



# **TAXICAB INDUSTRY REPORT**

**AN UPDATE ON RATES OF FARE,  
GATE FEES AND THE INDUSTRY**

**City and County of San Francisco**

**Office of the Controller**

**August 4, 2006**

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## I - EXECUTIVE SUMMARY

In even-numbered years, the Police Code authorizes the Controller to make adjustments to Taxi Gate Cap and Fare charges. This report summarizes our calculations for policymaker and stakeholder consideration as well as our key findings from our most recent review of the industry. Absent subsequent Board action, the Controller's inflation-adjusted charges will automatically become effective on November 1, 2006. Key deadlines and recommendations are summarized below.

### Key Deadlines

- Police Code Section 1137 outlines the process for reviewing Gate Cap and Fare charges during even-numbered years, including a mechanism for automatic increases based on the Controller's determination. The key deadlines are described in the Code as follows:
  - Not later than **August 1st** of each even-numbered year, the Controller shall transmit to the Board of Supervisors a determination as to increases or decreases in the rates of fare for taxicabs and an increase or decrease in the cap on gate fees based upon changes in the Consumer Price Index since the prior determination. The Controller's determination as to increases or decreases in the rates of fare for taxicabs and an increase or decrease in the cap on gate fees shall be based upon changes in the Consumer Price Index since January 1, 2003 as well as industry financial information. The review should also include calculations to provide for Paratransit funding.
  - The Controller's determination as to increases or decreases in the rates of fare for taxicabs and an increase or decrease in the cap on gate fees shall take effect on **November 1**, and shall remain in effect through **October 31** of the next even-numbered year, unless the following events occur:
    - By **September 1** the Board of Supervisors by resolution determines that the Board, or a committee thereof, should hold a hearing on the Controller's determination;
    - By **October 1** a hearing is held in accordance with the aforementioned resolution; and
    - By **October 31** the Board adopts a resolution disapproving or modifying the Controller's determination.<sup>1</sup>
    - If all three events occur, the Controller's determination shall not go into effect on November 1.

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<sup>1</sup> The Code further states that any resolution modifying the Controller's determination shall be based upon changes in the Consumer Price Index, costs recently incurred and expected to be incurred by drivers and color scheme permit holders, projected income of drivers and projected revenues of color scheme permit holders, and local economic conditions.

## Controller's Recommendations

### **GATE CAP & FARE INCREASES, Automatic Inflationary Increases – November 1 Rates**

- Based on inflationary increases since January 2003, Gate Cap and Fare charges can increase 8.23 percent, effective November 1, 2006, as outlined below pursuant to the Controller's determination authorized under Police Code Section 1137.

**Table A: Automatic Inflationary Increases on Gate Cap & Fare Charges**

		Current	Inflation Adjusted	Automatic CPI Change	
				\$	%
<b>Gate Cap</b>		\$85.00	<b>\$92.00</b>	\$7.00	8.23%
<b>Fares</b>	Flag Drop	\$2.75	<b>\$2.98</b>	\$0.23	8.23%
	Mileage *	\$0.45	<b>\$0.49</b>	\$0.04	8.23%
	Wait Time **	\$0.45	<b>\$0.49</b>	\$0.04	8.23%
* Rate is per 1/5 <sup>th</sup> of a mile.					
** Rate is per minute.					

### **GATE CAP & FARE INCREASES, Inflation Adjustments Impact on Paratransit**

- The inflationary increases noted above will result in increased costs to the Paratransit program of 8.23 percent, assuming that taxi ridership remains at current levels. To financially hold harmless the Paratransit Program, policymakers could authorize an add-on to the rates noted above of \$1.20 to the Gate Cap and \$0.08 to the Flag Drop.

**Table B: Proposed Paratransit Add-on Fees**

		Current	Automatic CPI-Impacted Changes			
			Inflation Adjustment	Total Before New Paratransit	Impact from Extending Paratransit Fee	Total with New Paratransit
<b>Gate Cap</b>		\$85.00	\$7.00	<b>\$92.00</b>	\$1.20	<b>\$93.20</b>
<b>Fares</b>	Flag Drop	\$2.75	\$0.23	<b>\$2.98</b>	\$0.08	<b>\$3.06</b>
	Mileage*	\$0.45	\$0.04	<b>\$0.49</b>	\$-	<b>\$0.49</b>
	Wait Time**	\$0.45	\$0.04	<b>\$0.49</b>	\$-	<b>\$0.49</b>
* Rate is per 1/5 <sup>th</sup> of a mile.						
** Rate is per minute.						

- If Paratransit provisions are subsequently re-authorized, the Taxi Commission along with the Municipal Transportation Agency should consider at least annually reviewing the method by which taxicab operating companies provide pass-through funding to the Paratransit Program to ensure increased costs are adequately and equitably covered. Other pass-through alternatives could be considered, such as consideration of a monthly advance with an annual return that ties the pass-through remittances to the average percentage of total gate and monthly medallion lease revenues collected. For example, if rates noted in this report go into effect, \$1.20 of the total \$93.20, or 1.3 percent of gate fees would be related to Paratransit on average. Therefore, it would seem reasonable that 1.3 percent of actual gate and monthly medallion lease revenues should be credited to the Paratransit Program by taxi operating companies. Using this method, pass-through funding would be tied to actual collections regardless of changes in Paratransit ridership. This would help ensure fairness, guarding against windfalls or under recoveries.

## FUEL SURCHARGE

- Over and above the general inflationary increase noted for fares previously, an additional fare increase related to fuel (i.e. a fuel surcharge) should be considered. Since January 2003, gasoline costs have increased by 97.24 percent – going from \$1.65 to \$3.20 per gallon. Gasoline costs are predominantly paid by taxi drivers and represent 17.8 percent to 31.1 percent of daily operating costs. A surcharge could be structured as a fixed amount per flag drop or driving distance. However, we would opt for a surcharge on driving distance given its direct relationship to fuel usage. Breakeven surcharge amounts are provided for two alternatives below – each affording drivers an approximate increase commensurate with increased fuel costs.<sup>2</sup>

**Table C: Potential Fuel Surcharge Amounts**

		Surcharge Amount Needed to Recover Increased Gas Costs
<b>Fares</b>	Flag Drop OR Mileage*	\$1.24
		\$0.05

\* Rate is per 1/5<sup>th</sup> of a mile.

<sup>2</sup> On a related note, on February 24, 2006, Supervisor Ma introduced legislation to add a \$1.00 fuel surcharge to the listed \$2.85 flag drop rate (file no. 060077). This surcharge was proposed to expire on November 1, 2008 if not renewed. The legislation has yet to be heard in committee and be forwarded to the Board of Supervisors for a vote. With a flag drop, riders on short trips subsidize riders on long trips, therefore we recommend charging by mileage.

## **GATE CAP and FLAG DROP ENFORCEMENT**

- Based on our sample of average Gate Cap and Fare charges, operating companies and drivers appear to be over charging as they have not rolled back rates to reflect the sunset of the Gate Cap to \$85.00 on September 1, 2004 and the Flag Drop to \$2.75 on July 1, 2006.
- We recommend increased enforcement by the Taxi Commission to ensure that operating companies are appropriately charging Gate Cap fees and that drivers are appropriately charging Flag Drop charges. Unless otherwise enacted by the Board and until the automatic inflationary increases go into effect on November 1, 2006, the Gate Cap should be enforced at \$85.00 and the Flag Drop at \$2.75. Driving and wait time charges remain unchanged.

## **MEDALLIONS IN CIRCULATION - SUPPLY**

- At this time, we do not estimate any necessity to increase the number of medallions in circulation overall.

## **Other Findings**

- **Limited Market Recovery.** The economy continues to gradually improve and is positively impacting the taxicab industry, albeit a slower pace than many would like. Overall economic performance of the taxicab industry is improving, trending back upward but not yet at levels of activity observed during the last economic peak of 2000. San Francisco's population and employment have grown slowly over the past couple of years, contributing little toward the taxicab industry's recovery. Additionally while a rebound in tourism has helped, a limited rebound in business travel and an increase in BART ridership to the Airport have constrained taxi demand growth.
- **Operating Company Financial Results.** Industry profitability continues to improve for operating companies. The five-year, annual average net profit margin after taxes (as reported) is 20 percent, while the corresponding average return on equity is 77 percent. After adjusting for ownership structure, the averages are 3 percent and 14 percent, respectively. Larger companies are performing better than smaller companies financially. All five of the companies that reported losses in 2005 were smaller companies. Large companies that reported showed improved revenue and profitability year-over-year, for the most recent annual review.
- **Health Benefits.** In light of recent legislation to increase health benefits to San Franciscans, policymakers could consider further increases above those calculated for inflation as a potential way to fund health benefits for taxi drivers. Funding for health benefits could come from taxi customers, drivers, medallion holders and to some degree operating companies. However, absent further increases in the Gate Cap or other cost savings, many of the operating companies appear to have limited ability to contribute to driver health benefit costs. Our October 2003 Report and the

2006 Public Health and SF Health Plan's Report outline rate add-ons necessary for varying levels of health benefits coverage.

- **Medallion Monthly Lease Fees.** Based on our recent survey of monthly lease fees paid by operating companies to medallion holders, medallion holders typically receive (i.e. privately benefit) \$1,800 and \$2,000 per month – or on average \$1,900 per month.

## II - INTRODUCTION

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

- The automatic increases based on the Consumer Price Index (CPI) that will go into effect on November 1, 2006, unless the Board takes subsequent actions.
- The sunset of funding for Paratransit support on June 30, 2006.
- The sunset of the higher Gate Cap on September 1, 2004, along with the continued over-charging by operating companies.
- The sunset of the higher Flag Drop on July 1, 2006, along with the potential continued over-charging by drivers.
- The additional burden placed particularly on drivers due to sharp increases in gasoline prices.
- The 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 594,000 unlinked MUNI passenger daily trips and a weekday count of 40,000<sup>3</sup> 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, taxis, and maintenance services to taxicabs, and
- (5) The City and County of San Francisco, which under state law provides regulatory oversight of the industry.

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<sup>3</sup> Sources: MTA FY2006-07 Annual Report and the 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 increased operating costs.

**Table D: Recent Taxicab Rate History**

Effective	Flag	Mileage	Waiting Time	Avg. Fare*	% Change
July 2006	\$2.75 first 1/5mile	\$0.45 per 1/5mile	\$0.45 per minute	\$15.80	-0.6%
January 2006	\$2.85 first 1/5mile	\$0.45 per 1/5mile	\$0.45 per minute	\$15.90	0.0%
January 2003	\$2.85 first 1/5mile	\$0.45 per 1/5mile	\$0.45 per minute	\$15.90	12.8%
June 2000	\$2.50 first 1/5mile	\$0.40 per 1/5mile	\$0.40 per minute	\$14.10	20.0%
January 1999	\$2.50 first 1/6mile	\$0.30 per 1/6mile	\$0.40 per minute	\$11.75	12.4%
June 1991	\$1.70 first 1/6mile	\$0.30 per 1/6mile	\$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 sampled the rates of other regulated jurisdictions and found that San Francisco rates are among the highest of those sampled, but among the lowest of neighboring Bay Area cities.

**Table E: Taxicab Rates – Survey of Selected Major Cities**

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	\$12.72
Houston	\$2.50 / first 2/11 mile	\$1.87	\$0.33	\$13.18
New York	\$2.50 / no distance	\$2.00	\$0.20	\$13.50
Los Angeles	\$2.20 / first 1/11 mile	\$2.20	\$0.40	\$15.00
Oakland	\$2.00 / no distance	\$2.40	\$0.40	\$16.00
San Jose	\$2.50 / first 1/10 mile	\$2.50	\$0.42	\$16.83
Comparison:				
<b>Sample Average</b>	<b>\$2.33</b>	<b>\$2.13</b>	<b>\$0.35</b>	<b>\$14.54</b>
<b>San Francisco (current)</b>	<b>\$2.75 / first 1/5 mile</b>	<b>\$2.25</b>	<b>\$0.45</b>	<b>\$15.80</b>
SF Higher / (Lower), \$	\$0.43	\$0.12	\$0.10	\$1.26
SF Higher / (Lower) - %	18.3%	5.7%	29.6%	8.7%

\* Many jurisdictions have surcharges such as night rates, airport fares, additional passengers, temporary fuel surcharges, flat fares to specific destinations, peak fares, senior discounts, etc. not included in comparisons.

\*\* Assumes a 5 mile trip with a 5 wait time.

## **Gate Cap Rates**

Beginning in 1998, the City put a cap of \$83.50 on 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.

In December 2002, the cap was raised to \$91.50 (i.e. \$90.00 base plus \$1.50 add-on for Paratransit funding) providing that a taxicab operating company met the Police Code 1095(b) reporting requirements. A number of legislative extensions occurred subsequently and are summarized in the table below by effective date.

**Table F: History of Gate Cap Rates**

Start Date	End Date	Gate Cap Base	Gate Cap General Add-On	Gate Cap Paratransit Funding Add-On	Total Gate	Enacting Legislation & Impact
1-Jul-06		\$ 85.00			\$ 85.00	Sunset of Paratransit provisions
1-Jan-06	30-Jun-06	\$ 85.00			\$ 85.00	Ordinance #118-06, 6-month extension to paratransit
2-Sep-04	31-Dec-05	\$ 85.00			\$ 85.00	Sunset of Gate Cap to \$85.00
2-Mar-04	1-Sep-04	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Resolution #173-04, 5-month extension of gate cap
2-Nov-03	1-Mar-04	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Ordinance #256-03, 4-month extension of gate cap
2-Aug-03	1-Nov-03	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Ordinance #204-03, 3-month extension of gate cap
4-Jan-03	1-Aug-03	\$ 83.50	\$ 6.50	\$ 1.50	\$ 91.50	Ordinance #228-02
18-Jan-99	3-Jan-03	\$ 83.50			\$ 83.50	Ordinance #362-98

A provision was included in the Police Code, which allowed for the sunset of the higher mean gate 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. Given that no ordinances were enacted to create a health insurance program for drivers and that no further extensions have been legislated, the higher gate cap expired and reverted to \$85.00 (the original \$83.50 gate plus \$1.50 Paratransit add-on) on September 1, 2004.

Based on our recent review of gate fees, it appears that operating companies continue to charge gates over the \$85.00 cap. Increased enforcement and oversight by the Taxi Commission appears warranted.

## **Updated Taxi Supply & Demand Information**

Taxi service demand continued to show steady but small increases in 2005. However, overall demand still falls short of the previous peak level attained in 2000. All major sectors that make up the demand for taxi services still show negative or only slight growth in levels. We therefore do not believe it is necessary for policy makers to consider increasing the number of medallions in circulation at this time.

**Table G: Taxi Industry Demand and Supply Growth Over 5 years**

Market Supply & Demand	Compound Average Annual Growth Since		2000	2005	2004	2003	2002	2001	2000
	2000	Cumulative Growth Since 2000							
<b>Taxi Medallions Issued - Supply Measures, Annual</b>									
Total Medallions	0.0%	0.0%	1,381	1,381	1,381	1,381	1,381	1,381	1,381
Sedan Medallions	0.0%	0.0%	1,306	1,306	1,306	1,306	1,306	1,306	1,306
Ramp Medallions	0.0%	0.0%	75	75	75	75	75	75	75
<b>Resident Component - Demand Measures, Annual</b>									
Population (Residential 1000s)	0.5%	2.6%	795	793	791	789	784	775	775
MUNI Passenger Trips (1000s)	-0.8%	-4.1%	216,920	217,049	216,947	234,303	236,205	226,182	226,182
Paratransit Taxi Trips (1000s)	5.9%	33.2%	703	747	833	808	670	528	528
<b>Business &amp; Tourism Component - Demand Measures, Annual</b>									
Employment (All Jobs in SF 1000s)	-3.2%	-14.9%	509	503	513	535	573	598	598
SFIA Enplaned Passengers (1000s)	-4.1%	-19.0%	16,338	15,396	14,615	15,546	19,319	20,159	20,159
Occupied Hotel Room Nights* (1000s)	1.2%	6.3%	6,961	6,383	5,904	5,574	5,543	6,549	6,549

Sources: US Bureau of Labor Statistics; PKF Consulting; SF Municipal Transportation Authority; S.F Airport Commission, CA Employment Development Department.

As outlined in Table G, we find that tourism continues to show a modest rebound but that jobs and daily transportation needs have yet to show significant growth. Paratransit taxi trips sponsored by MUNI, which in the early 2000's exhibited substantial residential demand growth, and then experienced rapid decline in FY 2004-2005, appears to still be declining. As important as this is from a policy perspective, the number of Paratransit taxi trips is very small in comparison to the magnitude of the other sectors that demand taxi services.

Another demand factor that continues to increasingly impact taxi ridership adversely is BART service to and from the San Francisco International Airport. The average BART fare from Downtown to the Airport is between \$5.00 and \$5.15.

**Table H: BART Ridership to the Airport**

SFO Station	Total Annual # of Passengers	Average Weekday		
		Exits per Day	Passenger Count per Day	% Change
2003	2,447,280	3,399	6,798	
2004	2,220,480	3,084	6,168	-9.27%
2005	2,523,600	3,505	7,010	13.65%
2006*	2,716,560	3,773	7,546	7.65%

\*Estimated, based on 5 months of actual data annualized.  
Source: BART Annual Report, 2006.

Based on different scenarios that approximate the demand for taxicabs between residents and outsiders (business and tourist fares), we estimate an increase of 1.8 percent to 4.9 percent in 2005 from 2004 levels. This is evidence of a continued recovery. As encouraging as this development is for the industry, it still appears that overall demand has yet to recover to its prior peak levels from 2000. The next table shows that demand estimates may only have rebounded if the majority of fares, in riders and in revenues, are City residents. It is likely that more customers are non-residents, or tourists, however, so we continue to estimate that no increase in medallions is warranted at this time.

**Table I: Estimated Change in Demand for Taxi Service**

Estimated Change in Demand for Taxi Service		2005	2004	2003	2002	2001	2000
<b>Resident</b>	<b>Business &amp; Tourism</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>% of Total</b>	<b>% of Total</b>	<b>Year-to-Year Change</b>					
<b>30%</b>	<b>70%</b>	<b>4.9%</b>	<b>4.1%</b>	-0.4%	-6.1%	-5.2%	<b>2.7%</b>
<b>40%</b>	<b>60%</b>	<b>4.1%</b>	<b>3.4%</b>	-0.4%	-4.9%	-3.9%	<b>2.8%</b>
<b>50%</b>	<b>50%</b>	<b>3.4%</b>	<b>2.7%</b>	-0.3%	-3.7%	-2.6%	<b>2.9%</b>
<b>60%</b>	<b>40%</b>	<b>2.6%</b>	<b>2.0%</b>	-0.3%	-2.4%	-1.3%	<b>3.0%</b>
<b>70%</b>	<b>30%</b>	<b>1.8%</b>	<b>1.3%</b>	-0.3%	-1.2%	<b>0.1%</b>	<b>3.1%</b>
<b>Cumulative Change From 2000 Base Year</b>							
<b>30%</b>	<b>70%</b>	-3.3%	-7.8%	-11.4%	-11.1%	-5.2%	
<b>40%</b>	<b>60%</b>	-2.0%	-5.9%	-9.0%	-8.6%	-3.9%	
<b>50%</b>	<b>50%</b>	-0.7%	-4.0%	-6.5%	-6.2%	-2.6%	
<b>60%</b>	<b>40%</b>	<b>0.5%</b>	-2.1%	-4.0%	-3.7%	-1.3%	
<b>70%</b>	<b>30%</b>	<b>1.7%</b>	-0.1%	-1.4%	-1.1%	<b>0.1%</b>	

## **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. The results of our analysis are summarized in Table J on page 13.

In June of 2006, the Controller, with the assistance of the Taxi Commission, requested all 34 taxicab operating companies to submit detailed financial statements of their most recently completed fiscal year to the Controller. This year 16 of 34 companies provided financial information, with 15 of the 16 companies timely complying, at least in part, by the July 21<sup>st</sup> deadline.

As in the past, the vast majority of company revenues come from gate-related fees. Advertising and gasoline sales provide other limited revenue. Profitability varies from company to company depending upon ownership structure (private, public or driver cooperatives) and the ability to control expenses in the areas of insurance and costs.

The taxi industry financials continue to show increasing revenues and profitability. This improvement in the industry's climate is unevenly distributed across operating companies: larger companies continue to be profitable while smaller ones report less profitability.<sup>4</sup> All companies (5 of 16 reporting companies) that reported net income losses for the past fiscal year were small companies. Average annual gross income per medallion (including all sources of revenues, at operating companies that reported financials to the Controller's Office) increased substantially in 2005 from the previous year: from \$45,324 to \$54,990 – an increase of 21.33 percent.

Of the 16 operating companies that reported financial data for 2005, 5 (31.3 percent of reporting companies) were not profitable. The proportion of unprofitable companies in past years has been higher: 34.5 percent in 2004, 37.9 percent in 2003, 37.5 percent in 2002, and 38.9 percent in 2001.

The average net income per medallion was \$11,520 in 2005, compared to \$9,639 in 2004, \$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. If we adjust for ownership differences, the average net income per medallion was \$2,592 in 2005, compared to \$2,891 in 2004, \$409 in 2003, \$1,680 in 2002 and \$649 in 2001. These metrics provide evidence that overall revenue and profitability continue to recover generally, which is consistent with our observation of a recovering economy and increased need and use of all transit modes.

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<sup>4</sup> On a cautionary note, because of the uneven distribution of profitability in the industry, it would be difficult to make overall financial capacity assumptions concerning the ability for operating companies to contribute to taxi driver health insurance costs, absent further increases to the gate cap.

Resulting net profit margins averaged 21 percent in 2005. This is comparable to past years: 21 percent in 2004, 16 percent in 2003, 21 percent in 2002, and 19 percent in 2001. This suggests that net profitability remains steady and healthy on the average for the industry—with the caveat that smaller companies continue to struggle disproportionately.

After adjusting for ownership structure differences<sup>5</sup>, the overall industry profitability still shows improvement, albeit at expectedly lower levels of profitability. The financial results summarized are weighted averages of all companies in the industry that reported financial data to the Controller's Office. Larger companies (those with more medallions) have a greater impact on the calculated averages than do smaller companies. The data show increasingly improving financial wellness for the industry, on average.

**Table J: Operating Company Performance and Industry Statistics**

	Average	2005 Total	2004 Total	2003 Total	2002 Total	2001 Total
<b># of Operating Medallions</b>	1,381	1,381	1,381	1,381	1,381	1,381
<b># of Operating Medallions Reporting</b>	1,159	1,070	1,370	1,371	819	1,166
<i>% of Reporting</i>	84%	77%	99%	99%	59%	84%
<b>Statistics - As Reported by Operating Companies</b>						
Net Profit/(Loss) Margin (GR)	20%	21%	21%	16%	21%	19%
Return on Total Assets	36%	43%	39%	33%	34%	31%
Return on Average Equity	77%	102%	101%	67%	55%	58%
Gross Revenue per permit	\$48,748	\$54,990	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/(Loss) per permit	\$9,628	\$11,520	\$9,639	\$7,153	\$11,253	\$8,578
# of Profitable Companies	13	11	19	18	5	11
# of Unprofitable Companies	7	5	10	11	3	7
<i>% Unprofitable</i>	36.0%	31.3%	34.5%	37.9%	37.5%	38.9%
Total # of Companies Reporting	20	16	29	29	8	18
No. of Medallions - Profitable	875	973	1003	1003	631	764
No. of Medallions - Unprofitable	284	97	367	368	188	402
<i>% Unprofitable</i>	24.5%	9.1%	26.8%	26.8%	23.0%	34.5%
<b>Statistics - With Estimated Medallion Lease Costs for Cooperatives</b>						
Net Profit/(Loss) Margin (GR)	3%	5%	6%	1%	3%	1%
Return on Total Assets	6%	10%	12%	2%	5%	2%
Return on Average Equity	14%	23%	30%	4%	8%	4%
Gross Revenue per permit	\$48,748	\$54,990	\$45,324	\$44,009	\$53,984	\$45,434
Net Income/(Loss) per permit	\$1,644	\$2,592	\$2,891	\$409	\$1,680	\$649
# of Profitable Companies	13	10	19	18	5	11
# of Unprofitable Companies	7	6	10	11	3	7
<i>% Unprofitable</i>	37.0%	37.5%	34.5%	37.9%	37.5%	38.9%
Total # of Companies Reporting	20	16	29	29	8	18
No. of Medallions - Profitable	853	864	1003	1003	631	764
No. of Medallions - Unprofitable	306	206	367	368	188	402
<i>% Unprofitable</i>	26.4%	19.3%	26.8%	26.8%	23.0%	34.5%

<sup>5</sup> 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.

## IV – POLICY IMPLICATIONS

### Fuel Surcharge Appears Warranted Given Increases in Fuel Costs

In accordance with the Police Code, we reviewed changes to the Consumer Price Index. Our review indicates that since January 2003 Bay Area gas costs have increased by 97.24 percent, while Bay Area prices have risen by 8.23 percent over the same period—refer to Table K.

#### 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). The following table provides price change data for the San Francisco-Oakland-San Jose Metropolitan Statistical Area.

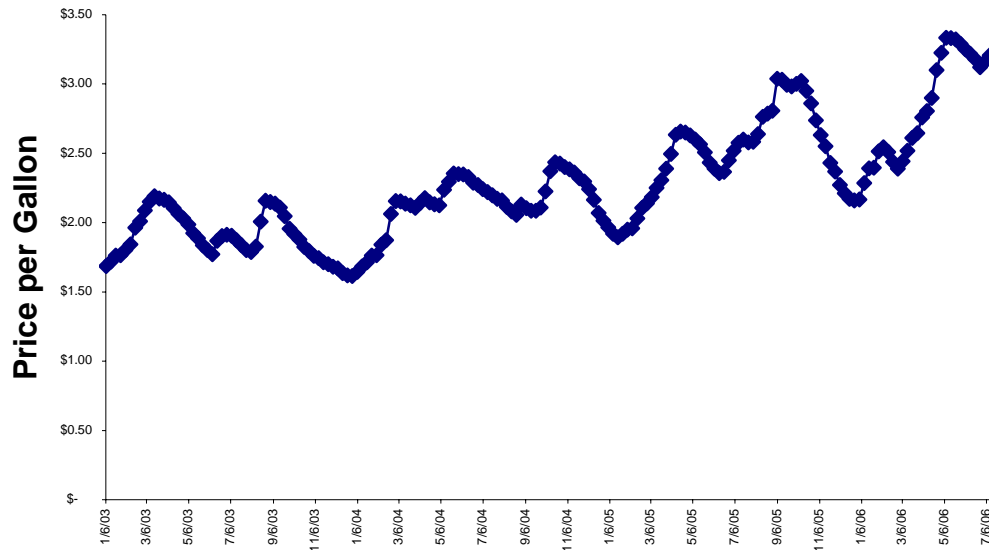
**Table K: Bay Area Cost of Living Increase Since January 2003**

Index Component	January 2003	October 2005	July 2006	% Change
	CPI-U on Second to Last Rate Review	CPI-U on Last Rate Review	CPI-U on Most Recent from BLS	From Jan-03
CPI-U: Private Transportation - Bay Area	142.8	156.4	159.2	11.48%
CPI-U: All Items - Bay Area	193.2	205.9	209.1	8.23%
CPI-U: Regular Unleaded Gas - Bay Area	123.0	221.8	242.6	97.24%
Source: U.S. Bureau of Labor Statistics (BLS).				
* Base Period of 1982 – 84 = 100				

Of special note is the volatility of gasoline prices. For example, gasoline prices increased by 97.24% since December 2002, but only 0.3% during calendar year 2003. Cost increased most dramatically throughout 2004 and 2005, as shown on the flowing chart.

## Chart L: San Francisco Gasoline Price Trends

SF-SJ-Oakland Gasoline Prices: Average Weekly of All Grades:  
January 2003 to July 2006



Source: US 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 dramatically since the last fare increase. The Taxi Commission has discussed an advertised surcharge or a meter increase to address this issue. Additionally, Supervisor Ma previously introduced legislation to add a \$1.00 surcharge to taxi flag drop rates due to sunset on November 1, 2008 unless renewed. A surcharge appears to be a practical way to help mitigate the volatility of gasoline prices, as it can be easily adjusted or removed with falling gas prices, and reinstated with rising ones. However, any surcharge may best be tied to driving distance in our opinion, given the direct relationship to fuel consumption.



## Driver Income/Expense Comparison

As illustrated in the table below, as of July 1, 2006, a taxi driver would pay approximately \$18.56 more per 10-hour shift for gas than he or she did at the time of the last fare increase. This translates into about \$1.24 more per average fare.<sup>6</sup> After factoring in an increase to the flag, mileage and wait time rates to adjust for the 8.23 percent inflation since the last adjustment, the resulting average fare would increase from \$15.80 to \$17.19, which would not even come close to covering the increased costs of gasoline incurred by drivers.<sup>7</sup> To cover these additional costs, a fuel surcharge of \$0.05 per 1/5<sup>th</sup> mile of service is needed.

**Table M: Taxi Driver Cost Illustration**

	Beginning of 2003	As of July 1, 2006	Change	% Change	Inflation Adjusted Scenarios as of November 1, 2006			
					Auto CPI Only	Auto CPI + Paratransit Add-On	Auto CPI + Paratransit Add-On + Fuel Surcharge	Auto CPI + Fuel Surcharge + Paratransit Add-Ons (CPI & Surcharge)
# of Fares per 10-hour Shift	15	15			15	15	15	15
Estimated Average Fare*	\$ 15.90	\$ 15.80			\$ 17.19	\$ 17.27	\$ 18.47	\$ 18.49
<b>Total Revenues per Shift</b>	<b>\$ 238.50</b>	<b>\$ 237.00</b>			<b>\$ 257.85</b>	<b>\$ 259.05</b>	<b>\$ 277.05</b>	<b>\$ 277.35</b>
Total Mileage per Shift*	120.00	120.00			120.00	120.00	120.00	120.00
Fuel Economy (mpg)	15.00	15.00			15.00	15.00	15.00	15.00
Assumed Fuel Use per Shift (gallons)	12.00	12.00			12.00	12.00	12.00	12.00
<b>Average Price of Gasoline**</b>	<b>\$ 1.65</b>	<b>\$ 3.20</b>	<b>\$ 1.55</b>	<b>93.7%</b>	<b>\$ 3.20</b>	<b>\$ 3.20</b>	<b>\$ 3.20</b>	<b>\$ 3.20</b>
Price of Fuel per 10-hour Shift	\$ 19.81	\$ 38.38	\$ 18.56	93.7%	\$ 38.38	\$ 38.38	\$ 38.38	\$ 38.38
Gate Fee	\$ 91.50	\$ 85.00	\$ (6.50)	-7.1%	\$ 92.00	\$ 93.20	\$ 93.20	\$ 93.50
<b>Total Cost per Shift</b>	<b>\$ 111.31</b>	<b>\$ 123.38</b>	<b>\$ 12.06</b>	<b>10.8%</b>	<b>\$ 130.38</b>	<b>\$ 131.58</b>	<b>\$ 131.58</b>	<b>\$ 131.88</b>
Gas as % of Estimated Total Cost	17.8%	31.1%			29.4%	29.2%	29.2%	29.1%
Average Cost per Fare	\$ 7.42	\$ 8.23	\$ 0.80	10.8%	\$ 8.69	\$ 8.77	\$ 8.77	\$ 8.79
% of Total Fare	46.7%	52.1%			50.6%	50.8%	47.5%	47.5%
<b>Total Earnings per Shift</b>	<b>\$ 127.19</b>	<b>\$ 113.62</b>	<b>\$ (13.56)</b>	<b>-10.7%</b>	<b>\$ 127.47</b>	<b>\$ 127.47</b>	<b>\$ 145.47</b>	<b>\$ 145.47</b>
Average Earnings per Fare	\$ 8.48	\$ 7.57	\$ (0.90)	-10.7%	\$ 8.50	\$ 8.50	\$ 9.70	\$ 9.70
% of Total Fare	53.3%	47.9%			49.4%	49.2%	52.5%	52.5%

### Fuel Surcharge to Break-Even with 93.7% Cost Increase

<b>Flag Drop</b>	\$ 1.24
<b>OR</b>	
<b>Driving Distance</b>	\$ 0.05

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

\*\* US Department of Energy Weekly Survey of San Francisco Market, All Formulations.

\$1.65 is the average retail price as of December 30, 2002.

\$3.20 is the average retail price as of July 17, 2006.

Fare Scenario Examples	Average Fare		\$ Increase		% Increase	
	Illustration	from Prior	Cumulative	from Prior	Cumulative	
As of Beginning of 2003	\$ 15.90					
As of July 1, 2006	\$ 15.80	\$ (0.10)	\$ (0.10)	-0.63%	-0.63%	
As of November 1, 2006 with...						
Auto CPI Only	\$ 17.19	\$ 1.39	\$ 1.29	8.80%	8.11%	
" + Paratransit Add-On (CPI, general inflation)	\$ 17.27	\$ 0.08	\$ 1.37	0.47%	8.62%	
" + " + Fuel Surcharge	\$ 18.47	\$ 1.20	\$ 2.57	6.95%	16.16%	
" + " + " + Paratransit Add-On (fuel surcharge)	\$ 18.49	\$ 0.02	\$ 2.59	0.11%	16.29%	

<sup>6</sup> This assumes an average of 15 fares per shift of 5 miles and 5 minutes wait time.

<sup>7</sup> The shortfall becomes more severe with shorter than average trips.

## **Gate Fee Adjustment**

When in effect, Section 1137.5 of the Police Code provided that any increase in the monthly cost of the Paratransit scrip shall be divided equally among all taxicab permits in operation. If reinstated, the projected average fare increase of 8.23 percent would necessitate continuation of the gate fee add-on of \$1.20 to fund the estimated amount of the cost increase of Paratransit. In order to hold drivers harmless for this increase in the gate fee, the \$0.08 flag-drop add-on fee should also be continued. An addition \$0.30 and \$0.02 would need to be added to the gate cap and flag drop respectively if the fuel surcharge outlined in this report is also enacted.

## **Paratransit Funding**

Taxi service is an important part of the City's Municipal Transportation Agency Paratransit Program. The table below summarizes the number of taxi trips over the past few years along with estimated average fare. Of particular note is the declining number of taxi trips, which indicates that ridership is down significantly from FY 2002-03.

**Table N: Paratransit Statistics**

<b>Paratransit Statistics - TAXI ONLY</b>	<b>Actual FY 2002-03</b>	<b>Actual FY 2003-04</b>	<b>Actual FY 2004-05</b>	<b>Estimated FY 2005-06</b>
Taxi Trips	833,482	747,126	702,817	644,000
% Change from Prior Year		-10.36%	-5.93%	-8.37%
Average Cost per Trip	\$10.03	\$9.69	\$9.96	\$10.64
% Change from Prior Year		-3.35%	2.80%	6.76%

Source: Annette Williams, MTA Paratransit Manager, August 1, 2006

The MTA's Paratransit Program is impacted by changes in taxi fares as increasing fares result in higher program costs. Current taxi pass-through funding assumed in the MTA's budget is 2.2 percent of Paratransit Program revenues to offset program costs that result from the incurred Paratransit scrip (Police Code, Sec. 1137.5). Any taxicab fare, gate fees, or pass-through funding changes require an impact analysis on the Paratransit budget.

As previously structured, a Paratransit add-on used to fund MUNI Paratransit is paid by taxi drivers to operating companies. In turn, operating companies then passed through the funds to MUNI Paratransit. In order to mitigate 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. 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 recover the \$1.50 add-on charged at the gate, on average. Pass-through is accomplished in that paying customers cover the Paratransit fee (on average).


In practice, the monthly pass-through amount required from each operating company was 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 in total revenues would be 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.

As previously authorized, the amount of pass-through funding resulted in annual funding for Paratransit of \$0.9 million to \$1.0 million. See Table P below for actual and budgeted Paratransit revenues. The budget summary below highlights the key sources and uses for the Paratransit Program. The row indicated with an *arrow* reflects the amounts passed through to MUNI Paratransit since the implementation of this pass-through mechanism as well as all other sources and uses of program funding.

Police Code Section 1137.5 previously allowed MUNI to calculate on a monthly basis the increased cost of Paratransit scrip incurred from fare or rate increases for taxicabs. This cost was then divided evenly among all taxicab permits in operation. This section of the Police Code was adopted with an expiration date of June 30, 2006, per Ordinance No. 118-06. Supervisor Alioto-Pier has introduced legislation extending it through December 31, 2007, but the legislation has not yet been enacted. Absent Board action, the Paratransit Program budget will be adversely impacted.<sup>8</sup>

**Table O: MUNI Paratransit Program Sources and Uses**

	FY 2001-02	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	% of
	Actual	Actual	Actual	Actual	Original Budget	Original Budget	FY 2006-07 Original Budget
<b>SOURCES</b>							
Transit Operating Assistance (Federal) <sup>1</sup>	\$ 3,280,928	\$ 3,510,819	\$ 3,581,036	\$ 3,754,078	\$ 3,828,681	\$ 3,828,681	18.3%
SF Transportation Authority	9,661,000	9,661,000	9,670,000	9,670,000	9,670,000	9,670,000	46.2%
BART ADA Funding	1,257,990	1,282,498	1,208,743	1,261,666	1,437,512	1,437,512	6.9%
STA - Paratransit Funding	589,880	708,166	634,031	646,076	663,521	674,802	3.2%
MTA Operating Fund Allocation <sup>2</sup>	2,621,975	3,056,247	2,745,038	2,938,996	4,047,590	4,128,978	19.7%
Taxi Pass-Through Funding (Gate / Flag Drop) <sup>3</sup>		520,830	923,287	887,598	900,000	450,000	2.2%
Program Support from Department of Aging	730,833	673,042	672,596	680,329	784,816	739,816	3.5%
<b>Total Sources</b>	<b>\$ 18,142,606</b>	<b>\$ 19,412,602</b>	<b>\$ 19,434,731</b>	<b>\$ 19,838,743</b>	<b>\$ 21,332,120</b>	<b>\$ 20,929,789</b>	<b>100.0%</b>
<i>growth from Prior Year</i>		7.0%	0.1%	2.1%	7.5%	-1.9%	
<b>USES<sup>4</sup></b>							
Paratransit Broker Contract	17,888,816	19,102,168	19,126,052	19,518,531	20,973,976	20,523,976	98.1%
Salaries & Fringes of MUNI's Staff <sup>5</sup>	253,790	310,434	308,679	320,212	358,144	405,813	1.9%
<b>Total Uses</b>	<b>\$ 18,142,606</b>	<b>\$ 19,412,602</b>	<b>\$ 19,434,731</b>	<b>\$ 19,838,743</b>	<b>\$ 21,332,120</b>	<b>\$ 20,929,789</b>	<b>100.0%</b>

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 companies authorized to collect \$1.50 from drivers, and drivers authorized to collect \$0.10 from customers on flag drop through June 30, 2006.

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.

<sup>8</sup> MTA is assuming Paratransit funding continuation in their proposed budget for at least 6 months of FY2006-07.

The Controller recommends to the Taxi Commission and the Municipal Transportation Agency that any extension of Paratransit funding be tied directly to gate fee revenues as noted earlier in this report. This is as opposed to the previous system of basing it on volume of medallions in circulation. The main reason is to ensure that the actual revenue generated from a Paratransit add-on actually accrue to the Municipal Transportation Agency's Paratransit program.

Of note are Ms. Annette Williams', the Paratransit Program Manager, comments previously reported that pass-through funding had been less than previously assumed in part because of fewer Paratransit users riding taxicabs and Paratransit riders making shorter trips. Both factors reduce program costs and revenues from the calculations remitted monthly by operating companies.

## **V – SUMMARY OF TAXI INDUSTRY REPORTS**

### **Previously Issued Reports by the Controller**

Over the past few years and often at the request and direction of the Board of Supervisors (see Ordinance #228-02), the Controller completed a number of taxi industry studies. In some cases, these reports were completed in coordination with the Taxi Commission. A summary of previously issued reports over the last few years include:

- ***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. We found that health benefits could be provided.
- ***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 quantified issues including driver need for health insurance and the frequency and type of long-term leases.

- ***Rates of Fares and Gate Fees*** (December 2005) – this report provided the Taxicab Commission and the Board of Supervisors with findings and policy suggestions to improve the economic wellness of the Taxicab Industry. The findings of this report have been updated herein.
- ***2005 Taxi Commission Survey Report*** (February 2006) – City Services Auditor of the Controller’s Office surveyed residents in three neighborhoods (Castro and Noe Valley, Bayview/Hunter’s Point and Outer Richmond and Seacliff) about their use of taxicabs, including the length of time waiting for taxi service.

**Other Previously Issued Reports**

In addition to reports issued by the Controller’s Office, some additional industry-relevant reports have been issued including:

- ***Establishing a San Francisco Taxi Driver Health Care Coverage Program – Administration, Cost, and Funding Options*** issued by the Department of Public Health and the San Francisco Health Plan in March 2006. This report included findings that:
  - “every driver can get health insurance, but only if the various stakeholders in the taxi industry are each willing to contribute something to reach this goal”, and
  - “San Francisco can create another first-in-the-nation health coverage model by providing insurance to our hard-working taxi drivers.”
- ***The San Francisco Taxicab Industry: An Equity Analysis*** issued by the Goldman School of Public Policy at the University of California at Berkeley in June 2006. This report addressed the transferability of medallions and provided potential alternatives to increasingly ensure equity among various taxi industry stakeholders.

**VI – NEXT STEPS**

Absent action by the Board of Supervisors, the Controller’s inflation-adjusted Gate Cap and Fare charges will go into effect on November 1, 2006. The Police Code outlines the steps for hearings and potential amendments to the Controller’s rates as outlined previously in this report on page 3.

In addition to the automatic inflation adjustments, the Board should consider:

- Reauthorization of Paratransit pass-through funding provisions including a \$1.20 Gate Cap add-on and a \$0.08 Flag Drop add-on, and
- Authorization of a fuel surcharge of \$0.05 per 1/5<sup>th</sup> of a mile to the Driving Distance component of the taxi fare.
- If this new authorization occurs, the Paratransit add-on should be \$1.50 and \$0.10 for the gate cap and the flag drop respectively.

If the various changes are implemented, average fares would change as follows:

**Table P: Gate Cap & Fares**

	Automatic CPI Inflation Adjusted Rates	Automatic CPI Inflation Adjusted Rates	Change		Other Potential Changes			Total
			\$	%	Paratransit Add-On for CPI	Fuel Surcharge	Paratransit Add-On for Fuel Surcharge	
<b>Gate Cap</b>	\$ 85.00	\$ 92.00	\$ 7.00	8.24%	\$ 1.20	\$ -	\$ 0.30	\$ 93.50
<b>Fares</b>								
Flag Drop	\$ 2.75	\$ 2.98	\$ 0.23	8.36%	\$ 0.08	\$ -	\$ 0.02	\$ 3.08
Mileage	\$ 0.45	\$ 0.49	\$ 0.04	8.89%	\$ -	\$ 0.05	\$ -	\$ 0.54
Wait Time	\$ 0.45	\$ 0.49	\$ 0.04	8.89%	\$ -	\$ -	\$ -	\$ 0.49

<b>Average Fare Scenarios</b>							
Cross City Scenario [1]	\$ 15.80	\$ 17.19			\$ 17.27	\$ 18.47	\$ 18.49
<i>% Increase</i>		8.80%			0.47%	6.95%	0.11%
Downtown Scenario [2]	\$ 10.40	\$ 11.31			\$ 11.39	\$ 12.09	\$ 12.11
<i>% Increase</i>		8.75%			0.71%	6.15%	0.17%
Short Trip Scenario [3]	\$ 5.45	\$ 5.92			\$ 6.00	\$ 6.20	\$ 6.22
<i>% Increase</i>		8.62%			1.35%	3.33%	0.32%
Airport Scenario [4]	\$ 35.15	\$ 38.26			\$ 38.34	\$ 41.79	\$ 41.81
<i>% Increase</i>		8.85%			0.21%	9.00%	0.05%
<b>BART Fare Comparison</b>							
Embarcadero to SFO	\$ 5.15	\$ 5.15			\$ 5.15	\$ 5.15	\$ 5.15
Civic Center to SFO	\$ 5.15	\$ 5.15			\$ 5.15	\$ 5.15	\$ 5.15
16th St. Mission to SFO	\$ 5.10	\$ 5.10			\$ 5.10	\$ 5.10	\$ 5.10
20th St. Mission to SFO	\$ 5.00	\$ 5.00			\$ 5.00	\$ 5.00	\$ 5.00

[1] Assumes 5 mile, 5 minute wait time.

[2] Assumes 3 mile, 3 minute wait time. This scenarios costs is also approximately the same as the average paratransit fare.

[3] Assumes 1 mile, 2 minute wait time.

[4] Average fare from downtown.

At this time, the Controller's next planned Taxi Industry Report is scheduled for August 1<sup>st</sup>, 2008 at which time we will again reset the Gate Cap and Fares based on the consumer price index.

Appendix A – Taxicab Gate Cap & Fare Charges Analysis

**Taxicab Gate Cap & Fare Charges Analysis**

**Appendix A**

	CAB COMPANIES		DRIVERS							
	Gate		Flag	Driving Distance	Wait Time	Est. Average Fare^				
<b>CURRENT, as of July 1, 2006</b>	\$	85.00	\$	2.75	\$	0.45	\$	0.45		
<b>Average Fare Composition</b>			\$	2.75	\$	10.80	\$	2.25	\$	<b>15.80</b>
<b>% of Average Total Fare</b>				17.4%		68.4%		14.2%		100.0%
<b>Basis</b>		Avg. per 10 Hr. Shift 1/1/1999, 12/1/2002, 9/1/2004		First 1/5 Mile or Flag		Each Add. 1/5 Mile		Minute of Waiting		
<b>Recent Legislated Changes Enacted</b>				12/1/2002, 7/1/2006		12/1/2002		12/1/2002		
<b>RATES AFTER AUTOMATIC INFLATION ADJUSTMENT</b>	\$	92.00	\$	2.98	\$	0.49	\$	0.49		
<b>Average Fare Composition</b>			\$	2.98	\$	11.76	\$	2.45	\$	<b>17.19</b>
<b>% of Average Total Fare</b>				17.3%		68.4%		14.3%		100.0%
<b>Basis of Proposed</b>		Avg. per 10 hr. shift		First 1/5 Mile or Flag		Each Add. 1/5 Mile		Minute of Waiting		
<b>\$ Increase of Proposed</b>	\$	7.00	\$	0.23	\$	0.04	\$	0.04		
<b>% Increase of Proposed</b>		8.23%		8.36%		8.89%		8.89%		<b>8.80%</b>
<b>CPI All Urban for SF-Oakland-San Jose</b>										
<b>Since Last Change (up to June 2006)</b>		8.23%		8.23%		8.23%		8.23%		8.23%
<b>Rate Based Upon CPI Alone</b>	\$	92.00	\$	2.98	\$	0.49	\$	0.49	\$	<b>17.19</b>
<b>\$ Proposed Higher / (Lower) Than CPI Alone</b>	\$	(0.00)	\$	-	\$	-	\$	-	\$	-
<b>% Proposed Higher / (Lower) Than CPI Alone</b>		0.0%		0.1%		0.7%		0.7%		0.6%
<b>Estimated Rate Increase Needed To Cover...</b>										
Inflation (CPI) Since January 2003 thru June 2006	\$	7.00	\$	0.23	\$	0.04	\$	0.04	\$	1.39
Estimated Backfill Needed for Paratransit Program	\$	1.20	\$	0.08					\$	0.08
Fuel Surcharge						0.05			\$	1.20
Estimated Backfill Needed for Paratransit Program	\$	0.30	\$	0.02					\$	0.02
<b>Total Additions</b>	\$	<b>8.50</b>	\$	<b>0.33</b>	\$	<b>0.09</b>	\$	<b>0.04</b>	\$	<b>2.69</b>
<b>Resulting Total Rate - Needed to Cover Items Above...</b>	<b>\$</b>	<b>93.50</b>	<b>\$</b>	<b>3.08</b>	<b>\$</b>	<b>0.54</b>	<b>\$</b>	<b>0.49</b>	<b>\$</b>	<b>18.49</b>
\$ Increase from Current	\$	8.50	\$	0.33	\$	0.09	\$	0.04	\$	2.69
% Over / (Under) Current		10.0%		12.0%		20.0%		8.9%		17.0%
\$ Increase above AUTOMATIC INCREASE	\$	1.50	\$	0.10	\$	0.05	\$	-	\$	1.30
% Surplus / (Shortfall) of AUTOMATIC to cover above items		-1.6%		-3.4%		-10.2%		0.0%		

**NOTES**

^ Highly variable. Mean Fare assumed to be 5 miles with 5 minutes wait time.

# Appendix B – Gate Cap & Fare Inflation Adjustments

## Gate Cap & Fare Inflation Adjustments - Based on the San Francisco CPI

## Appendix B

Year	Month	CPI Factor	GATE CAP Scenarios			FARES Scenarios											
			CPI Cumulative Change from January 1, 1999	CPI Cumulative Change from January 1, 2003	Adjusted for CPI, beginning January 1, 1999, \$83.50 Base	Adjusted for CPI, beginning January 1, 2003, \$90.00 Base	Adjusted for CPI, beginning January 1, 2003, \$85.00 Base	Flag Drop Adjusted for CPI, beginning January 1, 2003, \$2.75 Base	Distance Adjusted for CPI, beginning January 1, 2003, \$0.45 Base	Wait Time Adjusted for CPI, beginning January 1, 2003, \$0.45 Base	Flag Drop Adjusted for CPI, beginning June 1, 2000, \$2.50 Base	Distance Adjusted for CPI, beginning June 1, 2000, \$0.40 Base	Wait Time Adjusted for CPI, beginning June 1, 2000, \$0.40 Base				
1998	Dec	167.40			\$ 83.50												
1999	Feb	169.40	1.19%		84.50												
	Apr	172.20	2.87%		85.89												
	Jun	171.80	2.63%		85.69												
	Aug	173.50	3.64%		86.54												
	Oct	175.20	4.66%		87.39												
	Dec	174.50	4.24%		87.04												
2000	Feb	176.50	5.44%		88.04												
	Apr	178.70	6.75%		89.14												
	Jun	179.10	6.99%		89.34							\$ 2.50	\$ 0.40	\$ 0.40			
	Aug	181.70	8.54%		90.63							2.54	0.41	0.41			
	Oct	183.40	9.56%		91.48							2.56	0.41	0.41			
	Dec	184.10	9.98%		91.83							2.57	0.41	0.41			
2001	Feb	187.90	12.25%		93.73							2.62	0.42	0.42			
	Apr	189.10	12.96%		94.32							2.64	0.42	0.42			
	Jun	190.90	14.04%		95.22							2.66	0.43	0.43			
	Aug	191.00	14.10%		95.27							2.67	0.43	0.43			
	Oct	191.70	14.52%		95.62							2.68	0.43	0.43			
	Dec	190.60	13.86%		95.07							2.66	0.43	0.43			
2002	Feb	191.30	14.28%		95.42							2.67	0.43	0.43			
	Apr	193.00	15.29%		96.27							2.69	0.43	0.43			
	Jun	193.20	15.41%		96.37							2.70	0.43	0.43			
	Aug	193.50	15.59%		96.52							2.70	0.43	0.43			
	Oct	194.30	16.07%		96.92							2.71	0.43	0.43			
	Dec	193.20	15.41%		96.37							2.70	0.43	0.43			
2003	Jan-CPI Base					\$ 90.00	\$ 85.00	\$ 2.75	\$ 0.45	\$ 0.45							
	Feb	197.70	18.10%	2.33%	98.61	92.10	86.98	2.81	0.46	0.46		2.76	0.44	0.44			
	Apr	197.30	17.86%	2.12%	98.41	91.91	86.80	2.81	0.46	0.46		2.75	0.44	0.44			
	Jun	196.30	17.26%	1.60%	97.92	91.44	86.36	2.79	0.46	0.46		2.74	0.44	0.44			
	Aug	196.30	17.26%	1.60%	97.92	91.44	86.36	2.79	0.46	0.46		2.74	0.44	0.44			
	Oct	196.30	17.26%	1.60%	97.92	91.44	86.36	2.79	0.46	0.46		2.74	0.44	0.44			
	Dec	195.30	16.67%	1.09%	97.42	90.98	85.92	2.78	0.45	0.45		2.73	0.44	0.44			
2004	Feb	198.10	18.34%	2.54%	98.81	92.28	87.16	2.82	0.46	0.46		2.77	0.44	0.44			
	Apr	198.30	18.46%	2.64%	98.91	92.38	87.24	2.82	0.46	0.46		2.77	0.44	0.44			
	Jun	199.00	18.88%	3.00%	99.26	92.70	87.55	2.83	0.46	0.46		2.78	0.44	0.44			
	Aug	198.70	18.70%	2.85%	99.11	92.56	87.42	2.83	0.46	0.46		2.77	0.44	0.44			
	Oct	200.30	19.65%	3.67%	99.91	93.31	88.12	2.85	0.47	0.47		2.80	0.45	0.45			
	Dec	199.50	19.18%	3.26%	99.51	92.93	87.77	2.84	0.46	0.46		2.78	0.45	0.45			
2005	Feb	201.20	20.19%	4.14%	100.36	93.73	88.52	2.86	0.47	0.47		2.81	0.45	0.45			
	Apr	202.50	20.97%	4.81%	101.01	94.33	89.09	2.88	0.47	0.47		2.83	0.45	0.45			
	Jun	201.20	20.19%	4.14%	100.36	93.73	88.52	2.86	0.47	0.47		2.81	0.45	0.45			
	Aug	203.00	21.27%	5.07%	101.26	94.57	89.31	2.89	0.47	0.47		2.83	0.45	0.45			
	Oct	205.90	23.00%	6.57%	102.70	95.92	90.59	2.93	0.48	0.48		2.87	0.46	0.46			
	Dec	203.40	21.51%	5.28%	101.46	94.75	89.49	2.90	0.47	0.47		2.84	0.45	0.45			
2006	Feb	207.10	23.72%	7.19%	103.30	96.48	91.12	2.95	0.48	0.48		2.89	0.46	0.46			
	Apr	208.90	24.79%	8.13%	104.20	97.31	91.91	2.97	0.49	0.49		2.92	0.47	0.47			
	Jun	209.10	24.91%	8.23%	104.30	97.41	92.00	2.98	0.49	0.49		2.92	0.47	0.47			

Automatic CPI Adjustments per Municipal Police Code & Controller's