mile.

OPTIONS

After the August 19 public hearing the City Council appears to have the following options:

- Adopt the proposed ordinance amending Section 5.72.455, Salt Lake City Code, pertaining to maximum taxicab rates.
- Do not adopt the proposed ordinance.
- Close the public hearing but defer action on the proposed ordinance.
- Adopt the proposed ordinance with amendments the City Council might decide to make.

MOTIONS

It should be noted that potential motions may change after the City Council briefing on August 12.

PERTAINING TO THE PUBLIC HEARING

- I move that the City Council close the public hearing.
- I move that the City Council continue the public hearing (Council Members may select a date).

PERTAINING TO THE ISSUE

- I move that the City Council adopt the proposed ordinance amending Section 5.72.455, Salt Lake City Code, pertaining to maximum taxicab rates.
- I move that the City Council move to the next item on the agenda.
- I move that the City Council defer action on this item until the taxicab companies provide the City Council with the following information: (Council Members may list any information they may want to review).
- I move that the City Council adopt the proposed ordinance amending Section 5.72.455, Salt Lake City Code, pertaining to maximum taxicab rates with the following amendments: (Council Members may amend the proposed ordinance as they determine necessary).

KEY POINTS

- The Administration recommends that the City Council approve the increased taxicab “per mile” rate from 10 cents for each one-twentieth of a mile (\$2 per mile) to 20 cents for each one-eleventh of a mile (\$2.20 per mile).
- If the City Council adopts the proposed ordinance, it will be the fourth rate increase for taxicab companies since 2005. If the City Council approves the cab companies’ most recent request for a rate increase, mileage rates approved by the City will have risen by 37.5 percent since 2005. (\$1.60 per mile in 2005; \$2.20 per mile in 2008). In addition, the flag-drop rate will have risen by 40.6 percent -- \$1.60 to \$2.25; the waiting-time rate will have increased by 4.7 percent -- \$21 to \$22; and the airport minimum charge will have increase by 20 percent -- \$10 to \$12. The latter rates would remain the same under the proposed ordinance.

- If one looks at the attached list of USA taxi rates from 2006, the proposed increase would place Salt Lake City taxicab fares – including rates for flag drop and mileage – roughly in the middle of the cities surveyed for that year.

DISCUSSION/BACKGROUND

According to the hearing officer's determination, as of May 29, 2008, the price for a gallon of regular gasoline in the Salt Lake City-Ogden metropolitan area was \$3.83 – a 61-cent, 19 percent increase from the previous May. The price per gallon for mid-level and premium-grade gasoline was \$4.04 and \$4.22 respectively on the same date.

According to GasBuddy.com, the average price for a gallon of gasoline in Salt Lake City on July 29, 2008, was about \$4.15 per gallon, a 22-cent increase from the \$3.83 per gallon cost at the time of the public hearing. However, the average price per gasoline was about 10-cents per gallon lower and trending downward.

If one looks at the attached chart, the cost of gasoline has trended upward in a series of peaks and troughs since 2005, and the cost per gallon in Utah has roughly paralleled the increase.

A brief Internet check by City Council staff of information on taxicab rates showed a variety of increases in fares from cities ranging in size from Duluth, Minnesota, to Philadelphia, to Las Vegas. Philadelphia added a 50-cent gasoline surcharge to its \$1.80 per mile rate effective June 2. Las Vegas appeared to have added a 45-cent per mile charge to its 2006 rate of \$2 per mile. The increase included a 20-cent per mile permanent increase plus a \$25-cent per mile temporary gasoline surcharge. Indianapolis, Indiana, increased its per-mileage rate from \$2 per mile to \$3.25 per mile. Bloomington, Minnesota, increased its per-mile rate from \$1.80 per mile to \$2.40, and Duluth increased its per-mileage rate from \$2 per mile to \$2.50.

In addition, Salt Lake City has increased its mileage reimbursement for employee-owned vehicles driven for City business to 58.5 cents per mile from 48.5 cents per mile in 2007 – a roughly 20 percent increase. As the attached schedule indicates, the Utah Transit Authority has added a fuel surcharge to many of its base fares. The surcharges range from 15 cents for daily senior citizen and Medicare recipient bus fares payments to \$15 for premium express and FrontRunner monthly passes. UTA also has announced its intent to raise fares October 1, citing the cost of diesel fuel as the main reason.

SALT LAKE CITY CORPORATION

FRANK B. GRAY
DIRECTOR


DEPARTMENT OF COMMUNITY & ECONOMIC DEVELOPMENT
OFFICE OF THE DIRECTOR

RALPH BECKER
MAYOR

MARY DELAMARE-SCHAEFER
DEPUTY DIRECTOR

ROBERT FARRINGTON, JR.
DEPUTY DIRECTOR

CITY COUNCIL TRANSMITTAL



David Everitt, Chief of Staff

Date Received: 7-3-08

Date Sent to City Council: 7/9/08

TO: Salt Lake City Council
Jill Remington-Love, Chair

DATE: July 1, 2008

FROM: Frank Gray, Community & Economic Development Director

RE: Request to amend Salt Lake City Code Section 5.72.455: *Maximum Rates*

STAFF CONTACTS: Orion Goff, Building Services Director, at orion.goff@slcgov.com or 535-6681
Brent Kovac, Ground Transportation Administrator, at brent.kovac@slcgov.com or 535-6693
Laura Kirwan, Senior City Attorney, at laura.kirwan@slcgov.com or 535-7685

RECOMMENDATION: That the City Council hold a briefing and schedule a Public Hearing pertaining to Taxi Meter Rates

DOCUMENT TYPE: Ordinance

BUDGET IMPACT: None

DISCUSSION:

Issue Origin: Donald J. Winder of Winder & Haslam PC, on behalf of the Yellow Cab Drivers Association, Ute Cab Company, and City Cab Company, requested a hearing for a permanent increase in the "per mile" rate for taxicabs to allow adjustments in line with present high and increasing gas prices.

Analysis: Per Section 5.72.457 of the Salt Lake City Code, a Public Hearing was held on May 29, 2008, before Michael Crippen, Hearing Officer, pertaining to the petition filed by Yellow Cab Drivers Association, Inc. for a permanent increase in the "per mile" rate. Attached is a copy of the "Findings of

Fact, Conclusions, and Recommendation” signed by the hearing officer, Michael Crippen (see Attachment B).

The Hearing Officer recommends:

1. The current “per mile” rate of ten cents (\$0.10) for each one-twentieth (1/20) mile or fraction thereof should be increased to twenty cents (\$0.20) for each one-eleventh (1/11) mile or fraction thereof.
2. One hundred percent (100%) of the increase in the “per mile” rate should go to the taxicab drivers and none of it should go to the Cab Companies unless a regularly passed-on fee such as an insurance fee increase occurs or in the event of other unforeseen large expenditures.

Recommendation: The Administration recommends that the City Council approve the increased taxicab “per mile” rate based on the findings outlined in Hearing Officer Crippen’s “Findings of Fact, Conclusions, and Recommendation” (see Attachment B).

PUBLIC PROCESS:

Pursuant to Section 5.72.457(D) of the Salt Lake City Code, the recommendations of the Hearing Officer are subject to acceptance, modification, or rejection by the City Council following a Public Hearing.

RELEVANT ORDINANCES:

Salt Lake City Code Salt Lake City Code Section 5.72.455: *Maximum Rates*

Attachment A:
Proposed Ordinance

SALT LAKE CITY ORDINANCE
No. _____ of 2008
(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, two dollars twenty five cents (\$2.25) for flag drop and ten cents (\$0.20) for each one-eleventh (1/11) 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. With respect to the flag drop rate identified herein, the city council may elect to reevaluate that amount on its own initiative before December 31, 2007. If followed, this reevaluation process shall be separate from and not require that a separate petition be filed and fee paid by any certificate holder under section 5.72.457 of this chapter, and in no way shall this process obligate the city council to amend the flag drop rate unless it otherwise chooses to do so.

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 first publication.

Passed by the City Council of Salt Lake City, Utah this _____ day of _____, 2008.

CHAIRPERSON

ATTEST:

CHIEF DEPUTY CITY RECORDER

Transmitted to Mayor on _____.

Mayor's Action: _____ Approved. _____ Vetoed.

MAYOR

CHIEF DEPUTY CITY RECORDER

(SEAL)

Bill No. _____ of 2008.
Published: _____.

HB_ATTYY-#4581-v1-amending_5_72_455_taxi_rate_increase

APPROVED AS TO FORM
Salt Lake City Attorney's Office

Date 08/25/08

By [Signature]

Attachment B:
Hearing Officer's Findings of Fact

Donald J. Winder (#3519)
John W. Holt (#5720)
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P.O. Box 2668
Salt Lake City, Utah 84110-2668
Telephone: (801) 322-2222
Facsimile: (801) 322-2282

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

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

IN RE: MATTER OF
TAXICAB MAXIMUM RATE
INCREASE

**FINDINGS OF FACT,
CONCLUSIONS OF LAW
AND RECOMMENDATION**

Hearing Officer: Michael W. Crippen

Pursuant to Sections 5.72.457 and 5.72.455A of the Salt Lake City Code, a public hearing was held on May 29, 2008, before Michael W. Crippen, Hearing Officer, to determine whether the April 30, 2008 Petition for Taxicab Maximum Rate Increase 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 a \$.20 increase in the per mile rate should be forwarded as a recommendation to the City Council. Representatives of the Cab Companies were

present at the hearing, testimony was introduced, exhibits ("Ex.") were offered and received, and arguments were made to the Hearing Officer in support of the petition. Donald J. Winder, Winder & Counsel, appeared on behalf of the Cab Companies. Laura Kirwan, Senior City Attorney, Brent M. Kovac, Ground Transportation Administrator, and Duane Sutherland, Ground Transportation Police Investigator, appeared on behalf of Salt Lake City.

Yuriy Arutyunyan, a Yellow Cab driver, testified he drives a 2004 Ford Freestar van. He drives about 200 miles per day and averages 20 miles per gallon using medium grade gasoline. His deadheading, *i.e.*, driving without a passenger, is typically 60% of his mileage per day. He averages \$150 a month for repairs and maintenance. In January 2008, he purchased this 2004 Ford Freestar for \$9,000, which was \$5,500 more expensive than when he purchased his prior cab in 2004, a 1999 Crown Victoria.

Santos Baca, a Yellow Cab driver, testified he drives a 1999 Sedan. He drives about 210 miles per day and averages 15 miles per gallon using premium grade gasoline. His deadheading is also typically 60% of his mileage per day. He averages \$226 a month for repairs and maintenance. His maintenance expenses average \$226 a month, an increase of 70% in the last twelve months due to increases in oil and other prices.

Ken Olsen, manager of Ute Cab, testified that downtown hotel bell and door men require drivers to tip at least \$5.00 in exchange for a fare. Mr. Olsen also testified concerning the increased costs of obtaining newer vehicles. The costs of a 2004 Crown Victoria was approximately \$5,000. Now Ute Cab has to purchase 2005 Crown Victorias

in Chicago for approximately \$7,000, excluding freight charges. According to Mr. Olsen, the cost of purchasing a 2005 van is between \$8,000 and \$9,000. For the first time in eight years, Ute Cab raised lease rates in December 2007 for owner operators from \$225 to \$262 a week and for lease drivers from \$360 to \$420 a week.

Bruce Jackson of City Cab testified gypsy cab operators take the best trips from cab drivers, such as airport runs, charging \$25-\$30 per trip from downtown, while a cab makes the same trip for approximately \$17, and that cab drivers cannot make as much money during short trips, such as trips to the grocery store. He also testified City Cab has not recently raised its lease rates.

Mark Hatch, President and member of the Board of Directors of Yellow Cab and a CPA who performs accounting and tax services for many taxicab drivers, testified that he reviewed records for 20 to 25 cab drivers and determined that over the past four years, the average cost of purchasing a new vehicle has doubled, from an average of \$3,000-\$4,000 to an average of \$6,000-\$7,000, due to the City's desire to have vehicles that are not older than 5 years operated as taxicabs. He also testified Yellow Cab has had to raise lease rates from \$214 to \$222 per week, because of increased personnel costs, the need for new radios, increased airport commercial charges (from \$.77 - \$.85 a trip) and other increased costs.

The Hearing Officer took judicial notice that the U.S. government (I.R.S.) per mile rate is \$.51 and that based upon that figure, the cost to operate for a taxicab driver who drives 200 miles per day for six days a week for 50 weeks a year is \$30,600. This is

similar to the tax records of Santos Baca, a Yellow Cab driver, showing total expenses of \$32,145.00. Mark Hatch testified Mr. Santos' return is representative of taxicab drivers, leaving net profit (taxable income) in the range of \$16,000 to \$17,000 per year.

Ted Tatos, an economist who has testified on behalf of the Cab Companies in prior proceedings, testified it was unprecedented to see 21 straight days of gasoline price increases and that at least eleven states and Washington D.C. had reached \$4.00 per gallon prices. He testified the per barrel oil cost had reached \$135 and the increases in gasoline prices are not proportional to the oil futures prices, *i.e.*, gas prices have not caught up to the price of oil futures. Therefore, gasoline prices will continue to increase in the immediate future.

Brent Kovac, Ground Transportation Administrator for Salt Lake City Corporation, testified as to the reliability of the AAA's Daily Fuel Gauge Reports. The Report for June 9, 2008, of which the Hearing Officer took judicial notice, was \$3.92 per gallon for regular grade, \$4.13 for mid-level and \$4.31 for premium for the Salt Lake City-Ogden Metro area.

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 of Law and Recommendation:

FINDINGS OF FACT

1. The Cab Companies filed a Petition for Taxicab Maximum Rate Increase dated April 30, 2008. The Petition sought an increase in the maximum taxicab per mile rate from \$2.00 to \$2.20. Ex. 1.

2. A Notice of Hearing, set for May 29, 2008 at 9:00 a.m. in connection with the Cab Companies' Petition, was mailed to the Cab Companies and duly published. Ex.

2.

3. At the hearing, the Hearing Officer took judicial notice of the 2005 Findings of Fact, Conclusions and Recommendation ("2005 FFCR") and that no taxicab rate increases had occurred from 1997 to 2005. Ex. 4 at ¶ 3.

4. At the hearing, the Hearing Officer took judicial notice the 2005 rate increases were based on average cost of living increases reflected in the Consumer Price Index (CPI) of 19.5% since 1997, which meant taxicab drivers had suffered nearly a 20% drop in their take-home pay. *See id.* at ¶¶ 8 & 11.

5. At the hearing, the Hearing Officer took judicial notice of the 2006 Findings of Fact, Conclusions and Recommendation ("2006 FFCR"), which increased the flag drop rate based solely upon an increase in gasoline prices, which peaked at \$2.90 per gallon for regular in the fall of 2005, but was \$2.00 per gallon for regular at the time of the hearing. Ex. 5.

6. The Hearing Officer also took judicial notice of the 2007 Findings of Fact, Conclusions and Recommendations ("2007 FFCR"), increasing the per mile rate from \$1.80 to \$2.00.

7. The Hearing Officer took judicial notice that the 2007 FFCR was based only upon an increase in gasoline prices, not an increase in the CPI. On May 29, 2007, the Salt Lake City-Ogden price for regular unleaded was \$3.21 per gallon, for mid-level was \$3.40 and the price was \$3.54 per gallon for premium unleaded. *Id.* at ¶ 11. The average driver driving a Ford Crown Victoria gets 15 miles per gallon, which for 200 miles driven daily, equals 13.33 gallons of gasoline. If gas prices are \$2.00 per gallon (the cost of regular unleaded at the time of the 2006 hearing), multiplied by 13.33 gallons for 200 miles driven, gasoline costs per day are \$26.67. If gas prices are \$3.22 per gallon (the cost of regular unleaded on May 29, 2007), it costs \$42.92 to drive the same 200 miles. The price difference is \$16.25 per day. *Id.* at ¶ 6.

8. As of May 29, 2008, the per gallon price for regular gasoline for the Salt Lake City-Ogden area was \$3.83, which is \$.61 more per gallon than 1 year ago (a 19% increase). As of May 29, 2008, the price per gallon for mid-level and premium grade gasoline was \$4.04 and \$4.22 respectively. Ex. 7.

9. Various newspaper articles, verified by Mr. Tatos, provide that gasoline prices continue to rise consistently on a daily basis and that \$4.00 per gallon gasoline is a foregone conclusion. Ex. 8.

10. Newer vehicles being purchased by taxicab drivers are doubling in price.

Ex. 9. Monthly average costs of repairs and maintenance were also submitted and are substantial. *Id.*

11. Based upon the Consumer Price Index For All Urban Consumers/West-Size Class B/C (All Items), which the Hearing Officer finds to be reliable, there has been an 11.88% increase from January 2005 (the time of the 2005 rate increase hearing) to April 2008. Ex. 10. As testified to by Ted Tatos, if gasoline is omitted, there has been an 8.5% increase in the CPI over that period. *Id.*

12. Using the formula approved in the 2007 FFCR and found applicable for this hearing, the average cab driver gets 15 miles per gallon. Evidence established the average miles driven daily is 200, which uses 13.333 gallons of gasoline. With an increase in gasoline prices of \$.61 (the cost of regular at \$3.83 at the time of this hearing less the cost of regular at \$3.22 at the time of the 2007 hearing), there is a daily increase in gasoline expenses of \$8.13 ($13.333 \times \0.61). If regular unleaded gasoline increases to \$4.00 a gallon, the daily increase in gas expenses would be \$10.41 ($200 \text{ miles} / 15 \text{ miles a gallon} \times \0.781). Using the formula adopted in the 2005 FFCR and found applicable for this hearing, an increase in the CPI results in a corresponding decrease in driver take-home pay. Accordingly, taxicab drivers have suffered an 8.5% drop in their take-home pay since the 2005 hearing because of the increase in CPI, excluding the cost of gasoline. Thus, because of inflationary trends, every \$100.00 earned in 2008, would be worth \$8.50 less than in 2005. In addition to increases in gasoline prices and the CPI, the cost of

purchasing newer taxicabs as recommended by Professor Mundy and as required in revised Salt Lake City Ordinances has doubled. An increase of \$.20 per mile from a base of \$2.00 per mile rate is a 20% increase. However, if a \$.20 per mile increase is granted, considering an average driver drives only 100 miles (50% of the time) with passengers, the increase in daily fares received by a cab driver would only be \$20.00 (100 miles x \$.20).

12. A \$.20 per mile increase is reasonable to cover the increases in gasoline expense and in other cost of living expenses. This is especially true in light of how little cab drivers earn. Ex. 9.

CONCLUSIONS OF LAW

1. The Cab Companies' Petition for Taxicab Maximum Rate Increase was appropriately and timely filed.

2. The May 29, 2008, public hearing concerning the Cab Companies' petition was timely and properly noticed by Salt Lake City.

3. The per-mile rate, which is currently \$2.00, should be increased to \$2.20 to compensate taxicab drivers for the recent increases in gasoline prices, as well as other cost of living increases, that have occurred since 2005, enabling them to earn a more reasonable "wage".


4. The foregoing increase should become effective upon approval by the City Council.

RECOMMENDATION

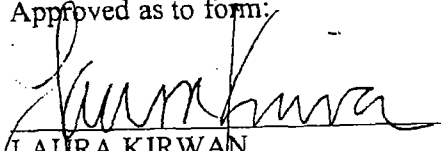
Based upon the foregoing Findings of Fact and Conclusions of Law, this Hearing Officer does hereby RECOMMEND the following:

1. The current per-mile rate of \$2.00 should be increased by \$.20 to \$2.20.
2. The City Council should consider raising the maximum per mile rate by \$.50 to allow for future increases in the cost of living for cab drivers. Under Salt Lake City Ordinance 5.72.455, the rates are maximum rates and "an owner or driver of a taxicab may establish and charge mileage rates lower than" those set. This would provide flexibility if, for example, gasoline prices kept increasing to \$5.00 per gallon. Evidence adduced at the hearing demonstrated there is sufficient competition in the marketplace to keep prices in line with economic conditions.
3. Alternatively, The City Council should consider adopting a flexible formula for setting maximum taxicab rates in order to respond to fluctuations in gasoline prices without the necessity of convening formal hearings.
4. Pursuant to Section 5.72.457D of the Salt Lake City Code, this Recommendation is subject to the acceptance, modification, or rejection by the City Council.

ENTERED this 25th day of June 2008.


MICHAEL W. CRIPPEN
Hearing Officer

Approved as to form:

A handwritten signature in black ink, appearing to read "Laura Kirwan", written over a horizontal line.

LAURA KIRWAN
Senior City Attorney
Salt Lake City Corporation

CERTIFICATE OF DELIVERY

I hereby certify that I caused a true and correct copy of the foregoing proposed FINDINGS OF FACT, CONCLUSIONS OF LAW AND ORDER, to be sent via Electronic Mail, on this 25th day of June 2008, to the following:

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