



STAFF REPORT

Meeting Date: December 2, 2014

To: Honorable Mayor & City Council

From: Chad Lynn, Assistant Director of Public Works Services
Genevieve Row, Audit and Permit Administrator
Daniel E. Cartagena, Senior Management Analyst

Subject: Review of the Beverly Hills Taxicab Franchise Request for Proposal (RFP)
Review Panel Recommendations, Evaluation Process and Proposed
Changes with Respect to Matters Governing Taxicab Service

Attachments:

1. Request for Proposal #14-36, Appendices, Addendums and Proposed Questions/Answers
2. Beverly Hills Taxi Service Study
3. Taxicab Economic Study
4. Staff Report - March 4, 2014 Study Session
5. Review Panel - Individual Panelist Scoring Sheet
6. Proposed Taxicab Rules and Regulations and Regulation Schedule of Penalties
7. November 16, Request for Delay Taxi Agenda Items
8. November 18, Public Records Request

INTRODUCTION

The City of Beverly Hills currently regulates taxi companies, vehicles and drivers delivering services to residents and visitors for trips originating within the City limits through the issuance of Certificates of Public Convenience and Necessity (CPCN). This report presents recommendations for converting taxi operations in the City from the current system to a Franchise system.

This item was scheduled for Council consideration at the November 18, 2013 meeting and the Council continued the matter to this meeting to allow for consideration of questions raised in the letters (Attachments 7 and 8) received November 16th and 18th. The report addresses questions raised and transmits alternative proposals/requests submitted to staff.

BACKGROUND

In response to concerns about taxi services in our community, staff was directed to examine the comprehensive taxicab market and service levels provided to residents and visitors in the City. Nelson/Nygaard Consulting Associates was selected to conduct a comprehensive study of the City's taxi market and provide organizational and operational recommendations.

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The baseline goals and objectives of the City's regulatory system were established as follows:

- Protect the Health, Welfare and Safety of taxicab users
- Maintain the current taxicab rates marginally below the region and surrounding jurisdictions
- Hold taxicab companies accountable for vehicles owner/operator actions
- Improve technology, including dispatch, ordering and payment options
- Improve customer service levels
 - Equipment functionality
 - Proper rate and route applications
 - Customer assistance - people and cargo
- Maintain availability and response time of taxicab service
- Maintain customer alternatives - more than one choice of service provider
- Minimize disruption to residents, businesses, visitors and taxicab customers

In its study, Nelson/Nygaard recommended modifications to the City's method of regulating taxicabs to be consistent with the service goals and objectives established by the City. The study concluded and recommended conversion from a CPCN to a Franchise system. This provides the City greater ability to require reporting, enforce taxi rules and regulations, create accountability for companies of owner/operator performance, and incentivizes improvements to technology, accessibility and sustainability practices (green practices). The Franchise system creates a competitive process to gain access to the Beverly Hills taxi market, creating economic and management incentives for companies to maintain higher service levels and provides a method for the City to fund these activities.

The specific findings and recommendations were presented to the City Council and staff was directed to proceed with the development of a taxi franchise program. Below is a chronology of those efforts to date:

- October 2012 – City's Consultant Completes the Taxicab Service Study
- February 5, 2013 – Study Session - Staff Transmits Study Recommendations
 - Receives direction to proceed with a Taxi Franchise RFP
 - Estimated time to conversion was 12-18 months
- May 7, 2013 – Formal Meeting – Approve an Agreement with the Nelson/Nygaard Consultant Associates for development of the taxi Request for Proposal (RFP)
- February 18, 2014 – Study Session – Review of Draft RFP
 - Requested Return at the Study Session of March 4, 2014
- March 4, 2014 - Study Session - Review Proposed RFP and preliminary draft changes to the Beverly Hills Municipal Code
- May 28, 2014 - Release of the RFP
- June 2, 2014 - Pre-proposal Conference Call with prospective proposers
- June 16, 2014 - Close of Proposer Requests for Information and Questions
- July 1, 2014 - Sealed Proposals due to City Clerk's Office
- August 6 & 14, 2014 - Public Forums to discuss taxicab service needs
- July 17 & 31, August 25, September 10, 2014 – Taxi Review Panel meetings
- November 18, 2014 - Study Session - Presentation Taxicab Franchise Program recommendations
- November 18, 2014 – Formal Meeting – Ordinance to Amend the Beverly Hills Municipal Code to include Taxicab Franchises; Resolution to Amend Comprehensive Schedule of Fees and Charges related to Taxicab Franchise Fees; and Approval of Franchise Agreements: Continued to December 2, 2014

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- December 2, 2014 – Study Session and Formal Agenda Items Continued from the meeting of November 18, 2014

At the Study Session of March 4, 2014, staff was directed to release the Taxicab Franchise Request for Proposal (RFP) and return with proposed changes to the Beverly Hills Municipal Code (BHMC), updates to the Rules and Regulations, updates to the Schedule of Fees and Charges related to the taxicab franchise program and recommendations for the award of franchises to four (4) qualified taxicab companies, and up to 200 taxicab vehicles to be distributed between the franchisees.

DISCUSSION

To change the regulatory system for taxicab service from a CPCN to a Franchise system, a number of steps are required. These steps include changes to the BHMC, updates to the Schedule of Fees and Charges to reflect the costs associated with the franchise program, updates to the rules and regulations for the taxicab program and execution of agreements with companies awarded a franchise.

Proposed changes to the Beverly Hills Municipal Code (BHMC)

The proposed changes to the Municipal Code are primarily found in Chapter 4 - Public Transportation Vehicles. Though there are areas in the articles below that mirror the current regulation through the CPCN, changes are proposed to allow for the Franchise system, details of which are shown in Legislative Digest , attached to Agenda Item F-2 of the Formal Agenda of December 2, 2014. An outline of the significant changes is as follows:

- Addition of Article 1 - Taxicab Franchises
 - Removes language related to the CPCN for the regulation of taxicab services
 - Establishes language related to the award of Franchises through the use of competitive 'Request for Proposals' and a committee to make recommendations regarding awards to the City Council
 - A company that has had its franchise revoked shall be prohibited from competing for a franchise for a period of three (3) years
 - Establishes an initial five (5) year term for the Franchise Agreement, with five (5) optional one-year extensions at the discretion of the City for a total term of up to ten (10) years
 - Traffic & Parking Commission recommends term extensions to the City Council for approval
 - Updates the definition of a 'Taxicab'
 - Requirement for franchisees to maintain a physical location for business operations within 20 miles of the City, defined by the most direct street route
 - Requirement for credit card acceptance and supporting infrastructure
 - ADA compliance requirements
 - Method for the addition of additional taxicab companies or taxicab vehicles
 - Competitive selection process; and/or
 - Preference provided to companies with the highest service scores
 - Requires notification and approval for change of ownership interests to current franchise holders
 - Requires the maintenance and access to written and electronic records of operations provided to the City
 - Evaluations, Grounds for Suspension, Revocation or Sanctions
 - Failure to meet reporting or service quality standards
 - Staff recommends to the Traffic & Parking Commission
 - Traffic & Parking Commission takes action

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- Actions are appealable to the City Council
 - Establishes environmental goals (Green Vehicles)
- Article 2 - Taxis and Other Public Transportation Vehicles to include the following amendments:
 - Largely 'clean-up' language replacing CPNC language with Franchise language
 - Clarifies language related to how vehicle age is defined. Reflects 8 years for regular vehicles and 10 years for ADA accessible vehicles, based on the vehicle's model year
 - Requires an approved mechanics inspection after 5 years of age
 - Establishes standards for decals, vehicle color schemes, in-vehicle taxi terminals, non-smoking requirements, and limitations on the ability of a company or driver to refuse transportation
 - Updates vehicle insurance provisions to match current City standards
- Article 3 - Operator's Permit. Amendments are proposed to:
 - Largely 'clean-up' language replacing CPNC language with Franchise language
 - Establishes baseline communication standards
 - Requires 'sponsorship' of a driver by a Franchisee
 - Expires the existing permit if the driver leaves or is removed from service by the current employer and requires reapplication/transfer by the driver

Schedule of Taxes, Fees & Charges

The City currently has fees established for the taxicab companies, which include annual vehicle permits and three-year operator permits (drivers). As part of the establishment of the Franchise program, it was recognized that additional oversight and administration would be required to ensure compliance with both the terms of the Franchise agreement and the City's rules and regulations related to taxicab services. To ensure this program would recover 100% of the related costs and services, the following changes were recommended:

Proposed Rates

	Taxicab:	Current FY 2014/15	Proposed FY 2014/15
	Certificate of Public Necessity and Convenience	No Charge	N/A
14-R-XXXX	Franchise Fee per Year	N/A	\$ 5,000.00
7-4-301	Taxicab Operator's Permit		
	New (3-year)	\$ 165.00	\$ 165.00
	Renewal	\$ 165.00	\$ 165.00
	Transfer Fee	\$ 82.00	\$ 82.00
	Vehicle Permit		
7-4-201	Per Vehicle per Year	\$ 922.00	\$ 1,142.00
7-4-210	Replacement of Permit	\$ 82.00	\$ 82.00
7-4-216	Reinspection Fee for all Failed Inspections	\$ 82.00	\$ 82.00

The City does not currently have a fee, annual or otherwise, associated with the holding of the Certificate of Public Necessity and Convenience, the program currently used for Taxi operations is the City. As part of the franchise program, an annual franchise fee is recommended for each service provider. The fees related to Taxicab Operators are recommended to remain the same and the fees associated with Vehicle permits are

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recommended for update to reflect the costs associated with the franchise system. The fees groups are as follows:

- Franchise Fees – these fees are charged to the taxicab company to cover the overall administration of the taxicab franchise program, including reporting and enforcement of system wide practices and performance
- Taxicab Operators Permit – these fees are assessed to each driver. A driver may be an owner/operator or may lease a vehicle from an owner/operator. This fee covers the cost of background checks, ongoing monitoring and various enforcement activities
- Vehicle Permits – these fees are assessed to each vehicle permitted to operate in Beverly Hills and covers the costs associated with annually inspecting each vehicle, permit decals, and various enforcement activities

The fees have been recommended to recover the costs associated with the following:

- Enforcement
 - Existing Parking Control Officers
 - Establishment of the Audit and Permit Administrator position to oversee Taxi services and compliance
 - This position will also oversee valet permitting and potential misuse of residential Preferential Parking Permits
- Oversight of the franchise program
 - Franchise Agreement Management and Compliance
 - Annual Evaluations
 - Permit Actions (extension, suspension, revocation, etc.)
- Auditing and evaluation of taxi company data
- Drive testing, vehicle permits, and operator permits
- Community Outreach
- Customer Service (Respond to Customer Complaints/Concerns)
- Future Taxicab Franchise RFP and selection processes

The City currently permits three (3) taxicab companies which have a total of 131 taxicab vehicles in service. The table below shows the revenues based on the Taxi Review Panel's recommendation of four (4) taxicab companies and a total of 171 taxicab vehicles in service:

Current Certificate Program Revenue				
			Per Permit	
131	Operators Permits		\$ 165.00	\$ 21,615.00
131	Vehicle Permit		\$ 922.00	\$ 120,782.00
Total				\$ 142,397.00
Franchise Program Review Panel Recommended Program				
4	Taxicab Franchise		\$5,000.00	\$ 20,000.00
171	Operators Permits		\$ 165.00	\$ 28,215.00
171	Vehicle Permit		\$1,142.00	\$ 195,282.00
Total				\$ 243,497.00
Difference from Certificate to Franchise				\$ 101,100.00

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In addition to the fees and charges associated with general operations, it is recommended that specific penalties, as listed in Attachment 6, be adopted for violations of the taxicab Rules and Regulations. These penalties are recommended to both incentivize compliance and to recover costs associated with enforcement.

The penalties listed on Page 31 of Attachment 6, include a table reflecting the escalation of cost for violations in two manners. The first is the severity of the violation. Violations that have greater impacts to the health, welfare and safety of the rider and community have greater penalties associated with them. The table shows the escalation moving down the table from 'Schedule A' violations to 'Schedule D' violations. The schedule of the penalty (A, B, C, or D) corresponds to each rule/regulation as listed in the Rules and Regulations. The second method of escalation in the table reflects an escalation based on multiple violations of the same rule/regulation. This is shown moving horizontally across the table. If a violation is repeated (first, second, third and public safety), the penalty increases for each successive violation.

For each violation associated in the table, a fine has been established for both driver/vehicle and for the Franchises. Although the goal of this penalty schedule is to create accountability for the franchisee in addition to the driver/vehicle, based on the type and nature of the violation, a specific penalty for a specific incident may not warrant or be eligible for issuance to both parties.

Implementation of this penalty schedule seeks to address taxi service which includes customer service, response times, activity requirements, taxi swipe cards (senior cards), credit card acceptance, and customer assistance; people, cargo, and driver appearance and conduct. The penalty schedule is proposed based on a methodology used for the City of Los Angeles and the City of Santa Monica.

RFP and Recommendations for Franchise Awards

At the Study Session of March 4, 2014, staff was directed to release the Taxicab Franchise Request for Proposal (RFP). RFP 14-36 was released on May 28, 2014 (Attachment 1). This included establishing a review panel to include residents and community members to select and recommend four (4) qualified taxicab companies and consider up to 200 taxicab vehicles to serve the taxicab market in the City of Beverly Hills.

At the direction of the City Council, staff solicited the Traffic and Parking, Human Relations, and Health and Safety Commissions, requesting the Chair appoint a member of the Commission to serve on the Taxi Review Panel. City Council member referrals and a member of the City's Technology Committee were also contacted. This provided diverse views from stakeholders and community members for the selection process.

The following Commission, Committee and community members agreed to serve as part of the Taxi Review Panel:

- Health & Safety Commissioner Lisa Kay Schwartz
- Health & Safety Commissioner Myra Demeter
- Traffic and Parking Vice Chair Lester J. Friedman
- Former Human Relations Commissioner Barbara Linder
- Technology Committee Member AJ Willmer

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The Taxi Review Panel was supported by the following ex-officio, non-voting panel members in addition to City staff (not all ex-officio members were present at all panel meetings):

- Staff of Nelson/Nygaard Consulting Associates, Inc.,
- David Koffman, Nelson Nygaard
- Jeanine Brands, City of Los Angeles, Department of Transportation (DOT) Taxi Regulation Division

On May 28, 2104 the City released an RFP to select and recommend taxicab service providers for award of franchise agreements. In its outreach efforts Staff sent emails to nine (9) interested taxicab operators inviting them to submit proposals. A pre-proposal conference was held on June 2, 2014 with nine (9) attendees representing seven (7) taxi companies. Companies were then directed to the City's website for additional details of the RFP. Companies were advised of the deadline to submit sealed proposals by July 1, 2014 at 2:00 p.m. A total of five (5) proposals were received (listed in alphabetical order) from:

- Bell Cab Company
- Beverly Hills Transit Coop. Inc. (BH Cab)
- Independent Taxi Owners Assoc. (ITOA)
- LA Checker Cab Co-Op, Inc.
- United Independent Taxi

Upon receipt of proposals staff sent confirmation emails to taxi companies indicating receipt of the proposals. Emails were also sent to taxi operators confirming that the City did not receive a proposal from their company.

To be considered for award of a Franchise, the following minimum requirements were considered:

- Completion of all required forms, including:
 - Proof of Financial Liability (Equity Funding, Debt Funding)
 - Proof of Identity (Articles of Incorporation, Board of Directors, Officers, Principal Stockholders)
- Ability to provide and maintain the minimum number of vehicles (25 recommended)
- Ability to meet all technical requirements, including:
 - 24-hour dispatch
 - digital service and request tracking
 - digital taxicab activity and location tracking
 - credit/debit card equipment and procedures
 - taxicard payment plan (senior citizen program)
- Ability to meet minimum accessibility requirements
- Ability to provide Green Vehicles as regionally defined (State of California and City of Los Angeles)
- Must maintain an existing servicing and storage facility within 20 miles of Beverly Hills City Hall

Nelson/Nygaard reviewed submitted materials to ensure each proposer met the minimum qualifications for providing taxi service as outlined in the RFP. It was determined all five (5) submitted proposals met the minimum qualifications and would be evaluated, interviewed and considered for award of a franchise opportunity.

The evaluation criteria by which the written proposals and interviews were assessed were established in the RFP as follows:

15%	Experience, including in and/or around Beverly Hills, and quality of service
15%	Key Management Staff - Experience, Qualifications, Character
30%	Management Plan, Organizational Structure, Quality Assurance Plan, Customer Service Training Programs
15%	Infrastructure, Facilities and Equipment
10%	Financial Stability and Capacity to Meet Commitments
15%	Enhancements: Ex. 'Green' Vehicles, Payment/Order Options, Others
100%	TOTAL

Enhancements to be considered were those services which may not be required or may exceed the minimum required service level. For instance, providing smartphone applications for ordering and/or payment of services was not a required service, but were desirable and a benefit to the community.

Throughout the taxicab study and selection program, public outreach was conducted to assist the Taxi Review Panel with understanding the features and services that were important to the community. Two Public Forums were conducted by the Taxi Review Panel to allow for open discussion regarding taxicab services. Forum attendees were encouraged to participate and provide their input regarding their current taxi service experience and what they would like to see in the future. These forums allowed the review panel, which was not impaneled when the residential taxi service surveys were conducted, to hear and discuss in-person, the concerns and perspectives of community members. The forums were held as follows:

- August 6, 2014 - at Roxbury Community Center. Dial-A-Ride Shuttle service was offered. Sixteen (16) community members attended meeting.
- August 14, 2014 - in City Hall. Facilitated by the Review Panel. Adina Ringler, from Nelson/Nygaard and City staff were also present

Notification of the Public Forums was provided as follows:

- Taxi Forum Postcards "Speak Up and Be Counted"
- Mailing to 965 Senior Taxi Swipe Card members
- Mailed to Senior Housing in Beverly Hills
- Delivered to Sunrise of Beverly Hills, BH Market, Whole Foods Market
- Notice published in Beverly Hills Courier – August 1, 2014
- Notice published in Beverly Hills Weekly – August 6, 2014
- Announcement at the City Council Adjourned Regular Meeting of Tuesday, August 5, 2014

The Taxi Review Panel conducted interviews with the proposers on August 20, 2014. Each company was required to bring the General Manager, Operation/Fleet Manager, Information Technology Manager, Taxi Operator (non-member), Board Member, and Customer Service/Dispatch Manager. The interview sought additional information related to customer service, accepted payment methods (credit cards or smartphone apps), reporting ability, technology and proposed enhancements.

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As outlined in the RFP, the panel was not limited to the information in the proposals, but could use other data as provided by other jurisdictions, random use of proposers' services by the panel members, "secret shopper" services and/or information provided by taxi riders.

The City conducted a Taxi Customer Service Audit using a 'secret shopper' service. The objective of this evaluation was to provide a current assessment of services of each of the taxicab companies that submitted proposals. The shopper assessed and observed all points of a taxicab service model. The shopper affirmed a common complaint that all five taxi companies overcharged for the flat rates to LAX whether the trip originated in Beverly Hills or Los Angeles and generally concluded that no company stood-out in the exercise, positive or negatively.

Additionally, the Panel was provided a report compiled by the City of Los Angeles establishing ratings and service levels for taxi service for the adjacent Westside market, which included all five proposing companies.

Based upon the submittals, interviews, public outreach, information gathered, and deliberations, the Taxi Review Panel established the following ratings:

	Bell Cab Company Inc	Beverly Hills Transit Corp. Inc	Independent Taxi Drivers Assoc	LA Checker Cab Group Inc	United Independent Taxi
Company Experience	70	56	54	50	49
Key Mgmt & Admin Staff Experience & Qualifications	71	64	64	47	58
Management Plan	118	93	88	68	83
Taxi Facilities & Equipment	71	59	56	50	67
Beverly Hills START-UP Plan	20	19	20	17	16
Financial Stability	30	30	20	20	30
Enhancements & Innovations	63	58	58	51	53
Grand Total	443	379	360	303	356

To gain a greater perspective of the impacts of the range of ratings, the calculation is often tested against striking specific scores from the ratings. The table below shows the ranking under four different calculation methods; As-Is, Strike High, Strike Low, Strike High/Low. As-Is represents the raking as scored by the panel. Strike High represents the removal of the highest score in each rating, while Strike Low represents the removal of the lowest score in each rating. The Strike High/Low represents the removal of the highest and lowest score in each rating.

Company	As-Is	Rank	Strike High	Rank	Strike Low	Rank	Strike High/Low	Rank
Bell Cab	443	1	347	1	364	1	268	1
Beverly Hills Cab	379	2	291	2	319	2	231	2
Independent Taxi Owners Association (ITOA)	360	3	269	4	309	3	218	3 (tie)
LA Checker Cab	303	5	227	5	261	5	185	5
United Independent Taxi	356	4	272	3	302	4	218	3 (tie)

When calculated using each of these methods, the number one (Bell Cab) and number five (LA Checker) ranked companies maintained these rankings. The number three and four ranked companies (ITOA and United respectively) did change rankings, including producing a tied ranking for number three in the Strike High/Low calculation. While the numeric difference was reduced in these calculations, the percentage of the point gap shifted only nominally between each ranking in each scenario. The changes in the number 3 and 4 ranked companies demonstrated with these calculations mirror the Taxi Panel’s deliberative process related to the ratings and reflect the consensus reached in the final recommendation.

The Taxi Review Panel reviewed the taxi service study while deliberating about recommendations for the award of franchises. The Panel specifically considered the historic performance of the taxi market related to the number of taxicabs in service and the general response times for service calls.

As stated in the Taxicab Service Study, response times and the availability of taxicabs in Beverly Hills were generally good, and in some cases superior to surrounding areas.

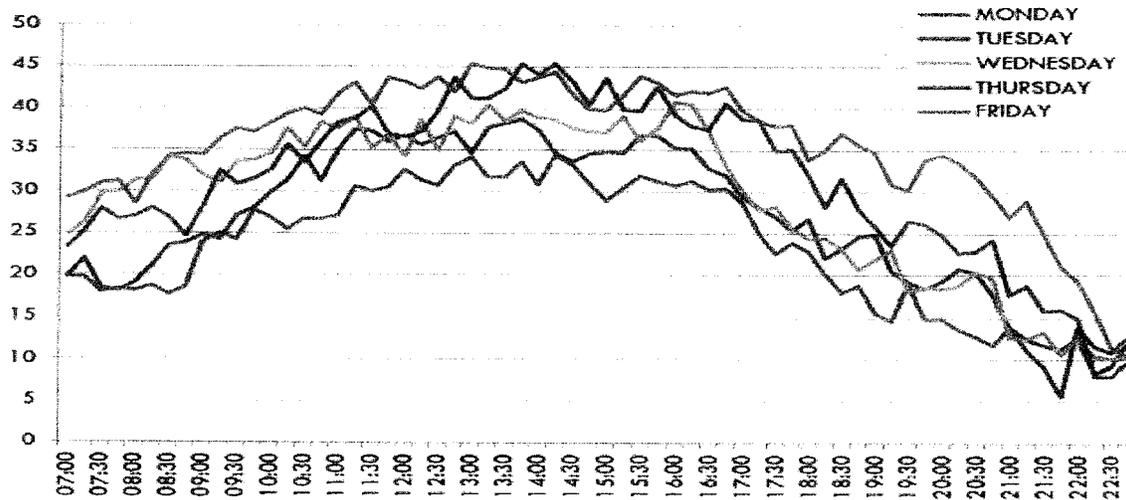
- Response Time
 - 93% of taxicabs arrived within 20 minutes of a call for services
- Availability
 - At all times of day, there was an adequate supply of unengaged taxicabs available to service demand

As presented in March, the graph below illustrates taxicabs that are in-service and available for engagement by day of the week and time of day. The graph indicates currently there are generally plenty of available taxicabs to serve the City’s market during peak hours. The graph shows declining availability during early and late evening hours when there is a lack of demand in the City’s market and an increase in demand in the neighboring jurisdiction of West Hollywood, where the City allows dual permitting. These outcomes suggested the

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current policy of three (3) taxicab companies and approximately 150 permitted vehicles was producing positive results related to the availability of service.

Figure-1 Number of In-Service taxi Not Engaged by Time of Day



Since this study was concluded, the taxi industry has reported a reduction in the demand for taxicab services by as much as 25%, largely attributed to Transportation Network Providers (TNPs) such as Uber, Lyft and Sidecar. Additionally, the number of taxis permitted for the 2014/15 operating year has dropped from approximately 150 to 131 taxicabs serving Beverly Hills.

Based on the changing nature of the taxi market, the Panel expressed concern that City Council's request for 200 vehicles may not necessarily provide greater levels of service to the community. While the Panel generally supported the concept of providing a fourth taxicab service provider, allowing the community an additional choice of companies, the Panel was also cautious that introducing more vehicles could create a saturation of available taxicabs. As cited in the original taxicab service study, in neighboring jurisdictions the saturation of taxicabs within a defined services area has actually demonstrated a reduction in service and in an increase in customer dissatisfaction. Furthermore the policy of increasing the number of vehicles in service without a demonstrated need for additional vehicles, would serve to exacerbate current complaints about vehicles illegally parking and impacting neighborhoods while waiting for fares.

The Review Panels recommendations attempts to balance the benefits and impacts of the franchise award to provide the best anticipated results related to both availability of service and an improved customer and community experience. At the completion of its deliberations the Panel recommended the following service providers (listed in order or ranking by the Panel) for award of a Franchise Agreement, along with the number of taxicab vehicles associated with each franchisee:

Taxi Review Panel Recommendation

Taxicab Company	Taxi Company's Vehicle Permits Requested in Proposal	Current Vehicle Permits	Review Panel Proposed Vehicle Permits
Bell Cab Company, Inc	40	N/A	40
Beverly Hills Taxi Coop, Inc	60	60	60
Independent Taxi Owners Asso	60	43	43
United Independent Taxi	50	28	28
Total	210	131	171

This recommendation reflects the award of franchises to one new service provider, Bell Cab Co. with 40 taxicabs along with the three (3) current service providers based on the number of taxicabs each had in service at the time of the recommendation.

Franchise Agreements

At the Study Session of March 4, 2014 the City Council reviewed and approved the general form, terms and conditions of the proposed Franchise Agreement. A draft of the proposed agreement was included in the RFP (Attachment 1) for review and comment by the interested parties. Submission of a proposal in response to the RFP indicates proposers intended to fulfill the minimum requirements of the franchise program, the additional features and/or enhancements offered in their proposals, and acceptance of the terms and conditions as outlined in the draft franchise agreements.

The general terms and conditions of the agreements are as follows:

- Establishes an initial term of five (5) year, with five (5) optional one-year extensions at the discretion of the City for a total term not-to-exceed 10 years
- Includes language allowing the City to cancel the agreement upon five (5) days' notice
- Establishes the right to suspend Franchisee's operations for lapses in required insurance, violations of the provisions of the agreement or violations of the Beverly Hills Municipal Code (BHMC) that create an immediate safety hazard
 - The suspension may remain in effect for as long as the violation remains uncured
- Defines a material breach of this agreement for failure of payment of the annual franchise fees, establishes penalties up to 20% and establishes grounds for immediate termination for non-payment
- Defines the number of taxicabs granted to Franchisee to operate taxicab service originating within the City boundaries (Taxi Review Panel Recommendation Table)
- Requires Franchisee to maintain, carry, and keep in full force and effect at all times during the course of the agreement the following insurance (based on the City's standard insurance requirements for service providers):
 - Comprehensive General Liability Insurance, with minimum limits of Two Million Dollars (\$2,000,000) for each occurrence
 - Comprehensive Vehicle Liability Insurance covering personal injury and property damage, with minimum limits of One Million Dollars (\$1,000,000) per occurrence
 - Workers compensation insurance as required by the State of California

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- Establishes Taxicab services shall be provided in full compliance with the requirements of this Agreement, the Beverly Hills Municipal Code (including but not limited to Title 7, Chapter 4) and the rules and regulations applying to taxicabs
- Requires the Franchisee and its drivers, coordinators, and other personnel shall conduct themselves with the highest degree of courtesy and service
- Holds the Franchisee directly and solely responsible for the conduct of its drivers, coordinators, or other personnel utilized under this Agreement
- Requires the Franchisee to operate its vehicles in the City only when a current and valid decal or sticker has been permanently affixed to the vehicle in the appropriate location
 - Establishes that operating a vehicle without a decal or sticker affixed shall constitute a material breach of this agreement.
- Establishes that taxicabs shall only charge rates for taxicab service as approved by the City Council
- Requires at least 50% of the taxi fleet serving the City be Green Vehicles (Level 4 as defined by the Los Angeles Taxi Commission) within one year of the commencement of the agreement
- Requires Franchisee to obtain and maintain all necessary licenses, permits and certificates required by law for the provisions of services under this agreement, including a City business license
- Requires Franchisee to maintain full and accurate records with respect to all matters in this Agreement for three years and allowing City access including the right to examine, audit, copy, transcribe, and inspect all program data, documents, proceedings and activities

As part of the selection process, each of the recommended service providers included 'enhancements' as part of their submittals which exceeded the minimum standards required to qualify for award. A list of the significant 'enhancements,' the details of which will be part of the company's specific franchise agreement, are listed below:

- Bell Cab
 - Beverly Hills taxi fleet consists of 75% hybrid vehicles (Level 4 Green Vehicles as defined by the Los Angeles Taxi Commission) within one year of the start of the franchise
 - Hybrid vehicles achieve actual mileage of at least 33 miles per gallon
 - Quarterly reports to be submitted showing actual measured mileage of its green vehicle fleet
 - Wheelchair accessible vehicles will be placed in operation as Beverly Hills taxis utilizing a phased approach, including:
 - Drivers of wheelchair accessible vehicles will be trained to proficiency in the use of the vehicle's accessibility equipment and how to provide proper assistance to a passenger boarding in a wheelchair
 - Technology enhancements:
 - Will implement the Digital Dispatch System (DDS) 'WebBooker' integrated with the dispatch system, allowing internet/web booking
 - Will implement the DDS 'MobileBooker' smartphone app allowing pay-by-phone, fare estimates, and SMS messaging to drivers.
 - Will provide access to third-party booking apps such as Flywheel, including payment using a pre-registered credit card
 - Provide monthly reports of the number of taxicabs and/or customers using the various services

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- Security cameras will be installed in any unit that does not have a safety shield. All wheelchair accessible mini-vans will be equipped with security cameras instead of safety shields.
- Beverly Hills Cab
 - Taxi fleet consists of 71.7% hybrid vehicles (Level 4 Green Vehicles as defined by the Los Angeles Taxi Commission) within one year of the start of the franchise
 - Taxi fleet to include at least 10 wheelchair accessible vehicles.
 - Entire fleet will have Janus V security cameras (or equivalent) installed and operational at all times the vehicles are in use providing taxi service
 - At least once a year, will sponsor (or co-sponsor with other taxi companies) a lunch for the Beverly Hills Active Adult Club at a City community center featuring
 - demonstration of credit card usage in taxicabs
 - senior discount card features
 - enhanced technology characteristics available on the rear mounted monitors
 - Discussion of expectations of service levels, driver behavior, and methods to file a complaint.
 - Will ensure that all Beverly Hills drivers are certified in CPR no later than one year after the start of franchise services and continuing thereafter
 - During peak holidays such as Rosh Hashanah, Yom Kippur, Christmas and Easter, discounted ride coupons will be provided to local synagogues and churches
 - No later than three months after the start of the franchise, the Franchisee will provide a plan detailing the specific holidays, amount of discounts, number of rides offered, and method of distribution
 - Following each holiday period, a report of the number and value of rides will be provided
 - Technology enhancements
 - Android and Apple smartphone applications for ordering taxicab service
 - Verifone 'Way2Ride' app for pay-by-phone feature
 - DDS mobile app providing pay-by-phone feature
 - A GPS based monitoring system to prevent, mitigate and remedy overcharging of fares to customers
 - A 'rating' application/site to provide customers the ability to provide immediate electronic feedback on the quality of the driver and the vehicle during or at conclusion of service
 - Provide monthly reports of the number of taxicabs and/or customers using the various services
- Independent Taxicab Owners Association (ITOA)
 - Franchisee will fully implement a new 'Pathfinder' (or similar) dispatch system
 - Taxi fleet consists of 71.7% hybrid vehicles (Level 4 Green Vehicles as defined by the Los Angeles Taxi Commission) within one year of the start of the franchise
 - Ensure its Beverly Hills taxi fleet includes at least 5 wheelchair accessible vehicles.
 - Drivers of a wheelchair accessible vehicle will be trained to proficiency in the use of the vehicle's accessibility equipment and how to provide proper assistance to a passenger boarding in a wheelchair.
 - Entire fleet will have Janus V security cameras (or equivalent) installed and operational at all times the vehicles are in use providing taxi service
 - Technology enhancements

- Android and Apple smartphone applications for ordering taxicab service
 - Verifone 'Way2Ride' app for pay-by-phone feature
 - DDS mobile app providing pay-by-phone feature
 - A GPS based monitoring system to prevent, mitigate and remedy overcharging of fares to customers
 - A 'rating' application/site to provide customers the ability to provide immediate electronic feedback on the quality of the driver and the vehicle during or at conclusion of service
 - Provide monthly reports of the number of taxicabs and/or customers using the various services
- United Independent Taxi
 - At least 38% of its Beverly Hills taxi fleet consists of Level 4 Green Vehicles as defined by the Los Angeles Taxi Commission vehicles at the start of the franchise, and will ensure that 100% of its Beverly Hills taxi fleet, other than wheelchair-accessible vehicles, will be Level 4 Green Vehicles within one year after the start of the franchise service and continuing thereafter
 - Ensure that its Beverly Hills taxi fleet includes at least 6 wheelchair accessible vehicles
 - At least once a year, will sponsor (or co-sponsor with other taxi companies) a lunch for the Beverly Hills Active Adult Club at a City community center featuring
 - demonstration of credit card usage in taxicabs
 - senior discount card features
 - enhanced technology characteristics available on the rear mounted monitors
 - Discussion of expectations of service levels, driver behavior, and methods to file a complaint.
 - Will ensure that all Beverly Hills drivers are certified in CPR no later than one year after the start of franchise services and continuing thereafter
 - During peak holidays such as Rosh Hashanah, Yom Kippur, Christmas and Easter, discounted ride coupons will be provided to local synagogues and churches
 - No later than three months after the start of the franchise, the Franchisee will provide a plan detailing the specific holidays, amount of discounts, number of rides offered, and method of distribution
 - Following each holiday period, a report of the number and value of rides will be provided
 - Mothers Against Drunk Driving voucher program
 - No later than three months after the start of the franchise will provide a plan detailing the specific times when this program will operate, amount of discount to be offered, who or what rides are eligible, number of rides offered, and method of distribution, and a report of the number and value of rides provided at a discounted rate.
 - VIP coupon program providing 10% discount for seniors and persons with disabilities
 - No later than three months after the start of the franchise will provide a plan detailing how this program operates, including when it is valid, who is eligible, amount of discount to be offered, number of rides offered, method of distribution, and a report of the number and value of rides provided at a discounted rate.
 - Technology enhancements
 - Android and Apple smartphone applications for ordering taxicab service

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- Verifone 'Way2Ride' app for pay-by-phone feature
- DDS mobile app providing pay-by-phone feature
- A GPS based monitoring system to prevent, mitigate and remedy overcharging of fares to customers
- A 'rating' application/site to provide customers the ability to provide immediate electronic feedback on the quality of the driver and the vehicle during or at conclusion of service
- Provide monthly reports of the number of taxicabs and/or customers using the various services

Concerns Raised - Letter Dated November 16, 2014

In a letter dated November 16, 2014 specific concerns were brought forward related to the Taxicab Selection Process and the Taxicab Review Panels recommendations to the City Council for award of franchises.

Those concerns included the following:

- Staff did not release individual scoring sheets that support the recommendations made by the City's consultant
- It was impossible to determine the 'specific enhancements' each company had provided
 - A company that provided a fleet of 100% hybrid vehicles was rated lower in 'enhancements' than a company that provided only 75% hybrid fleet
 - Companies with the same technology were rated differently
- The RFP originally had a provision that the service and storage facility may be no more than 10 miles and was changed during the process to 20 miles. This does not benefit the residents of Beverly hills but does benefit one company who would otherwise have been unable to bid; now ranked the highest in the staff report
- It is not understood why, when it has been consistently cited that there is a need for 200 taxi to service Beverly Hills residents and businesses that only 171 are being awarded
- Since it has been determined that all five companies have met the minimum requirements it would be reasonable to award the remaining 29 slots to the number five rated company.

This section of the report, will seek to address these concerns.

Staff did not release individual scoring sheets that support the recommendations made by the City's consultant

- City staff, nor the City's consultant, made the recommendations for award of the franchise to the City Council. These recommendations were the work of the Taxi Review Panel made up of residents, Commissioners and Committee members serving the City as outlined herein.
- A sheet with the scoring by individual panelist, by company has been provided in response to the request
 - Personal notes of the panelists were not released because they are exempt from the disclosure requirement of the Public Records Act.
 - The individual panelists' names associated with each ranking were redacted in order to protect the volunteer panelists from retaliation or potentially unwarranted invasions of their privacy and because there is little public

informational value in disclosing which panelist assigned which set of scores to which taxi company.

- The RFP response from each proposing company and the information provided to the panelists for their review was provided
 - The City redacted certain personal information that appears in these documents, including driver's license numbers and social security numbers. This information was redacted pursuant to Government Code Section 6254.29, which requires the redaction of social security numbers from public records before disclosing them to the public, and Government Code Section 6255(a), which allows redaction of personal information if the public interest served by non-disclosure of the information clearly outweighs the public interest served by disclosure of the record

It was impossible to determine the 'specific enhancements' each company had provided. A company that provided a fleet of 100% hybrid vehicles was rated lower in 'enhancements' than a company that provided only 75% hybrid fleet. Companies with the same technology were rated differently.

- The RFP response from each proposing company and the information provided to the panelists for their review has been released to each of the taxi companies so that the companies can evaluate for themselves the enhancements offered by the respondent to the RFP
- The rating process did not require that a score be based on any specific or single 'enhancement' which was presented to the Taxi Review Panel
- The ratings reflect the judgment of the individual members of the Taxi Review Panel. Members of the panel will be present, as availability permits, and are better suited to address questions about how they arrived at their recommendations.

The RFP originally had a provision that the service and storage facility may be no more than 10 miles and was changed during the process to 20 miles. This does not benefit the residents of Beverly Hills but does benefit one company who would otherwise have been unable to bid; now ranked the highest in the staff report

- The expansion from 10 miles to 20 miles was reviewed and approved when brought before the City Council at both the Study Session of February 18, 2014 and March 4, 2014
 - This criteria was recommended to balance the distance of these facilities with creating a competitive market for the City's Taxicab Franchise program
- The RFP as released contained the following requirement, which remained consistent throughout the process:
 - Existing facility within 20 miles, by the most direct route, of City Hall where records will be maintained, administrative and dispatch staffs are located and lost property can be retrieved

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- A list of the interested proposers and the distance of their facilities based on addresses provided to the City or the City was able to reference:

Taxicab Company	Address	Distance	Qualified At:	
			10 Miles	20 Miles
Bell Cab Company	13030 Cerise Ave., Hawthorne, CA 90250	14.3 Miles	No	Yes
Beverly Hills Cab	5741 West Adams Blvd., Los Angeles, CA 90016	4.3 Miles	Yes	Yes
Independent Taxi Owners Assoc (ITAO)	700 North Virgil Ave., Los Angeles, CA 90029	6.8 Miles	Yes	Yes
LA Checker Cab	14943 Califa Street Van Nuys, CA 91411	10.9 Miles	No	Yes
United Independent Taxi	900 North Alvarado Street, Los Angeles, CA 90026	8.4 Miles	Yes	Yes

Non-Proposing

Metro Cab	1644 Cloverfield Blvd, Santa Monica, CA 90404	5.8 Miles	Yes	Yes
San Gabriel Transit City Cab	3650 Rockwell Ave, El Monte, CA 91731	21.9 Miles	No	No
Taxi Taxi	2230 Michigan Ave, Santa Monica, CA 90403	6.0 Miles	Yes	Yes
Yellow Cab	2129 W Rosecrans Ave, Gardena, CA 90249	16.0 Miles	No	Yes

It is not understood why, when it has been consistently cited that there is a need for 200 taxi to service Beverly Hills residents and businesses that only 171 are being awarded

- The City's consultant and staff recommendations have consistently stated that the approximately 150 taxicabs in service at the time of the study was sufficient to serve the Beverly Taxicab Market
- As part of the 2013/2014 taxi permit year, there are currently 131 taxicabs servicing the market
- Figure 1 on Page 11 herein and Figure 1 (Page 5) of Attachment 2, shows the availability of taxicabs and supports that there is no business need for additional taxicabs to service the Beverly Hills Market
- The economic study provided by the City's consultant outlined why additional taxicab companies and/or taxies does not improve the level of taxicab service and has stated that oversaturation of the market can lead to reduced levels of service (Attachment 3)
- The recommendation for 171 taxicabs was the recommendation of the Taxi Review Panel. Members of the panel will be present, as availability permits, and are better suited to address questions about how they arrived at their recommendations.

Since it has been determined that all five companies have met the minimum requirements it would be reasonable to award the remaining 29 slots to the number five rated company.

- Award of a taxicab franchise was not intended to be based on minimum qualifications. Minimum qualifications were established to allow companies to qualify for an opportunity to compete for the four franchises as directed by the City Council

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- The Taxicab study recommended no less than two (2) and no more than three (3) taxicab companies for franchise award. A fourth franchise opportunity was directed by the City Council at the meeting of March 4, 2014.
- The Taxi Review Panel reviewed the questions related to both additional franchisees and/or additional taxicab vehicles, and decided to remain firm in its consensus recommendation of four taxicab companies and 171 taxicab vehicles

FISCAL IMPACT

The estimated revenue for the franchise system is \$243,497, which will provide an additional \$101,100 over current revenues. The Budget Enhancement approved for the expansion of this program as part of the 2014/2015 budget cycle estimated additional revenues of \$118,000, leaving a deficit of approximately \$16,900 based on the current anticipated revenues.

This deficit is largely due to the recommended award of 171 taxicab vehicles, reducing the associated vehicle permit revenue by approximately \$33,118. It is anticipated that this deficit can be partially offset by the fines and penalties being established, with the remainder being absorbed by the existing operating budget.

One-time implementation costs associated with establishing the reporting requirements, formats, frequencies and metrics for performance rating are estimated to be \$75,000, along with ongoing costs of approximately \$15,000 per year for 'secret shopper' services, which can be funded as part of the current operating budget.

RECOMMENDATION

Staff will be recommending at the Formal meeting of December 2, 2014 approval of the following agenda items related to the implementation of the Franchise program:

- AN ORDINANCE OF THE CITY OF BEVERLY HILLS AMENDING THE BEVERLY HILLS MUNICIPAL CODE TO PROVIDE FOR A TAXICAB FRANCHISE SYSTEM IN THE CITY. First Reading – for introduction
- AWARD OF FRANCHISE TO TAXI COMPANIES AND AUTHORIZE THE CITY MANAGER TO EXECUTE FRANCHISE AGREEMENTS IN SUBSTANTIALLY THE FORM TO BE APPROVED BY THE CITY COUNCIL
- RESOLUTION OF THE COUNCIL OF THE CITY OF BEVERLY HILLS AMENDING THE COMPREHENSIVE SCHEDULE OF TAXES, FEES AND CHARGES AND SCHEDULE OF PENALITIES RELATED TO TAXICAB FRANCHISE FEES FOR THE FISCAL YEAR 2014/2015.

The challenge of taxicab regulations is to enact a group of regulations and policies that promote the goals of the system and mitigate the potential conflicts inherent in each regulatory choice. Staff recommends approval of these items as recommended and supported by the Taxi Review Panel for the implementation of the Franchise program.

The recommendations as proposed represent the culmination of the consultant's taxicab study, the Council's direction, and the recommendations provided by the Taxi Review Panel.

As a legislative body and consistent with the language of the RFP, the City Council maintains flexibility and authority related to the award of Franchises and throughout the franchise term related to the overall taxicab market, including rates, number of service providers, total number of taxicabs in service and fees, penalties, policies, practices, and regulations.

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The City Council may choose to provide alternative direction to staff related to any of the following:

- Allow for the award of franchises to more/less companies
- Increase/Decrease the number of taxicabs allotted to each taxicab company
- Redistribute the number of taxicabs allotted to each company, while maintaining the total number of taxicabs recommended to be in service
- Maintaining the number of companies award franchises and directing the award to companies other than those recommended by the Taxi Review Panel
- Specific changes to the ordinance establishing the taxicab franchise system
- Terms and conditions related to the operation of taxicab services
- Term of the franchise award and renewal conditions or procedures
- Specific fees and charges for taxicab companies, vehicles and drivers
- Additions, deletions or changes to the proposed Rules and Regulations for taxicab service
- Changes to the schedule of penalties associated with the Rules and Regulations

ALTERNATIVE PROPOSALS

Two alternative proposals have been offered to staff with respect to both the number of taxicab franchises and the number and distribution of the taxicab vehicles between the franchisees.

Citing significant concerns with the structure of the RFP and the subjectivity of the rating process, and stating that all five proposers met the minimum qualifications, a proposal was put forward by representatives of LA Checker Cab requesting a fifth Franchise with 25 vehicle permits, irrespective of the distribution of permits.

If this proposal is executed in conjunction with the Panel's recommendations, the number of permitted taxicabs would increase from 171 to 196. Additional revenues related to this proposal include \$5,000 franchise fee and \$28,550 in vehicle permits, resulting in additional revenues of \$33,550 from those stated in the Financial Impact section of the report. These additional revenues would eliminate the estimated deficit stated herein, creating full cost recovery for this program.

Separately, citing concerns related to the distribution of taxicab vehicle permits, representatives of ITOA and United have offered proposals in which each of their companies would be awarded additional taxicabs to service Beverly Hills.

ITOA has requested 12-17 additional taxicabs to allow their fleet a total of 55-60 taxicabs, providing parity with their vehicle permits prior to current permit year and/or with those recommended by the Panel for Beverly Hills Cab.

United has requested 12 additional taxicabs to allow their fleet a total of 40 taxicabs, which is being requested as a current service provider to achieve parity with Bell Cab as a new service provider, recommended by the panel to be awarded 40 taxicabs.

If this choice is executed without respect to the fifth franchise alternative, the total number of taxicabs would be 200, resulting in an additional \$33,118 of revenue from additional vehicle permits. If this choice were to be executed in conjunction with the fifth franchise with 25 vehicles, the total number of taxicabs would be 225, resulting in \$66,668 additional revenue

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from both franchise fees and additional vehicle permits. If either proposal is considered, these additional revenues would eliminate the estimated deficit stated herein, creating full cost recovery for this program.

The potential impact of these choices remains the concern raised by the Taxi Study related to the fracturing of the market between taxi companies and the oversaturation of taxicab vehicles. Historically, the City has had 150 vehicles in service and currently has 131 permitted vehicles in service. Impacts of increasing the number of vehicles serving the finite Beverly Hills market remain the same as stated by the Taxi Study and the City's Consultant and are expected to be exacerbated by the rise in growth in popularity to TNPs such as Uber and Lyft. The oversaturation of the taxicab market has been shown to deteriorate the level of service experienced by the customer. Attachments 2 and 3 are the market and economic analysis of taxicab service as provided by the City's Consultant.

If the City Council wishes to consider the addition of a fifth franchise and/or additional taxicab vehicles as proposed herein, staff suggests that the City Council also consider permitting restrictions and/or requirements to mitigate such impacts. The City currently allows for dual permitting with the City of West Hollywood and restricts dual permitting with the City of Los Angeles. While dual permitting with Los Angeles is not recommended at the current 131 or historic 150 vehicle levels, if additional taxicabs are added to the market it is recommended that a percentage of those taxicabs be **required** to be dually permitted in Los Angeles. Since there is a rate and demand imbalance with the Los Angeles market, this consideration seeks to use that imbalance to mitigate the oversaturation of the market, anticipating that dual permitted vehicles/drivers will spend more time in surrounding areas with higher rates and greater demand and reducing the number of vehicles servicing Beverly Hills.

Additionally, if the City Council were to direct the award of a fifth franchise, the list below represents a portion of the specific enhancements and details which should be considered as part of LA Checker's specific franchise agreement:

- Access Choices
 - E-hail application: smart phone and tablet
 - customer receives a text with approximate arrival time when taxis are dispatched
- Custom Website and mobile application for the City of Beverly Hills
 - Share information on City events
- Payment Technology
 - Vibraphone installed in vehicles
 - Terminals handle credit card transactions and PayPal payments e.g. google wallet
- Way to Ride System – Pay for ride via preset preference
- Digital Screens in all cabs, ADA certified and easily read
- Security Cameras (number and configuration to be defined by staff)
- Customer Feedback
 - Dedicated access for text that address suggestions, complaints, comments regarding taxi service
- Green Vehicles
 - Entire fleet with the exception of vans/ADA complaint vehicles

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- Create wholly subsidiary company Beverly Hills Checker Cab
- Beverly Hills Branding
 - Resemble limousines and car service vehicles
 - Restriction on the use of the City's Shield (Copyright/Trademark)



George Chavez

Approved By