



June 5, 2017

To: Regional Planning and Highways Committee
From: Darrell Johnson, Chief Executive Officer
Subject: Orange County Taxi Administration Program Update

Overview

Since 1998, the Orange County Transportation Authority has administered the Orange County Taxi Administration Program on behalf of the County of Orange and its 34 cities. The program, as it is designed today, is no longer financially sustainable. Working through the Orange County City Manager Association for the past eighteen months, a plan to fund the program through June 30, 2018, has been developed. Staff will continue to work with the county and cities to identify solutions that will allow them to continue to meet their statutory obligations for the regulation of the taxi industry.

Recommendation

Receive and file as an information item.

Background

The Orange County Taxi Administration Program (OCTAP) was created in 1998, at the request of members of the Orange County City Manager Association (OCCMA), to consolidate the licensing, application, and administrative functions of taxi regulation to assist the County of Orange and its 34 cities in meeting their statutory obligations. Government Code Section 53075.5 and Vehicle Code Section 21100, et seq., require counties and cities to protect the public health, safety, and welfare by adopting an ordinance or resolution to regulate taxicab transportation service operated within their jurisdiction. At a minimum, each city and county shall provide for a policy for entry into a taxicab business, issuance of driver permits, mandatory controlled substance and alcohol testing program, and establishment of rates for the provision of taxi services. Each city or county is authorized to levy service charges or fees in an amount sufficient to pay for the costs of carrying out the ordinance.

The Orange County Transportation Authority (OCTA) was requested to provide staff and administrative services to assist member agencies in the regulation of taxi services. OCTA has interagency agreements with Orange County and its 34 cities, which require the member agencies to adopt OCTAP regulations, appoint representatives to serve on the OCTAP Steering Committee and OCTAP Public Safety Committee, and enforce the OCTAP regulations. The OCTA Board of Directors (Board) sets the schedule of permit fees in the amount necessary to recover all costs incurred by OCTA in the administration of OCTAP.

OCTAP permit fee revenue has declined significantly, and there are insufficient funds to operate OCTAP through fiscal year 2017-18. This is not the only time that OCTAP was not financially sustainable. In November 2004, staff reported to the OCTA Board that the permit fees were not covering the full cost of administering OCTAP, and the Board increased the permit fees by 15 percent effective January 1, 2005, and on July 1 of the next two fiscal years, followed by an increase of four percent per fiscal year thereafter.

Discussion

As the recession hit, OCTAP permitted companies, vehicles, and drivers began to increase, peaking in fiscal year 2013-14. As a result, the permit fees being collected exceeded the cost to administer the program, and a reserve account was established which peaked at just over \$1 million. The OCTA Board waived the 4 percent permit fee increases during fiscal years 2011-12, 2012-13, and 2013-14. As transportation network companies, such as Uber and Lyft, gained in popularity, the number of permitted companies, vehicles, and drivers began to drop to fiscal year 2003-04 levels (Attachment A). Consequently, the reserve was used to balance the budget and is expected to be exhausted by the end of 2017.

In early 2016, OCTA staff began working with OCCMA when it became clear that the program was not financially sustainable. OCCMA created an ad-hoc committee to address this issue and has met with OCTA and taxi industry representatives several times over the last year. In June 2016, OCTA gave notice to the County of Orange and its 34 cities of its intent to withdraw as the administrator, effective July 1, 2017, absent a viable solution to financially sustain the program. On January 5, 2017, OCCMA requested OCTA to continue to administer OCTAP at the lowest “essential service” level possible through June 30, 2018.

As revenues declined, OCTA staff took steps to balance program costs. In 2015, staff was reduced from five to four full time employees. In the last 12 months, the following steps have been taken to balance costs of administering OCTAP:

- Eliminated Office Specialist position
- Reassigned 40 percent of OCTAP Administrator's time to Transit projects
- Reduced Transit Police Services contract costs based on a time-worked study
- Eliminated evening enforcement activities, thus reducing overtime
- A slight reduction of OCTA Administrative Fee due to staff reductions is anticipated

With these steps taken, OCTAP is staffed with 2.6 full time equivalent positions and is operating at an essential service level that meets statutory requirements and ensures OCTAP regulations are enforced. The essential services provided by OCTAP staff are summarized on Attachment B.

The estimated cost to administer OCTAP for fiscal year 2017-18 is \$628,692 (Attachment C, OCTAP Cash Flow). This amount is slightly lower than presented in the budget workshop which included salaries and benefits for three full time equivalent positions. The anticipated shortfall to operate through June 30, 2018 is estimated at \$166,800, which is slightly greater than presented in the budget workshop because more reserve funds are being spent in fiscal 2016-17 than originally anticipated. Moreover, this amount provides a buffer should revenue from permit fees be less than estimated.

During meetings with OCCMA, the shortfall amount was presented with a proposed funding formula based on population. Attachment D provides the amount each member agency would pay to meet the proposed shortfall. This funding plan was presented to OCCMA at their regular meeting on May 3, 2017, and there were no objections to the plan. To ensure funds are available to operate OCTAP, OCTA staff would bill OCTAP member agencies in October 2017 for their share, with a true up invoice issued in September 2018 should revenues decline greater than anticipated.

OCTAP is an effective model that delivers efficiencies benefitting all member agencies, as well as the taxi industry. However, due to the changing market place, the current model is not financially sustainable. OCTA staff will continue to work with OCTAP member agencies through OCCMA to develop a long-term solution for the regulation of taxicabs.

Summary

Due to a changing market place, the current OCTAP program is not financially sustainable. To operate OCTAP through June 30, 2018, additional funding, proposed to be provided by the member agencies, is required. OCTA staff will continue to work with OCCMA to develop a long-term solution to regulate taxicabs as required by California statute.

Attachments

- A. Orange County Taxi Administration Program Permitted Companies, Vehicles, and Drivers Fiscal Year 2003-04 through Fiscal Year 2016-17
- B. Orange County Taxi Administration Program Essential Services
- C. OCTAP Cash Flow
- D. Orange County Taxi Administration Program Member Agency Contributions Fiscal Year 2017-18

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