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Audit Report

City of Austin Taxicab Permitting Process

December 15, 2009

Office of the City Auditor

Austin, Texas

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City of Austin



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Date: December 15, 2009
To: Mayor and Council
From: Kenneth J. Mory, City Auditor
Subject: City of Austin Taxicab Permitting Process Audit

I am pleased to present this project report on the City of Austin Taxicab Permitting Process. This audit was requested and approved by the Audit and Finance Committee and was included as part of our office's FY 2009 service plan.

The purpose of this audit was to:

- Determine whether the City of Austin's taxicab permitting process ensures compliance with applicable laws and regulations, and
- Perform a benchmark study in order to determine how the City of Austin's taxicab permitting process compares to 13 selected American municipalities.

The results of our work indicated the taxicab permitting activities in the Vehicle-for-Hire section generally comply with the City Code and applicable policies. However, the group responsible for permitting does not have written procedures to guide activities due to a reliance on the institutional knowledge of employees and the Code itself. In addition, enforcement of City Code provisions related to taxicabs has not been consistent due to a shortage of resources as well as a lack of coordination among existing resources. Furthermore, the City of Austin charges lower taxicab related fees than surveyed cities. We have issued five recommendations that we believe will improve the taxicab permitting process in the City of Austin.

Our survey results revealed other differences amongst the surveyed cities regarding methods for calculating the necessary number of taxicab permits, staffing levels, and the regulation of taxicab entities.

We appreciate the cooperation and assistance we received from the various entities involved in the taxicab permitting process as well as the different cities that participated in our taxicab permitting process survey. We particularly want to thank the staff of the Vehicle-for-Hire section of the City of Austin Transportation Department's Parking Enterprise Division.


Kenneth J. Mory, CPA (TN), CIA, CISA
City Auditor

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COUNCIL SUMMARY

This report presents the results of our City of Austin Taxicab Permitting Process audit. The purpose of this audit was to:

- Determine whether the City of Austin's taxicab permitting process ensures compliance with applicable laws and regulations; and
- Determine how the City of Austin's taxicab permitting process compares to 13 selected American municipalities.

While the Vehicle-for-Hire section staff uses consistent procedures to guide taxicab permitting activities, there are some areas for improvement. Specifically, administrative activities generally comply with the City Code; however, policies and procedures, as well as enforcement and cash handling activities need to be strengthened.

Vehicle-for-Hire section staff have informal procedures in place to guide their operations; however, these procedures are not documented, which exposes the City to risks including the likely loss of institutional knowledge, inconsistencies in the application of the City Code, customer dissatisfaction, and potential legal liability.

While we did not identify any misuse of City funds, we noted that cash handling procedures do not ensure that City funds are properly safeguarded. For example, staff do not adhere to cash handling policy limits, do not have segregated cash drawers, and do not request a receipt when they deliver funds to the City cashier.

The taxicab enforcement process may not ensure that only compliant vehicles/drivers operate within the City.

- Currently, there is only one full-time Enforcement Officer who works Monday to Friday from 8am to 5pm.
- Other groups that should be providing enforcement are not consistently providing this enforcement

Our survey of 13 other cities indicated that:

- based on Austin's method for determining the number of necessary taxicabs, as well as the methods of several other cities, Austin has issued more taxicab permits than what is necessary;
- the Vehicle-for-Hire section has a lower staffing level than most surveyed cities; and
- Austin was the only city in our survey that limits the number of taxicab entities/franchises.

We have issued five recommendations to preserve institutional knowledge, ensure taxicab customer safety, safeguard the City's assets, ensure consistency in the application of the Code and equitable treatment of taxicab permitting customers; to protect the City from potential legal liability; and to ensure that the City of Austin's taxicab fee structure is appropriate. In addition, we identified one issue that warrants further action by the Transportation Department Director.

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ACTION SUMMARY
CITY of AUSTIN TAXICAB PERMITTING PROCESS



Recommendation	Management Concurrence	Proposed Implementation Date
01. In order to preserve institutional knowledge, the Director of the Transportation Department should clearly define, document and disseminate procedures for key taxicab permitting activities including implementation and administrative decisions, oversight/monitoring, investigation, and enforcement.	Concur	March 2010
02. In order to ensure that the City's funds collected through the taxicab permitting process are properly safeguarded, the Director of the Transportation Department should ensure that the departmental employees involved in cash handling comply with the City's cash handling policy. Such compliance should include ensuring that the Vehicle-for-Hire section has clearly written and approved procedures in place for cash handling that comply with the City's cash handling policy.	Concur	January 2010
03. In order to ensure clear and consistent cash handling practices and to mitigate risks to the City of Austin, the Director of the Transportation Department should review current staffing levels or find alternative solutions such as reorganizing the current Parking Enterprise Division staffing resources in order to pull staffing from other areas in the department to help with duties such as cash handling.	Concur	January 2010

Recommendation	Management Concurrence	Proposed Implementation Date
04. In order to ensure that the requirements of the City Code Chapter 13-2 are consistently enforced, the Assistant City Manager over the Transportation Department should ensure coordination between Transportation and other departments required by the City Code to provide enforcement or find alternatives to consistently achieve enforcement.	Concur	
05. In order to ensure that Austin's taxicab fee structure is appropriate, the Director of the Transportation Department should consider reviewing the current fee structure and making recommendations to Council if changes are warranted.	Concur	Budget Year 2011

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BACKGROUND

The Texas Local Government Code Section 215.004(a) mandates that municipalities in the state license, control, and regulate taxicab transportation services in their respective jurisdictions, by ordinance. In addition, Texas Local Government Code Section 215.004(b) provides that ordinances regulating taxicab operations may include the establishment of safety or any other requirements to ensure safe and reliable passenger transportation service.

The Austin City Council, through ordinances, approves taxicab regulations and provides guidance for the taxi permitting process in the City of Austin. Per City Code, taxicab franchises “may be granted, renewed, extended, amended, or transferred only with Council approval.”

Currently the City of Austin regulates three main areas in the taxicab industry: economic, safety and quality areas. Specifically these areas include:

- **Economic** - the number of taxicabs and taxicab franchises that are allowed to operate within the City and the taxicab rates of fare;
- **Safety** - vehicle safety, driver qualifications, and liability insurance coverage; and
- **Quality of services** - customer response times, vehicle appearance/cleanliness, and conduct and appearance of taxicab drivers.

The taxicab industry in the City of Austin has four key players:

- **The City of Austin** - which under state law provides regulatory oversight of the taxicab industry;
- **Taxicab franchises** (Greater Austin Transportation Company (Yellow Cab), Austin City Cab Company, and Lone Star Cab Company) - that operate taxicab service granted by ordinance under the City of Austin Code of Ordinances;
- **Taxicab drivers** - who provide services; and
- **The customers** - who use and benefit from taxi services.

EXHIBIT 1 Definitions as per the City Code

Taxicab service - “service that operates on irregular routes and schedules on a call-and-demand basis, for a fee that is usually determined by a taximeter.”

Franchise - “authority to operate a taxicab service granted by ordinance under the City Charter.”

Franchise Permit – “a decal issued by the City to a franchise holder that evidences the franchise holder’s authority to operate a vehicle as a taxicab.”

Chauffeur’s Permit (public passenger transportation license) - “written permission granted to an individual by the department to chauffeur a vehicle under the authority granted to franchise holder or holder.”

Taxicab Zones - “public place alongside the curb or curb line of a street that the City has designed as reserved exclusively for the use of taxicabs.”

SOURCE: City of Austin Code of Ordinances Chapter 13-2

The Vehicle-for-Hire section of the Transportation Department’s Parking Enterprise Division is in charge of the permitting process for taxicabs and is responsible for overseeing the activities of taxicab franchises within the City of Austin. The section has two full-time employees (FTEs)—an Administrative Specialist and a Ground Transportation Enforcement Officer—who report to the Division Manager. Exhibit 2 depicts the major duties of the section’s two employees.

EXHIBIT 2
Responsibilities of the Transportation Department Vehicle-for-Hire Section Staff

Responsibilities	
1	Processing and issuing taxicab vehicle permits
2	Processing and issuing chauffeur permits
3	Collecting revenue for permits and chauffeur licenses
4	Receiving and resolving customer complaints ¹
5	Monitoring franchise activities
6	Monitoring taxicab inspection and testing contract
7	Providing field enforcement

SOURCE: Compiled by OCA

¹Handled 115 and 107 recorded complaints in CY2008 and 2009

In addition to taxicab activities, the section staff also performs the aforementioned duties for other motorized and non-motorized vehicles in the City of Austin, including limousines, airport shuttles, charters, pedicabs, and horse-driven carriages.

Currently there are three taxicab franchises authorized by the City to provide taxicab services within the City of Austin: the Yellow Cab Company, Austin Cab Company, and Lone Star Cab Company. Currently, these franchises have a combined fleet size of 669 vehicles that comprise 631 regular and 38 wheelchair-accessible vehicles.

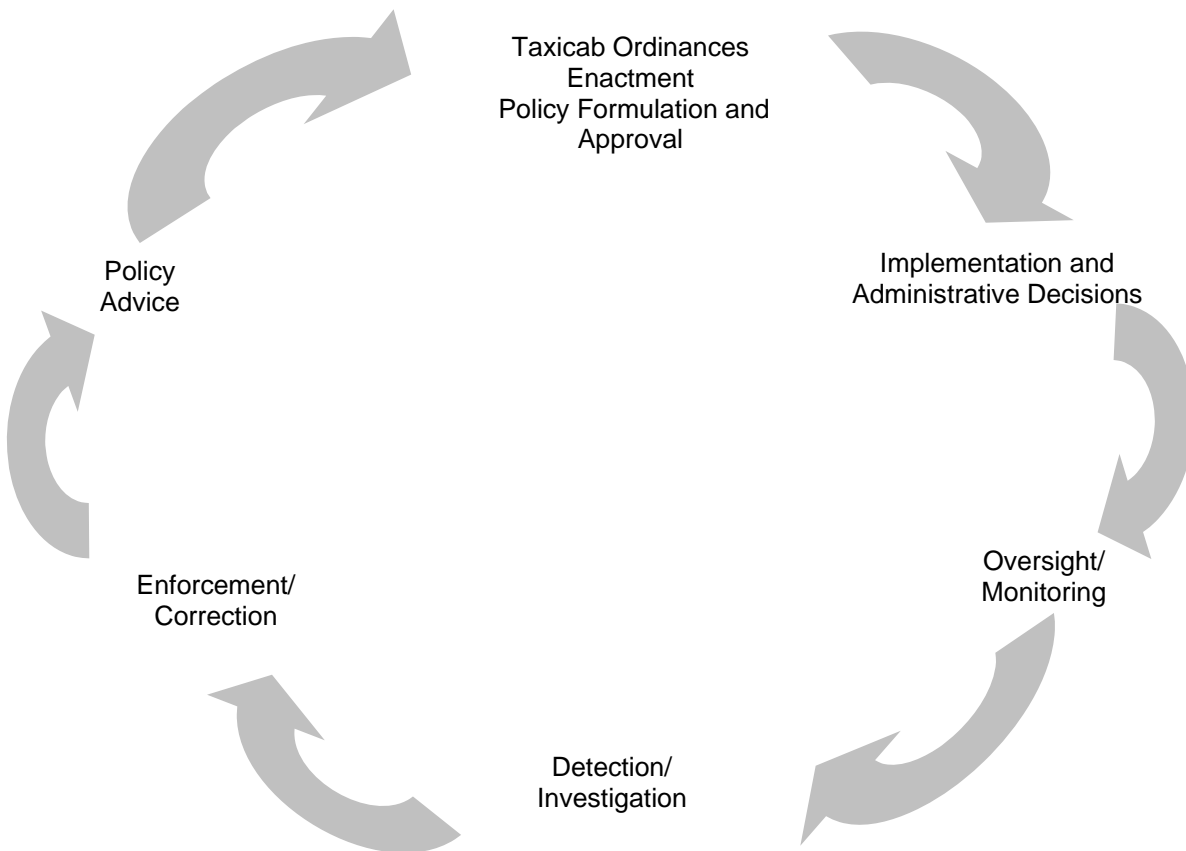
With the dissolution of Roy’s Taxicab Company in June 2006, the City Council awarded 151 permits to Yellow Cab Company (of which 140 were from Roy’s and 11 were new) and 20 permits to Austin Cab Company (of which 8 were from the dissolution of Roy’s and 12 were new). The last time new taxicab permits were awarded was in July 2007, when City Council awarded 55 permits to the new taxicab franchise, Lone Star Cab Company.

During the years 2007 and 2008 taxicabs in Austin provided 260,836 and 286,491 rides out of Austin Bergstrom International Airport (ABIA) respectively.

The taxicab market in the City of Austin includes taxicabs that wait at the taxicab zones (such as those that wait at the ABIA), radio dispatched taxicabs, and cruising taxicabs. Currently the Transportation Department has designated over 30 areas as taxicab zones within the City of Austin.

The City of Austin taxicab permitting process includes controls that are in place to guide taxicab-related activities within the City. Exhibit 3 shows the various activities of the City’s taxicab permitting process.

EXHIBIT 3
City of Austin Taxicab Activities



SOURCE: Compiled by OCA

In March 2007, the City Auditor’s Integrity Unit (CAIU) completed an assessment of selected aspects of the City’s taxicab franchise award process. The report noted that the evaluation of the applicant’s criminal history, experience, and financial position could be improved to be more objective. Specifically, the report documented the following:

- The process did not specify which criminal offenses constituted ineligibility.
- The process did not specify a minimum amount of time that must elapse following a conviction for a particular offense before an applicant could be eligible for a franchise permit.
- The process lacked criteria for evaluating or rating the experience and financial position of the franchise applicants.

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OBJECTIVES, SCOPE, AND METHODOLOGY

Audit Objectives:

The purpose of this audit was to:

- Determine whether the City of Austin’s taxicab permitting process ensures compliance with applicable laws and regulations; and
- Determine how the City of Austin’s taxicab permitting process compares to 13 selected American municipalities.

Scope

The Transportation Department’s Parking Enterprise Division, taxicab permitting process as established in City Code 13-2 Ground Transportation Passenger Services were the main focus of this audit.

Methodology

In order to achieve the objectives of this audit, we:

- Conducted interviews of staff in applicable departments, functions, or programs.
- Obtained and reviewed the City Code, as well as internal policies and procedures relating to the taxicab permitting process.
- Reviewed steps of the taxicab process.
- Obtained and reviewed other relevant taxicab information.
- Obtained and reviewed applicable laws and regulations (Federal, State, and City), contracts, performance reports and other pertinent documents relating to the taxicab permitting process.
- Selected 13 American municipalities to compare the City of Austin’s taxicab permitting process to. We identified cities based on:
 - Taxicab regulation (we selected cities that regulated taxicab activities);
 - Population (we selected cities with a population above 300,000 people, based on the United States 2000 Census and July 2008 United States population estimates data);
 - Prior comparisons performed by the OCA (we selected some cities based on the fact that our office has consistently used these cities as comparable cities in prior audits); and
 - Geographical location (we selected some cities based on their geographical location in relation to Austin).
- Developed and administered a survey to the selected cities and Austin to determine how the other cities’ taxicab permitting processes compare with the City of Austin’s process. The survey was conducted between September 2009 and November 2009. In addition, we reviewed the applicable codes of ordinances for the selected cities.

The cities we surveyed included:

Austin	Charlotte	Portland
Dallas	Denver	San Diego
Fort Worth	Jacksonville	San Jose
Houston	Memphis	Seattle
San Antonio	Milwaukee	

This audit was conducted in compliance with the Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

Taxicab permitting activities in the Vehicle-for-Hire section generally comply with the City Code and applicable policies. However, the group responsible for permitting does not have written procedures to guide activities due to a reliance on the institutional knowledge of employees and the City Code itself. In addition, enforcement of City Code provisions related to taxicabs has not been consistent due to a shortage of resources as well as a lack of coordination among existing resources. Furthermore, survey results indicate that the City of Austin charges lower taxicab related fees than other cities.

While administration of taxicab permitting generally complies with applicable regulations, taxicab permitting policies and procedures, as well as enforcement and cash handling activities, should be strengthened and taxicab related fees should be reviewed.

Administrative activities by the Vehicle-for-Hire section generally comply with City Code. However, the section lacks written procedures for the taxicab permitting activity, which may expose the City to risks including the likely loss of institutional knowledge, inconsistencies in the application of the City Code, customer dissatisfaction, and potential legal challenges. The section also needs to strengthen controls over cash handling and code enforcement. In addition, the City of Austin charges lower taxicab related fees compared to peer cities, which may result in the forfeiture of potential revenue.

Administrative activities by the Vehicle-for-Hire section generally comply with the City Code and applicable policies. As discussed in the background section, the Vehicle for Hire section has two full-time equivalents (FTEs) reporting to a division manager who are tasked with a number of responsibilities. We noted that the Vehicle-for-Hire section staff is complying with the requirements of the City Code related to the issuance and renewal of chauffeur permits and taxicab franchise authority. In addition, based on our visual inspection of a sample of taxicab vehicles, we observed that those vehicles complied with the Code requirements for taxicab vehicles and equipment.

Vehicle-for-Hire section staff is complying with the requirements of the City Code and applicable policies related to the issuance and renewal of chauffeur permits. City Code section 13-2-101 requires a person who desires to drive a ground transportation service vehicle in the City of Austin to obtain a chauffeur's permit issued by the City. The Code lists the requirements for such a permit. Based on a random sample of 30 chauffeur's permit applications out of 523 issued during fiscal year 2009, we determined that the Vehicle-for-Hire section staff generally complied with the requirements of the City Code. Specifically:

- the applicants submitted applications and filed all required documentation,
- the applicants submitted reports that were completed within the applicable time limits defined in the code,
- the applications were stamped as received by the departmental personnel,
- there was evidence of departmental staff review,
- the applicants paid the applicable license fees before chauffeur permits were issued out, and

- there was evidence that the applicants took the required exam before licenses were issued out.

Vehicle-for-Hire section staff is complying with the requirements of the City Code related to taxicab franchise authority. The City Code Section 13-2-303 lists the application requirements for taxicab franchises including the documentation to be filed with the application. We noted that the three franchises submitted written applications to the City Clerk together with all the required documentation, including certifications from insurance companies and criminal convictions and criminal history certified by the Texas Department of Public Safety. The Code also requires the applicant to provide financial statements prepared by a certified public accountant. The financial statements that were submitted by one franchise had not been prepared by a certified public accountant. In addition, Section 13-2-305 requires a taxicab franchise ordinance for each franchise. We verified that there was a valid City Ordinance for each of the three franchises.

Based on inspections of a sample of taxicab vehicles, we observed that vehicles generally complied with the code requirements for vehicles and equipment. City Code Sections 13-2-142 and 13-2-382 list the vehicle and equipment requirements for taxicabs. These requirements include taxicab cleanliness, things that a chauffeur must display in the interior and on the exterior of the taxicab, vehicle color schemes, items that a taxicab should have inside the vehicle as required by safety standards, communication systems, and a sealed taximeter.

Based on our inspection (together with the City's Ground Transportation Enforcement Officer) of a sample of 30 taxicab vehicles, we observed that 28 vehicles generally complied with applicable City Code requirements. We noted that one vehicle had a broken taximeter seal and another vehicle had a dysfunctional trunk lock.

In addition to the above findings, we also noted areas that need to be strengthened in order to address and mitigate risks to the City, which are discussed in the remainder of this section of the report.

While the Vehicle-for-Hire section uses consistent procedures to guide taxicab permitting activities, these procedures are not documented, which exposes the City to risks including the loss of institutional knowledge, inconsistencies in the application of the City Code, customer dissatisfaction, and potential legal liability. Clearly defined, documented, and disseminated procedures allow for proper and consistent handling of operational activities and any issues that arise. They also help by clearly identifying any job constraints and protect against the loss of institutional knowledge.

The section lacks written procedures for the taxicab permitting process. We noted that the Administrative Specialist and the Ground Transportation Enforcement Officer have unwritten procedures in place to guide their respective areas of operation. For example, City Code Section 13-2-15 gives the Ground Transportation Enforcement Officer authority to issue citations to people who do not comply with the Chapter 13-2 code requirements. We observed that the Ground Transportation Enforcement Officer uses discretion while issuing these citations. However, we did not see any written procedures to provide guidance to the officer. Well

documented and clear standard administrative and operating procedures for issuing citations for code violations would clarify when the Ground Transportation Enforcement Officer can, for example, issue a warning versus when the officer has to issue a citation; and would provide more consistency in the application of the code.

We also noted that the Administrative Specialist has a procedure for tracking vehicle permits, vehicle inspection and chauffeur license expiration/renewal dates, and insurance certificates expiration dates, and has developed a system that allows the Administrative Specialist to issue renewal reminders to the respective franchises. In addition, the Specialist has a procedure for tracking citations for both moving and code violations. However, these procedures are not documented.

Causal factors may include section management's reliance on the institutional knowledge of the current employees coupled with the section staff's dependence on the City Code itself. Whereas the City Code states what should be done, procedures should be in place to guide the staff on how to do what the Code requires.

Recommendation:

01. In order to preserve institutional knowledge, the Director of the Transportation Department should clearly define and document procedures for key taxicab permitting activities including implementation and administrative decisions, oversight/monitoring, investigation, and enforcement.

MANAGEMENT RESPONSE: Concur.

Request administrative assistance to document the taxi policies and procedures.

Human Resources will check to see if an employee that is presently on light duty could assist.

The Vehicle-for-Hire section's current cash handling procedures do not ensure that the City's funds are being properly safeguarded. During fiscal year 2009 the Vehicle-for-Hire section collected over \$300,000 for various permit fees. Our review of the Vehicle-for-Hire section cash handling procedures showed that the section's procedures are not in compliance with the City's cash handling policy. For example:

- The two employees use the same drawer and register.
- Both the cash drawer and safe are positioned in a place that is visible to the general public.
- Staff kept funds in excess of \$500 for more than a week before the funds were transferred to the City's cashier.
- Cash deposits in excess of \$1,000 were transported from the Parking Management Division offices to One Texas Center by only the Ground Transportation Enforcement Officer, whereas the City policy requires that such funds should be transported by armored car, security personnel, or two employees.
- The Vehicle-for-Hire section does not have documented procedures for handling cash. The informal procedures currently being used do not ensure compliance with the City's policy.

- When the Ground Transportation Enforcement Officer delivered funds to the city cashier, the Officer did not receive a receipt or any acknowledgment of the transferred funds.
- No security inspection has been done on the facility used for collecting taxicab funds to determine if the place meets the City's minimum security requirements set out by the Austin Police Department.

We verified that all taxicab activity funds collected (for which receipts were issued) and deposited with the City's cashier during the period from October 6, 2008 to September 29, 2009 were reflected in the City's financial system.

Recommendations:

02. In order to ensure that the City's funds collected through the taxicab permitting process are properly safeguarded, the Director of the Transportation Department should ensure that the departmental employees involved in cash handling comply with the City's cash handling policy. Such compliance should include ensuring that the Vehicle-for-Hire section has clearly written and approved procedures in place for cash handling that comply with the City's cash handling policy.

MANAGEMENT RESPONSE: Concur.

Marcy Cardona will create a cash handling policy for Ground Transportation that will comply with the City's cash handling policy.

03. In order to ensure clear and consistent cash handling practices and to mitigate risks to the City of Austin, the Director of Transportation Department should review current staffing levels or find alternative solutions such as reorganizing the current Parking Enterprise division staffing resources in order to pull staffing from other areas in the department to help with duties such as cash handling.

MANAGEMENT RESPONSE: Concur.

Max Minor in the Parking Meter shop has been trained in the cash handling procedure and will assist Ground Transportation with the cash handling procedures.

The taxicab enforcement process may not ensure that only compliant vehicles and chauffeurs operate within the City of Austin, which may impact the safety of customers and compromise the quality of service. The City of Austin has limited enforcement of the code due to insufficient staffing levels and a lack of coordination among the other groups that should be involved in the enforcement of taxicab activities. Based on the survey results of the 13 cities, we noted that other cities conduct after hours or weekend enforcement on a regular basis.

The City of Austin has limited enforcement of the code due to insufficient staffing levels and a lack of coordination among other departments. There is only one full-time Ground Transportation Enforcement Officer who is responsible for ensuring compliance throughout the City. This officer only works five days a week (Monday - Friday) from 8:00 am to 5:00 pm. We noted that there is some limited code enforcement by the Aviation Department's Security and

Ground Transportation Controllers at the airport. However, the services of these controllers are currently limited to the airport area and only include issuing citations for code violations such as expired permits and unlicensed ground transportation vehicles.

The Vehicle-for-Hire section staff informed us that in the past they have provided enforcement on a flex-time and overtime basis, one weekend every month. However, a review of the time worked by the Ground Transportation Enforcement Officer on weekends for the period from January 2009 to October 2009 showed that the officer only worked 18 hours out of the possible 1,920 weekend hours (approximately 1% of the total hours).

In addition to providing enforcement, the Vehicle-for-Hire section's Ground Transportation Enforcement Officer at times performs office administrative duties thereby having to allocate his normal working hours between providing enforcement and performing administrative work. The Parking Division management informed us that such arrangements are caused by the current insufficient Vehicle-for-Hire section staffing and the need for cross-training the two employees.

In addition, the City Code states that other groups, including the Police Department and the Department of Aviation, should be involved in enforcing the taxicab activities in the City. However, these groups are not consistently providing this enforcement. Based on the survey results of the 13 cities, we noted that other cities conduct enforcement after normal business hours and on weekends on a regular basis. The City of Austin conducts less taxicab enforcement than comparable cities. Eight of the 14 cities surveyed conduct after hours or weekend enforcement on a regular basis, as shown in Exhibit 4. However, the City of Austin only conducts such enforcement on an occasional basis. In addition, six of the cities surveyed use their local law enforcement agency to conduct enforcement activities. Consequently, enforcement in the City of Austin is rarely conducted outside of normal business hours (Monday - Friday 8:00 am to 5:00 pm).

EXHIBIT 4

City of Austin Conducts Less Taxicab Field Enforcement Duties than the Cities Surveyed

City	Entity conducts field enforcement duties	City's Police Department actively enforces taxicab code violations	Hours code is enforced in addition to normal business hours	
			Regularly	Occasionally
Austin				Once a month on a Saturday or Sunday during the day
Charlotte			Every Wednesday or Thursday after hours and every Friday or Saturday after hours <i>(Police 24/7)</i>	
Dallas			Saturday 7am-5pm.	
Denver				
Fort Worth			<i>(Police 24/7)</i>	
Houston			<i>(Police 24/7)</i>	Conducts enforcement in conjunction with Houston Police Department during the evenings
Jacksonville				Varies
Memphis			<i>(Police 24/7)</i>	
Milwaukee			<i>(Police 24/7)</i>	
Portland				Evenings/weekends early weekday 4am-6am
San Antonio			Friday and Saturday 4:00pm – 12am. <i>(Police 24/7)</i>	
San Diego			Evening each week	
San Jose				Varies
Seattle			At least one weekend day and one evening during the week.	

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

Due to the limited code enforcement during particular times, drivers and taxicabs that do not meet all the requirements of the applicable City Code could operate taxicab services within the City of Austin including:

- Taxicabs from other cities;
- Vehicles that do not meet the required safety standards;
- Drivers who have performed acts prohibited by the applicable code or who have failed to perform acts required by the applicable code; and
- Drivers who may not have the required qualifications.

Management of the three taxicab franchises expressed their dissatisfaction at the current enforcement process noting that many taxicab code violations happen at night and over weekends including taxicabs from other cities operating without restraint within the City of Austin, vehicles that are not licensed to transport passengers operating freely within the City limits, and taxicabs and other ground transportation vehicles carrying more passengers than allowed by the code. The Vehicle-for-Hire section's management also stated that there is a general lack of enforcement after hours and on weekends.

Recommendation:

04. In order to ensure taxicab customer safety and that the requirements of the City Code Chapter 13-2 are consistently enforced, the Assistant City Manager over the Transportation Department should ensure coordination between Transportation and other departments required by the City Code to provide enforcement or find alternatives to consistently achieve enforcement.

MANAGEMENT RESPONSE: Concur.
City Auditors are discussing this issue with ACM Robert Goode.

Compared to the surveyed cities, the City of Austin charges lower taxicab related fees which may result in the forfeiture of potential revenue. We identified two fees with significant differences between Austin and peer cities: a fee specifically charged to the taxicab entity and the fee for the public passenger transportation license/chauffeur’s license. The City of Austin does not charge the taxicab entity an initial or annual fee to operate taxicabs and charges the lowest public passenger transportation license fee of the cities surveyed.

The City of Austin does not charge the taxicab entity either an initial or annual fee to operate taxicabs; however, the majority of the surveyed cities charge such a fee. Ten of the cities surveyed (71%) charge the taxicab entity either an initial fee or an annual fee to operate taxicabs within the respective cities, as shown in Exhibit 5. Four cities (Austin, Denver, San Antonio, and Milwaukee) do not charge the taxicab entity any fees. Four cities (Jacksonville, Houston, Memphis, and San Diego) only charge the taxicab entity an initial fee. There are six cities (Dallas, Fort Worth, Charlotte, Portland, Seattle, and San Jose) that charge the taxicab entity an annual fee. For the six cities that charge an annual taxicab entity fee, the average fee is \$642 and the median fee is \$328. These fees range from a minimum fee of \$150 (Dallas and Fort Worth) to a maximum fee of \$1,894 (San Jose).

EXHIBIT 5
Austin Does Not Charge an Annual/Initial Taxicab Entity Fee
As Compared to Most Cities Surveyed

City	Taxicab entity annual fee	Taxicab entity initial fee
Austin	\$0	\$0
Denver	\$0	\$0
Milwaukee	\$0	\$0
San Antonio	\$0	\$0
Jacksonville	\$0	\$100
Houston	\$0	\$105
Memphis	\$0	\$500
San Diego	\$0	\$3,000 <i>plus \$300 for each additional permit</i>
Dallas	\$150	\$0
Fort Worth	\$150	\$0
Charlotte	\$155	\$0
Portland	\$500	\$1,500
Seattle	\$1,000	\$0
San Jose	\$1,894	\$0

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

The City of Austin charges the lowest public passenger transportation license fee of all surveyed cities. Public transportation license fees are fees charged to the drivers of taxicab vehicles. All cities except San Diego issue public passenger driver's licenses, as shown in Exhibit 6. The average annual fee for a license is approximately \$60 and the median is \$38. The annual public passenger transportation license fee ranges from \$5 (Austin) to \$200 (Portland). Nine cities charge between \$5 and \$50, three cities charge between \$51 and \$100; and two cities charged over \$100.

EXHIBIT 6
**Austin Charges the Lowest Public Passenger
Transportation License Fee
as Compared to Cities Surveyed**

City	Amount	Number of years valid	Calculated annual amount <i>(rounded to the nearest dollar)</i>
Austin	\$10	2	\$5
Jacksonville	\$49	5	\$10
Fort Worth	\$35	2	\$18
Houston	\$39	2	\$20
Dallas	\$50	2	\$25
San Antonio	\$54	2	\$27
Milwaukee	\$75*	2	\$38
Memphis	\$38	1	\$38
Denver	\$50*	1	\$50
Seattle	\$75	1	\$75
San Diego	\$83*	1	\$83
Charlotte	\$95	1	\$95
San Jose	\$275	2	\$138
Portland	\$200*	1	\$200

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

*This is the initial fee for the permit, renewal fee may vary

Recommendation:

05. In order to ensure that Austin’s taxicab fee structure is appropriate, the Director of the Transportation Department should consider reviewing the current fee structure and making recommendations to Council if changes are warranted.

MANAGEMENT RESPONSE: Concur.

Ground Transportation will review the current fee structure and make a recommendation to City Council for the 2011 budget.

We identified one issue related to the contracts between franchises and drivers that are independent contractors that warrants further consideration. Section 13-2-74 of the City Code requires that before a franchise hires a permittee as a driver on an independent contractor basis, the franchise and the permittee must execute a written contract. The code requires the franchise to indemnify, defend and hold the City harmless from any claims arising from the conduct of the driver; the driver to be insured under the franchise’s insurance policy; and the driver to comply with the requirements of the City Chapter 13-2. However, based on a review of 30 randomly selected contracts, we noted the contracts do not contain any clause to ensure compliance with this requirement.

We noted that the Code currently does not address such protection for the City regarding any taxicab drivers that serve as employees as opposed to independent contractors. In addition, discussion with the City Law Department revealed that such a clause would arise from a relationship between the permittee and the City as opposed to a relationship between the franchise and the permittee. We communicated this issue to the Director of the Transportation Department for further action.

SURVEY RESULTS

In addition to the enforcement and taxicab related fees issues discussed in the Audit Results section, our survey revealed other differences amongst the surveyed cities regarding methods for calculating the necessary number of taxicab permits, staffing levels, and the regulation of taxicab entities.

Methods for determining of the number of necessary taxicab permits differ among the surveyed cities. Of the 14 cities we surveyed (including Austin), 5 use a formula to determine how many taxicab permits should be issued, as shown in Exhibit 7. Six of the remaining nine cities have a system of “public convenience and necessity” which places the responsibility on the applicant to prove to the council or the board the necessity of taxicab permits. This methodology is the equivalent of allowing the market to dictate how many taxicab permits are necessary. In three cities, the council authorizes how many taxicab permits are allowed.

**EXHIBIT 7
Austin Uses a Formula to Determine the
Number of Taxicab Permits that are Necessary**

City	How the number of taxicab permits is determined
Austin	Formula – <i>(calculated every year)</i>
Dallas	Formula – <i>(calculated every quarter)</i>
Houston	Formula – <i>(calculated every 4 years)</i>
San Antonio	Formula - <i>(calculated every year)</i>
Seattle	Formula – <i>(calculated every 2 years)</i>
Charlotte	Public convenience and necessity
Denver	Public convenience and necessity
Fort Worth	Public convenience and necessity
Jacksonville	Public convenience and necessity
Memphis	Public convenience and necessity
San Jose	Public convenience and necessity
Milwaukee	Council set limit ¹ <i>(current limit was set in 1992)</i>
Portland	Council set limit <i>(current limit was set in 1997)</i>
San Diego	Council set limit ² <i>(current limit was set in 2001)</i>

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

¹ Prior to 1992, the number of permits needed was calculated as a ratio of 1 permit per every 1,000 residents.

² However, this limit will be lifted and a formula will be used approximately in the summer of 2010.

Each of the five cities that use a formula for determining the necessary number of taxicab permits includes different variables in the formula, as shown in Exhibit 8. Three cities (Austin, Houston, and San Antonio) include population as a variable in their formula. San Antonio uses population as its only variable. However, Austin and Houston also use taxicab usage at the airport as a second variable. Dallas uses only the total number of passengers at its two airports in

its formula. Seattle’s formula uses the percentage growth in citywide total taxi trips since the previous license issuance.

The frequency of the calculation varies for each of the five cities, as shown in Exhibit 5. Dallas performs its calculation on a quarterly basis whereas Austin and San Antonio perform their calculation annually. Seattle performs its calculation every two years and Houston performs its calculation every four years.

EXHIBIT 8
Austin Uses Population and Taxicab Departures from the Airport in Its Formula to Determine the Number of Taxicab Permits that are Necessary

City	Description of cities’ formula used to determine the number of taxicab permits that are necessary	Frequency of calculation
Austin	Average of the percent of annual change in the population of the City; and the number of taxicab departures from Austin-Bergstrom International Airport	Every year
Dallas	There should be no more than 27 cabs per million enplaning and deplaning customers at Dallas/Ft. Worth International Airport and Dallas Love Field Airport	Every quarter
Houston	Airport taxicab usage factor and population factor	Every 4 years
San Antonio	1 taxicab per 1,700 population of the City	Every year
Seattle	Growth in revenue trips (demand) compared with a base year (last time permits were issued)	Every 2 years

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

In addition to surveying various cities comparable to Austin, our office contacted Dr. Ray Mundy, Barriger Professor of Logistics & Transportation Director, Center for Transportation Studies University of Missouri – St. Louis. Mundy has done extensive work in the ground transportation area, see Appendix B for detailed information about his credentials. Mundy indicated that given existing taxicab technology, actual demand is a more appropriate measure than surrogate measures such as passenger traffic or population. Also, he indicated that calculating the number of permits to serve the demand does not provide information about who should receive these permits (which companies) or how the public's need for service in all geographic areas will be met.

Calculations using other cities’ formulas for the necessary number of taxicab permits yielded a lower number of permits than Austin’s formula. While no particular formula reflects actual demand, we calculated the City of Austin’s necessary number of taxicab permits based on Austin’s formula as well as other cities’ formulas for comparative purposes. City of Austin Code Section 13-2-322 provides the details on how to calculate the necessary taxicab permits (excluding special wheelchair-accessible taxicab permits). Specifically, the Code requires that the annual change in population and the number of taxicab departures from the airport be used to calculate the number of franchise permits each year. See Appendix C for detailed calculations of the number of permits necessary in 2008 and 2009.

Three out of the four formulas used by other cities indicate that Austin should reduce its number of taxicab permits and the other formula indicates Austin should not increase in the number of

permits. For comparison purposes, we calculated the number of taxicab permits necessary in Austin using the formulas of the four cities mentioned in Exhibit 8 above. The results of using San Antonio's, Dallas', and Seattle's formulas indicated that the number of taxicab permits would be decreased using those formulas, as shown in Exhibit 9. The results of Houston's formula indicated that no new permits should be issued. We also used San Antonio's and Dallas' formulas to calculate the number of permits that would be necessary for the other cities in our survey. See Appendix D for additional details on this topic.

EXHIBIT 9
Using Other Cities' Formulas for
Determining the Necessary Number of
Taxicab Permits Yielded a Lower Number
of Permits than Austin's Formula in Most Cases

City	Austin's number of permits necessary based on City's formula	Permits issued	Number of permits to reduce
Austin	622	631 ¹	-9
Dallas	244	631	-387
San Antonio	446	631	-185
Seattle	611	669 ²	-58
Houston	631	631	0

SOURCE: Respective City Code and OCA analysis

¹This number excludes the 38 wheelchair-accessible taxicab permits.

²Seattle's calculation relies on revenue instead of permits.

Austin's taxicab franchises provide monthly total revenue, therefore, we were not able to distinguish revenue between regular taxicab permits and wheelchair-accessible permits, so we used the total revenue.)

Staffing levels among the cities surveyed differ significantly, and Austin's (2.5 FTEs) is below the surveyed cities' average, as shown in Exhibit 10. The average number of FTEs for the 14 cities surveyed is approximately 6.5 FTEs. Staffing levels for the cities range from 1 FTE (Fort Worth and San Jose) to 16 FTEs (Houston), and the median is 5 FTEs. However, because the responsibilities of the taxicab regulatory entities vary, additional information on the activities of the responsible regulatory entity is necessary to conduct a comprehensive comparison among the cities surveyed.

EXHIBIT 10
Austin's Number of Taxicab Permits Issued
per Full-Time Equivalent (FTE)¹ is Higher
than Most Cities Surveyed

City	FTEs	Number of taxicab permits issued	Number of permits per FTE
Jacksonville	7.0	609	87
Memphis	3.0	260	87
San Diego	10.0	995	100
Denver	12.0	1,262	105
San Antonio	8.0	877	110
Charlotte	5.0	600	120
Dallas	14.0	1,839	131
Seattle	5.0	659	132
Houston	16.0	2,270	142
Portland	2.5	382	153
Milwaukee	2.0	321	161
Austin	2.5	631	252
Fort Worth	1.0	255	255
San Jose	1.0	575	575

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

¹Full Time Equivalent are full time City employees

*Because the responsibilities of the taxicab regulatory entities vary, additional information on the activities of the responsible regulatory entity is necessary to conduct a comprehensive comparison among the cities surveyed.

The City of Austin's regulation of the number of taxicab entities differs significantly from the cities that we surveyed. The City of Austin was the only city in our survey that limits the number of taxicab entities. However, approximately 80% of the cities (11 cities) have 25 or fewer taxicab entities, as shown in Exhibit 11. Of these cities, 7 have 10 or fewer taxicab entities and 4 cities have between 11 and 25 taxicab entities (Austin and Fort Worth have only 3 entities each). Three cities have more than 100 taxicab companies, including:

- Milwaukee - 115 taxicab entities,
- Houston - 147 taxicab entities, and
- San Diego - 460 taxicab entities.

EXHIBIT 11
Austin’s Number of Taxicab Entities is One of the Lowest Compared to Cities Surveyed

City	Number of taxicab entities
Austin	3
Fort Worth	3
Denver	4
Seattle	5
Portland	6
Memphis	6
Jacksonville	9
Dallas	13
Charlotte	14
San Jose	15
San Antonio	25
Milwaukee	115
Houston	147
San Diego	460

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

In addition, we identified numerous similarities with how Austin and other cities regulate taxicabs. Specifically, our survey revealed similarities in the following areas:

- entity responsible for issuing taxicab permits,
- taxicab entity re-application duration,
- public passenger transportation license application requirements,
- taxicab inspection(s) required by the city, and
- performance measure reporting.

See Appendix E for details.

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APPENDIX A

MANAGEMENT RESPONSE

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MEMORANDUM

TO: Jason Hadavi, Assistant City Auditor
Henry Katumwa, Auditor in Charge

FROM: Robert Spillar, P.E., Director
Austin Transportation Department

DATE: December 11, 2009

SUBJECT: **Response to Taxi Cabs Permitting Process Audit**

Enclosed please find our response to the subject audit. As suggested, we have used the Action Plan template to comprehensively address each audit recommendation. We concur with all findings.

We trust with this submittal we have addressed the issues and provided you with the necessary information to complete the process. Please do not hesitate to contact me if you should have questions or concerns.

Robert Spillar, P.E. Director
Austin Transportation Department

Approved by: Robert Goode, Assistant City Manager

Signature:

Date: 12/11/09

RS/gp

Attachment

*Delivering a safe, reliable, and sustainable transportation system
that enhances the environment and economic strength of the region.*

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ACTION PLAN
City of Austin Taxicab Permitting Process Audit

Rec #	RECOMMENDATION TEXT	Concurrence	Proposed Strategies for Implementation	Status of Strategies	Responsible Person/ Phone Number	Proposed Implementation Date
01	In order to preserve institutional knowledge, the Director of the Transportation Department should clearly define, document, and disseminate procedures for key taxicab permitting activities including implementation and administrative decisions, oversight/monitoring, investigation, and enforcement.	Yes	Request administrative assistance to document the taxi policies and procedures. Human Resources will check to see if employee is available that is presently on light duty.	Human Resources received a request on 12/9/09.	Marcy Cardona 974-1551	March 2010
02	In order to ensure that the City's funds collected through the taxicab permitting process are properly safeguarded, the Director of the Transportation Department should ensure that the departmental employees involved in cash handling comply with the City's cash handling policy. Such compliance should include ensuring that the Vehicle-for-Hire section has clearly written and approved procedures in place for cash handling that comply with the City's cash handling policy.	Yes	Marcy Cardona will create a cash handling policy for Ground Transportation that will comply with the City's cash handling policy.	Marcy Cardona has begun this process.	Marcy Cardona 974-1489.	January 2010

Rec #	RECOMMENDATION TEXT	Concurrence	Proposed Strategies for Implementation	Status of Strategies	Responsible Person/ Phone Number	Proposed Implementation Date
03	In order to ensure clear and consistent cash handling practices and to mitigate risks to the City of Austin, the Director of the Transportation Department should review current staffing levels or find alternative solutions such as reorganizing the current Parking Enterprise Division staffing resources in order to pull staffing from other areas in the department to help with duties such as cash handling.	Yes	Max Minor in the Parking Meter shop has been trained in the cash handling procedure and will assist Ground Transportation with the cash handling procedures.	Max will begin assisting with the cash handling procedures when the cash handling procedures are finalized.	Steve Grassfield 974-1489	January 2010
04	In order to ensure that the requirements of the City Code Chapter 13-2 are consistently enforced, the Assistant City Manager over the Transportation Department should ensure coordination between Transportation and other departments required by the City Code to provide enforcement or find alternatives to consistently achieve enforcement.	Yes	City Auditors are discussing this issue with ACM Robert Goode.	Discussion took place on December 8, 2009.		

Rec #	RECOMMENDATION TEXT	Concurrence	Proposed Strategies for Implementation	Status of Strategies	Responsible Person/ Phone Number	Proposed Implementation Date
05	In order to ensure that Austin's taxicab fee structure is appropriate, the Director of the Transportation Department should consider reviewing the current fee structure and making recommendations to Council if changes are warranted.	Yes	Ground Transportation will review the current fee structure and make a recommendation to City Council for the 2011 budget.	Process will begin in January 2010.	Steve Grassfield 974-1489	Budget year 2011

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APPENDIX B

**CREDENTIALS OF DR. RAY MUNDY, BARRIGER PROFESSOR OF
LOGISTICS & TRANSPORTATION DIRECTOR, CENTER FOR
TRANSPORTATION STUDIES**

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RAY MUNDY

Dr. Ray Mundy is the Director of the Center for Transportation Studies and the Barriger Endowed Professor of Transportation and Logistics at the University of Missouri-St. Louis. Dr. Mundy currently teaches courses in Supply Chain Management and Transportation. He has more recently authored numerous taxi industry reports for cities such as Miami and Orlando, Florida; Denver, Colorado; Salt Lake City, Utah; Norfolk and Hampton, Virginia; Anaheim and Coachella Valley, California; and Winnipeg, Canada; and co-authored a text on taxicab regulations (Ashgate Press, January 2010). He is currently conducting taxi studies for the cities of Regina and Saskatoon, Saskatchewan, Canada. He is an active lecturer at national transportation and logistics seminars, and is a frequent contributor of articles to trade publications and journals.

Currently Dr. Mundy sits on the editorial review boards of the International Journal of Transportation Planning and Technology and the Transportation Management Journal. He sits on several corporate boards including Forward Air, the largest non-integrated provider of timed-definite air freight.

Dr. Mundy is also the Executive Director of the Airport Ground Transportation Association and Director of the Tennessee Transportation and Logistics Foundation. Dr. Mundy holds a BA and an MBA from Bowling Green State University and a PhD in Business Administration from Pennsylvania State University.

SOURCE: <http://www.umsl.edu/~cts/people/mundy.html> and e-mail correspondence

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APPENDIX C

**CITY OF AUSTIN'S RESULTS FOR 2008 AND 2009
USING AUSTIN'S FORMULA**

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City of Austin's Results for 2008 and 2009 Using Austin's formula

Factors	2006	2007	Difference	Percent Difference	2008	Difference	Percent Difference
ABIA taxi trips	224,566	260,836	36,270	16.15%	286,491	25,655	9.84%
Population	731,044	747,492	16,448	2.25%	770,753	23,261	3.11%
Average percent change				9.20%			6.47%

2008 Calculation		2009 Calculation	
Necessary number of permits calculated based on 2007 data	535	Necessary number of permits calculated based on 2008 data	584
Average percent change in the number of ABIA taxi trips and population from 2006 to 2007	9.20%	Average percent change in the number of ABIA taxi trips and population from 2007 to 2008	6.47%
=Number of additional permits needed for 2008	49	=Number of additional permits needed for 2009	38
= Total number of permits calculated as necessary for 2008	584	=Total number of permits calculated as necessary for 2009	622
Actual number of taxicab permits issued as of January 1, 2008	631	Actual number of taxicab permits issued as of January 1, 2009	631
= Number of permits issued in excess of the calculated number of permits necessary in 2008	47	= Number of permits issued in excess of the calculated number of permits necessary in 2009	9
In addition to the above, the City also issues wheelchair-accessible taxicab permits. Number of wheelchair-accessible permits issued by the City as of January 1, 2008	38	In addition to the above, the City also issues wheelchair-accessible taxicab permits. Number of wheelchair-accessible permits issued by the City as of January 1, 2009	38
= Total actual number of all taxicab permits including wheelchair-accessible permits issued as of January 1, 2008	669	= Total actual number of all taxicab permits including wheelchair-accessible permits issued as of January 1, 2009	669

SOURCE: City of Austin Transportation Department and OCA analysis.

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APPENDIX D

**CITY OF AUSTIN'S RESULTS USING COMPARABLE CITIES'
FORMULA**

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City of San Antonio’s formula for determining the number of necessary taxicab permits

City of San Antonio’s Code Section 33-929 (c) states that:

“All applicants for permits or additional shall be eligible to receive only such additional taxicab permits as are necessary to meet the service needs of the city’s population growth. The number of additional taxicab permits for each calendar year shall be determined by the ratio of one (1) taxicab per one thousand seven hundred (1,700) population within the legal boundaries of the city. The population figure for the city will be based upon the annual population estimate as determined by the planning department as of December 31 of the year preceding the allocation period.”

Using San Antonio’s calculation, 11 cities (includes Austin) would need to reduce the number of existing taxicab permits that each respective city has issued, as shown in Exhibit D.1. Only three cities would need to increase the number of permits that they have issued.

EXHIBIT D.1
Number of Permits that Would be Necessary for Austin and Cities Surveyed
Using San Antonio’s Formula

City	U.S. Census Bureau Population <i>Estimate as of July 2008</i>	Current number of permits issued	Number of permits that should be issued per 1,700 population of the City	Number of permit that would need to increase/decrease using San Antonio Calculation
Dallas	1,279,910	1,839	753	-1086
Houston	2,242,193	2,270	1,319	-951
Denver	598,707	1,262	352	-910
Seattle	598,541	659	352	-307
San Diego	1,279,329	995	753	-242
Charlotte	687,456	600	404	-196
Austin	757,688	631	446	-185
Jacksonville	807,815	609	475	-134
San Antonio	1,351,305	877	795	-82
Portland	557,706	382	328	-54
San Jose	948,279	575	558	-17
Milwaukee	604,477	321	356	35
Memphis	669,651	260	394	134
Fort Worth	703,073	255	414	159

SOURCE: OCA Survey of Peer Cities Taxicab Regulation, United States Census Bureau and OCA analysis

City of Dallas’ formula for determining the number of necessary taxicab permits

City of Dallas’ Code Sec. 45-2.12 (b) state:

“In determining the total number of taxicabs required by the public convenience and necessity, the director shall use the following formula:

$$\begin{array}{l}
 \text{Maximum number of} \\
 \text{taxicabs allowed}
 \end{array}
 = 27 \text{ taxicabs} \quad \times \quad \begin{array}{l}
 \text{Every 1,000,000 airport passengers per} \\
 \text{calendar year (based on combined} \\
 \text{passenger authorized information provided} \\
 \text{by Love Filed Airport and the Dallas-Fort} \\
 \text{Worth International Airport.)}
 \end{array}$$

Out of the 13 cities for which we were able to obtain the necessary data to determine the number of permits that would be necessary based on Dallas' calculation, 4 cities had 27 taxicabs or less per 1 million airplane passengers, as shown in Exhibit D.2. Seven cities had between 28 and 70 (includes Austin) taxicabs per 1 million airplane passengers and 2 cities that had over 100 permits per 1 million airplane passengers. All of the 9 cities that have more than 27 taxicabs per 1 million airplane passengers would need to reduce their current number of permits.

EXHIBIT D.2
Number of Permits that Would be Necessary
for Austin and Cities Surveyed Using Dallas' Formula

City	Number of permits issued	Total number of airport passenger during 2008	Number of taxicabs per one million of passengers	Number of permits the city would need to reduce based on Dallas' formula
Seattle	659	32,196,528	20	0
Denver	1,262	51,245,334	25	0
Memphis	260	10,532,095	25	0
Portland	382	14,299,234	27	0
Dallas	1,839	65,153,979	28	80
Charlotte	600	17,357,993	35	131
Milwaukee	321	7,956,968	40	106
Houston	2,270	50,485,186	45	907
San Diego	995	18,125,633	55	506
San Jose	575	9,717,717	59	313
Austin	631	9,039,075	70	387
Jacksonville	609	6,002,698	101	447
San Antonio	877	8,358,515	105	651

SOURCE: OCA Survey of Peer Cities Taxicab Regulation, respective cities' airport(s) web-site, and OCA analysis

City of Houston's formula for determining the number of necessary taxicab permits

The city of Houston uses a formula called "*taxicab permit adjustment factor*" defined in its City Code Section 46-61 as the average of the population adjustment factor and the airport taxicab usage adjustment factor. If the taxicab permit adjustment factor is a negative percentage or zero, then no permits shall be issued. Houston performs this calculation every four years and this computation is performed on or before September 1.

- A. *Population adjustment factor*: the percentage increase or decrease between the mean annual population and the base year population.
 - o *Mean annual population*: the average of population for the city published by the United States Census Bureau as of June 30 for the three years preceding the permit computation year.
 - o *Base year population*: the average population of the city for the last preceding permit computation year in which the issuance of permits were considered.
- B. *Airport taxicab usage adjustment factor*: the percentage increase or decrease between the mean annual airport taxicab usage and the base year airport taxicab usage.
 - o *Mean annual airport taxicab usage*: the combined number of taxicab passenger trip starts commenced at the airport during the three calendar years preceding each permit computation year.
 - o *Base year airport taxicab usage*: either (1) the average annual airport taxicab usage for the last preceding permit computation in year in which the issuance of permits was considered, or (2) the

mean annual taxicab usage calculated for any preceding permit computation year in which the issuance of permits was considered, wherever is greater.

Austin would not need to increase the current number of taxicab permits based on Houston's formula, as shown in Exhibit D.3.

EXHIBIT D.3
Calculation of Austin's Number of Necessary Taxicab Permits Using Houston's formula

Austin's population adjustment factor:

United States Census Bureau Population Estimates

June 30, 2006	721,694	
June 30, 2007	739,227	<i>(last time permits were issued)</i>
June 30, 2008	<u>727,688</u>	
Average	<u><u>729,536</u></u>	

Difference between mean population and the base year population:

	739,536
	<u>-739,227</u>
	<u><u>309</u></u>

Percentage difference between mean population and the base year population:

$$309/739,227 = \underline{\underline{\mathbf{0.04\%}}}$$

Austin's taxicab usage adjustment factor:

2006	224,566	
2007	260,836	<i>(last time permits were issued)</i>
<u>2008</u>	<u>286,491</u>	
Average	<u><u>257,298</u></u>	

Difference between the mean annual airport taxicab usage and the base year airport taxicab usage:

	257,298
	<u>-260,836</u>
	<u><u>-3,538</u></u>

Percentage difference between the mean annual airport taxicab usage and the base year airport taxicab usage:

$$-3,538/260,836 = \underline{\underline{\mathbf{-1.36\%}}}$$

Average of the population adjustment factor and the taxicab usage adjustment factor:

	0.04%
	<u>-1.36%</u>
Average	<u><u>-0.66%</u></u> <i>(Negative number so no new permits are issued)</i>

City of Seattle's formula

Seattle's municipal Code Rule R-6.310.500.A. states:

1. *Determination of Whether to Issue New Taxicab Licenses. To determine whether additional taxicab licenses are needed to provide efficient and economical taxicab services to the public, the Director shall, at least every two (2) years and not later than April 1, review trends in the most recent taxicab industry operating statistics available including, but not limited to, the following:*
 - (1) *taximeter statistics-annual average and revenue trips per taxicab;*
 - (2) *computer dispatch records - monthly average taxicab service response times by zone and citywide;*
 - (3) *computer dispatch records - monthly average operating hours per taxicab driver and per taxicab vehicle, annual operating hours per taxicab driver and per taxicab vehicle.*
2. *Determination of the Number of New Taxicab Licenses to Issue. The number of new taxicab licenses to be issued, for transportation of ambulatory passengers or passengers in wheelchairs and other mobility devices, shall be determined by considering the following factors reflecting the demand for taxicab services:*
 - (1) *Taxicabs for ambulatory passengers. The principal factor to be considered by the Director in determining the number of new taxicab licenses to issue for the transportation of ambulatory passengers shall be the percentage growth in citywide total revenue trips since the previous license issuance. For the initial issuance of new taxicab licenses, under this rule, the citywide total revenue trips for the most recent 12-month period for which these statistics are available shall be compared with the citywide total revenue trips for 2005. In no case may the number of new taxicab licenses for the transportation of ambulatory passengers exceed 35 in any calendar year nor may the total number of new and existing taxicab licenses for the transportation of ambulatory passengers exceed 850.*

Using Seattle's formula for calculating the number of necessary taxicab permits, Austin would need to decrease the existing number of permits by 58, as shown in Exhibit D.4. In order to calculate the number of permits using Seattle's formula, we used the revenue from the period September 2007 (the first month 669 were issued and used) to August 2008 and compared this period with the following 12 months (September 2008 through August 2009). (Note: The City of Austin's taxicab franchises provide monthly total revenue; therefore, we were not able to distinguish revenue between regular taxicab permits and wheelchair-accessible permits, so we used the total number of permits, 669.)

EXHIBIT D.4
Calculation of Austin's Number of Necessary Taxicab Permits
Using Seattle's Formula

Month and Year	Revenue Collected (not including tips)	Month and Year	Revenue Collected (not including tips)
September 2007	\$3,011,015	September 2008	\$2,830,447
October 2007	\$3,257,783	October 2008	\$3,287,106
November 2007	\$3,525,177	November 2008	\$2,999,195
December 2007	\$3,249,311	December 2008	\$2,865,249
January 2008	\$3,469,033	January 2009	\$2,700,814
February 2008	\$3,365,307	February 2009	\$2,745,805
March 2008	\$3,603,684	March 2009	\$3,407,410
April 2008	\$3,372,947	April 2009	\$2,816,101
May 2008	\$3,174,145	May 2009	\$3,282,487
June 2008	\$2,552,388	June 2009	\$2,536,970
July 2008	\$3,152,945	July 2009	\$3,038,833
August 2008	\$2,785,460	August 2009	\$2,675,440
Average	\$3,209,933	Average	\$2,932,155
Number of permits used	669	Number of permits used	669
Average revenue trips per taxicab	\$4,798	Average revenue trips per taxicab	\$4,383
Revenue collected from September 2008 - August 2009	\$2,932,155		
Revenue collect from September 2007 - August 2008	\$3,209,933		
Reduction in revenue	(\$277,778)		
Reduction in total revenue trips	(\$277,778)		
Divided by the average revenue per trips per taxicab from September 2007 - August 2008	4,798		
Reduction in number of permits	-58		

SOURCE: Seattle's Code and staff, City of Austin's Transportation Department, and OCA analysis

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APPENDIX E

**TAXICAB REGULATORY SIMILARITIES
BETWEEN AUSTIN AND OTHER CITIES SURVEYED**

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We identified numerous similarities with how Austin and other cities regulate taxicabs.

Specifically, our survey revealed similarities in the following areas:

- entity responsible for issuing taxicab permits,
- number of taxicab vehicle permits issued by the cities,
- fee for the annual taxicab vehicle permit,
- taxicab entity re-application duration,
- public passenger transportation license application requirements,
- taxicab inspection(s) required by the city, and
- performance measures reporting.

Entity responsible for issuing taxicab permits

Out of the 14 cities that we surveyed, 12 cities are charged with issuing taxicab permits with only Denver and San Diego being the exceptions. In Denver, the Colorado Public Utilities Commission (PUC) is the entity responsible for regulating taxicab companies within the state. However, the City of Denver performs the other duties that are listed in Exhibit E.1. In San Diego, the Metropolitan Transit System (MTS) Taxicab Administration has contractual agreements with the cities of El Cajon, Imperial Beach, La Mesa, Lemon Grove, Poway, San Diego, and Santee, California to regulate taxicab and other vehicles for hire through June 30, 2013. MTS performs all the duties listed in , Exhibit E.1 except for issuing public passenger driver's license, which is performed by San Diego County's Sherriff's Department.

EXHIBIT E.1
Duties Performed by the Main Entities Responsible for Taxicab Regulations
in Austin and Cities Surveyed

City	Issue taxicab permits	Receive and Investigate Consumer Complaints	Issue public passenger transportation driver's license	Field enforcement of city code specific to taxicabs conducted by		Performing inspection of taxicabs conducted by	
				Entity	City Police Department	Entity	Outsourced to an approved vendor
Austin							
Dallas							
Houston							
Fort Worth							
San Antonio							
Seattle							
Charlotte							
Jacksonville							
Portland							
Milwaukee						²	
San Jose							
Memphis							
Denver	¹						
San Diego ³							

SOURCE: OCA Survey of Peer Cities' Taxicab Regulation (the colored boxes represent activities regulated by each city)

¹ Colorado's Public Utilities Commission is the entity that regulates this activity within the state. However, the City of Denver performs the other duties that are listed in Exhibit 3.

² In Milwaukee, the inspection of taxicab vehicle is performed by the City Police Department.

³ In San Diego, the Metropolitan Transit System (MTS) Taxicab Administration has contractual agreements with San Diego to regulate taxicab and other vehicles.

In addition to being higher than other cities when calculated based on factors such as population and airport trips, Austin’s number of permits issued (631) is above the median number of permits issued, as shown in Exhibit E.2. The average number of permits issued by the cities was 824 with the median as 620. The number of permits issued by the cities ranged from a minimum of 255 permits (Fort Worth) to a maximum of 2,270 permits (Houston).

EXHIBIT E.2
Current Number of Permits Issued
by Austin and the Cities Surveyed

City	Number of permits issued
Fort Worth	255
Memphis	260
Milwaukee	321
Portland	382
San Jose	575
Charlotte	600
Jacksonville	609
Austin	631
Seattle	659
San Antonio	877
San Diego	995
Denver	1,262
Dallas	1,839
Houston	2,270

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

Austin’s annual taxicab vehicle permit fee (\$400) is comparable to the fees of the other 4 Texas cities surveyed and above the average of all cities surveyed, as shown in Exhibit E.3. The average renewal fee for a taxicab permit issued by the cities is approximately \$270. The fee ranged from a minimum of \$50 per permit (Denver) to a maximum of \$600 per permit (Portland).

EXHIBIT E.3
Annual Taxicab Vehicle Renewal Permit Fee
by Austin and the Cities Surveyed

City	Annual vehicle renewal permit fee
Denver	\$50
San Jose	\$98
Jacksonville	\$100
Milwaukee	\$100 ¹
Memphis	\$125
Portland	\$180
Charlotte	\$190
Fort Worth	\$350 ²
Dallas	\$350
Austin	\$400
Houston	\$400
San Antonio	\$400
San Diego	\$450
Seattle	\$600 ³

SOURCE: OCA' Survey of Peer Cities Taxicab Regulation

¹ Vehicle initial permit fee for this City is \$175.

² \$350 includes \$300 for the vehicle permit fee and \$50 for (\$25 semi-annual) for decal fees. Vehicle permit fee for hybrid vehicles is \$200 for this City.

³ Seattle does not charge vehicle permit fee for wheel-chair accessible taxicab.

Taxicab entity re-application duration

Six cities (Charlotte, Dallas, Memphis, Milwaukee, San Jose, and Seattle) require the taxicab entity to reapply every year for taxicab operating authority, as shown in Exhibit E.4. Four cities (Denver, Jacksonville, Portland, and San Diego) require the taxicab entity to only apply once. However, Portland and San Diego require the taxicab entity to update contact and vehicle information annually. The remaining four cities (Austin, Fort Worth, Houston, and San Antonio) each have different intervals when the taxicab entity should reapply.

EXHIBIT E.4
Taxicab Entity Re-application Duration
for Austin and the Cities Surveyed

City	Re-application duration
Charlotte	Annually
Dallas	Annually
Memphis	Annually
Milwaukee	Annually
San Jose	Annually
Seattle	Annually
Houston	Every 10 years
San Antonio	Every 2 years
Fort Worth	Every 3 years
Austin	Every 5 years
Denver	Only applies once
Jacksonville	Only applies once
Portland	Only applies once <i>(however provides an annual statement contact information)</i>
San Diego	Only applies once <i>(however provides an annual statement contact information)</i>

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

Public passenger transportation license applicant requirements

All cities require a background check as well as a formal written test for taxicab driver applicants, as shown in Exhibit E.5. In addition, eight cities require drug testing and four cities require a comprehensive medical/physical exam. Eight cities require the completion of a driver training course regardless of whether the driver has received a citation in the past. In addition to a written test, Portland also requires an applicant to take a customer skills test. Charlotte and Denver require applicants to submit character references.

EXHIBIT E.5
Public Passenger Transportation License Applicant Requirements
for Austin and the Cities Surveyed

City	Number of years valid	Background check	Written test	Medical test	Drug test	Training or defensive driving <i>(regardless of citation)</i>
Austin	2					
Jacksonville	5					
Fort Worth	2					
Houston	2					
Dallas	2					
Milwaukee	2					
Memphis	1					
Denver	1					
San Antonio	1					
Seattle	1					
San Diego	1					
Charlotte	1					
San Jose	2					
Portland	1					

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

Taxicab inspections

All cities except Denver conduct regular taxicab inspections, as shown in Exhibit E.6. In Denver, the PUC performs full in-house safety audits on the taxicab companies across the state periodically to review items such as driver qualifications and vehicle maintenance records. When a taxicab company comes up for a complete safety audit, then a sample of that particular company's taxicabs is targeted for inspections. Of the 13 cities that conduct regular taxicab inspections, 10 perform their inspections in-house. Dallas also requires taxicabs to be inspected by an approved, outside vendor, in addition to their in-house inspection. Milwaukee has their taxicabs inspected by the License Investigation Unit of their police department. Of the 13 cities, 8 of the cities require 1 city inspection and 4 cities require 2 city inspections. However, Jacksonville requires three city inspections, but it should be noted that the state of Florida does not conduct state inspections.

EXHIBIT E.6
Number of Scheduled City Inspections During the Year and the Type and Frequency of Vehicle Inspection Performed by the State for Austin and the Cities Surveyed

City	Number of scheduled City inspections during the year	Type and frequency of vehicle inspection performed by the state
Denver	0 ¹	Biennial emission testing
Austin	1 (outsourced)	Annual safety & emission testing
Charlotte	1 (outsourced)	Annual safety & emission testing
Houston	1	Annual safety & emission
Milwaukee	1 ²	Biennial emission testing
Portland	1 (outsourced)	Annual emission testing
San Diego	1 ³	Biennial emission testing
San Jose	1	Biennial emission testing
Seattle	1	Biennial emission testing
Dallas	2 (1 inspection outsourced and 1 inspection performed in-house)	Annual safety & emission testing
Fort Worth	2	Annual safety & emission testing
Memphis	2	Annual safety & emission testing
San Antonio	2	Annual safety & emission testing
Jacksonville	3	NONE

SOURCE: OCA Survey of Peer Cities Taxicab Regulation

¹Denver's Public Utility Commission performs full in-house audits on the taxicab companies across the state periodically to review items such as hours of service, driver qualifications, and maintenance records.

²Performed by the City Police Department

³Taxicabs are on an intensive program and can be inspected any time depending on the taxicab company's pass rate the fewer inspections.

Performance measures reporting

Out of the 14 cities surveyed, only 2 cities (Seattle and Dallas) have performance measures related to taxicab activities. The City of Austin and 11 other surveyed cities do not calculate and report taxicab-related performance measures.

Seattle's performance measures include:

- Number of violations issued by licensed taxicab,
- Number of collisions per licensed taxicab,
- Number of passenger complaints per licensed taxicab, and
- Average service response time.

Dallas' performance measures include:

- Percentage of convictions on citations issued,
- Percentage of complaints resolved within 15 days, and
- Average cost for transportation regulated services.