Metropolitan Transit System

1255 Imperial Avenue, #1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

06-09-14 P03:12 OUT

*REVISED
Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2014

Executive Conference Room
Immediately following the Audit Oversight Committee Meeting

		ACTION RECOMMENDED
A.	ROLL CALL	
B.	APPROVAL OF MINUTES - April 10, 2014	Approve
C.	COMMITTEE DISCUSSION ITEMS	
1.	Trolley Renewal Project Update (Bruce Schmith of SANDAG)	Information
2.	Encanto/62nd Street Trolley Station Transit Oriented Development (Karen Landers and Tim Allison) Action would (1) receive a report on a potential long-term development agreement and ground lease with AMCAL Multi-Housing, Inc.; and (2) forward a recommendation to the Board of Directors for approval of the draft Disposition and Development Agreement and Ground Lease.	Possible Action
3.	San Diego Taxi Fare Standardization Report (Sharon Cooney, Bill Kellerman and Dr. James Cooper, Taxi Research Partners) Action would receive a presentation by Taxi Research Partners regarding the "San Diego Taxi Fare Standardization Report" and provide direction.	Possible Action
4.	South Bay Maintenance Facility Update (Elliot Hurwitz) Action would receive a report for information.	Receive
5.	Update on Department of Labor Challenge of California Public Employees' Pension Reform Act of 2013 (Paul Jablonski) Action would receive a report for information.	Receive

6. Baltimore Junction Excess Property Potential Development (Tim Allison) — Possible Action
Action would forward a recommendation to the Board of Directors for the approval of an Exclusive Negotiating Agreement (ENA) for the long-term lease of 5159 Baltimore Drive.

7. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS PURSUANT TO CALIFORNIA GOVERNMENT CODE SECTION 54956.8; — Possible Action
Property: 8650 Tech Way, San Diego, California (Assessor Parcel Nos. 369-220-85)
Agency Negotiators: Paul Jablonski, Chief Executive Officer; Karen Landers, General Counsel; and Tim Allison, Manager of Real Estate Assets
Negotiating Parties: Excel Hotel Group; Hallmark Communities, Inc.; and Dan Floit
Under Negotiation: Price and Terms of Payment

D. REVIEW OF DRAFT JUNE 19, 2014, BOARD AGENDA

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA — Possible Action
Review of SANDAG Transportation Committee Agenda and discussion regarding any items pertaining to MTS, San Diego Transit Corporation, or San Diego Trolley, Inc. Relevant excerpts will be provided during the meeting.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

G. PUBLIC COMMENTS

H. NEXT MEETING DATE: July 10, 2014

I. ADJOURNMENT

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101

April 10, 2014

MINUTES

A. ROLL CALL

Chairman Mathis called the Executive Committee meeting to order at 9:35 a.m. A roll call sheet listing Executive Committee member attendance is attached.

B. APPROVAL OF MINUTES

Mr. Roberts moved for approval of the minutes of the March 13, 2014, MTS Executive Committee meeting. Mr. Ovrom seconded the motion, and the vote was 5 to 0 in favor.

G. PUBLIC COMMENTS (TAKEN OUT OF ORDER)

Maria Cortez – Mid-City CAN. Ms. Cortez stated that they appreciate the bus passes they received from MTS. She also stated that they are requesting additional bus passes for the 2014-2015 school year. Ms. Cortez talked about some of her students that have benefited from having the bus passes such as getting to school on time, going to job interviews and exploring different areas of San Diego.

Abdul Mohamed – Mid-City CAN. Mr. Mohamed stated that he wanted to discuss the economic development portion of this program. He said that there has been an increased positive image of MTS because more people have been riding transit and referring others to ride transit as well. Mr. Mohamed said this program helps people get to school and job interviews, which then helps the overall economic development of the community.

Emily Serafy Cox – Mid-City CAN. Ms. Cox stated that they would like to talk with individual members of the Board about how MTS could possibly invest in the program. She explained that they appreciate the time MTS put into the program last year and hopes to increase the partnership of this program in the future. Ms. Cox also stated that the program is currently going through an independent evaluation by UCSD and Global ARC. She said they are hoping to extend the program into a year round program instead of running the program only during the school year.

C. COMMITTEE DISCUSSION ITEMS

1. Trolley Renewal Project

Chairman Mathis stated that they will waive the presentation on the agenda item for the trolley renewal project, unless there was a significant point that needed to be discussed. Bruce Schmith of SANDAG stated that are no significant changes from the last meeting. He said that they are thinking that by October 2014 the Blue Line will be able to switch over to low-floor service. Mr. Jablonski briefly stated that car 4064 is the last car to be delivered. He said that this car will have a new product featuring a battery system that will keep the battery charged for about 2-3 miles in case of power loss. Mr. Jablonski explained that they will be

testing this system and it will ideally be used in Downtown without a wire for approximately 2-3 miles. Staff will keep the Committee updated on testing and results.

Action Taken

Informational item only. No action taken.

2. Mid-Coast Corridor Transit Project

John Haggerty of SANDAG introduced the agenda item and stated that they will review the station design progress and concepts. He also introduced Greg Gastelum of SANDAG, an Engineer for the Mid-Coast project, and Jeff Howard, an Architect for the Mid-Coast project. Mr. Howard and Mr. Gastelum reviewed the design features for the station structures including the viaduct guideways and columns, platform transverse beams, elevators, stairs and pedestrian bridges. They also reviewed the station concepts, canopies concepts, and illustrated site access, existing conditions and organization of station structures for the Executive Drive Station, UTC Station, UCSD East Station, UCSD West Station and Balboa Avenue Station.

Messrs. Howard, Gastelum and Haggerty asked the committee what their ideas and feedback were about the entire presentation and concepts. Mr. Roberts recommended when the concepts are presented to the community that the imagery and details be more enhanced so the members of the community can better visualize the plans. He also recommended that the lighting fixtures that line the stations should be an important focus aspect. Mr. Jablonski explained that the recommendations from the committee members will help influence what will be presented to the members of the community. Mr. Gloria stated that he agreed with Mr. Roberts on the fact that lighting should be an important focus point. Mr. Roberts also recommended that there should be some consistency throughout the different stations. Mr. Haggerty stated that they appreciated the input and recommendations they received regarding the presentation.

Action Taken

Informational item only. No action taken.

D. REVIEW OF DRAFT APRIL 17, 2014, BOARD AGENDA

Recommended Consent Items

6. Investment Report - February 2014
Informational only.

7. California Department of Transportation (CALTRANS) Program of Projects for Federal Transit Administration (FTA) Section 5311(f) Funding, Fiscal Year 2014
Action would approve Resolution No. 14-6 authorizing the use of and application for $200,000 of FTA Section 5311(f) for operating assistance in non-urbanized areas.

8. Light Rail Vehicle Paint and Body Rehabilitation-Sole Source Contract Award

Action would authorize CEO to execute MTS Doc. No. L1176.0-14 with Carlos Guzman Inc. on a sole-source basis for the provision of Light Rail Vehicle (LRV) Paint and Body Rehabilitation Services for five (5) SD-100s.

9. MTS Enterprise Infrastructure for RTMS Back Office Upgrade and Contract Bus Fleet Expansion Project - Contract Award
Action would authorize the CEO to execute MTS Doc. No. G1707.0-14 with Nth Generation for the provision of HP computer hardware, maintenance and technical services in support of the Regional Transportation Management System (RTMS) Back Office Upgrade and Contracted Bus Fleet Expansion project.

10. June 2014 Service Changes

11. Proposed Fiscal Year 2015 Internal Audit Plan
Action would approve the proposed fiscal year 2015 Internal Audit Plan.

E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA

No discussion for this agenda item.

F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS

There were no Committee member communications.

H. NEXT MEETING DATE

The next Executive Committee meeting is scheduled for May 8, 2014.

I. ADJOURNMENT

Chairman Mathis adjourned the meeting at 10:45 a.m.

Chairman

Attachments: Roll Call Sheet

EXECUTIVE COMMITTEE
METROPOLITAN TRANSIT SYSTEM

ROLL CALL

MEETING OF (DATE) April 10, 2014 CALL TO ORDER (TIME) 9:35a.m.

RECESS N/A RECONVENE

CLOSED SESSION N/A RECONVENE

ADJOURN 10:45a.m.

BOARD MEMBER		(Alternate)		PRESENT (TIME ARRIVED)	ABSENT (TIME LEFT)
GLORIA	☒	(Emerald)	☐	9:35a.m.	10:45a.m.
MATHIS	☒			9:35a.m.	10:45a.m.
OVROM	☒	(Bragg)	☐	9:35a.m.	10:45a.m.
ROBERTS	☒	(Cox)	☐	9:35a.m.	10:45a.m.
CUNNINGHAM	☐	(McClellan)	☒	9:35a.m.	10:45a.m.
Transportation Committee Rep Slot (Mathis)					

SIGNED BY THE CLERK OF THE BOARD: Julia Simone (interim C.O.B.)

CONFIRMED BY THE GENERAL COUNSEL: Karen Lovola

Metropolitan Transit System

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Agenda Item No. C1

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2014

SUBJECT:

TROLLEY RENEWAL PROJECT UPDATE (BRUCE SCHMITH OF SANDAG)

INFORMATIONAL

Budget Impact

None.

DISCUSSION:

The Trolley Renewal Project is a system-wide rehabilitation and upgrade of the existing trolley system. The project includes the purchase of new low-floor vehicles, the rehabilitation and retrofit of stations and transit centers throughout the system, new crossovers and upgraded signaling, replacement of the overhead catenary wire, track work and rail replacement, slope repair, and traction power substation replacement and rehabilitation. Construction and infrastructure work is currently underway in downtown San Diego and on the Orange and Blue Lines. Staff will provide an update on the construction project.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

MTS Executive Committee

Blue and Orange Line Improvement Corridor

June 12th, 2014

MTS Executive Committee

Blue Line Stations & Rail Construction

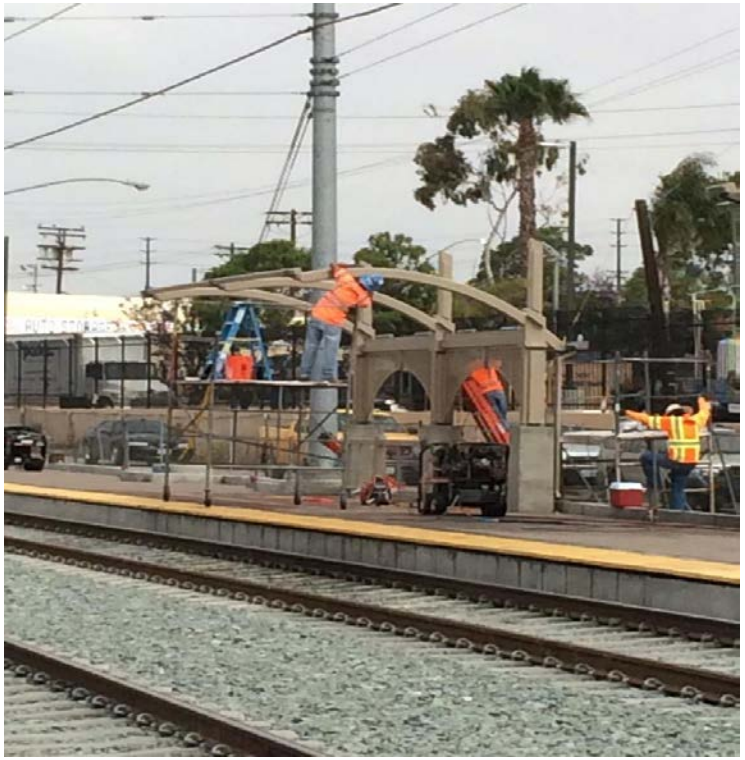
- Rail replacement complete in Milestones E, D & C
- Station Work
  - Milestone E Stations (BL, H'side & Pac Fleet)
    - Installing Pavers & Shelters
    - Transfer Revenue Service to New Platforms in July
  - Milestone D Stations (8th, 24th & E)
    - All Trackway Replaced Thru Stations & New Platforms Poured
    - Beginning Installation of Pavers & Shelters
    - Parking Lots / Bus Lanes Nearing Completion
  - Milestone C (H & Palomar)
    - Revenue Service Transferred to Temporary Platforms
    - EB Trackway thru H Street Station Complete / WB this Weekend
    - EB & WB Trackway thru Palomar Station Complete
    - Forming & Pouring New Platforms
    - Parking Lots & Bus Transit Lanes Under Construction

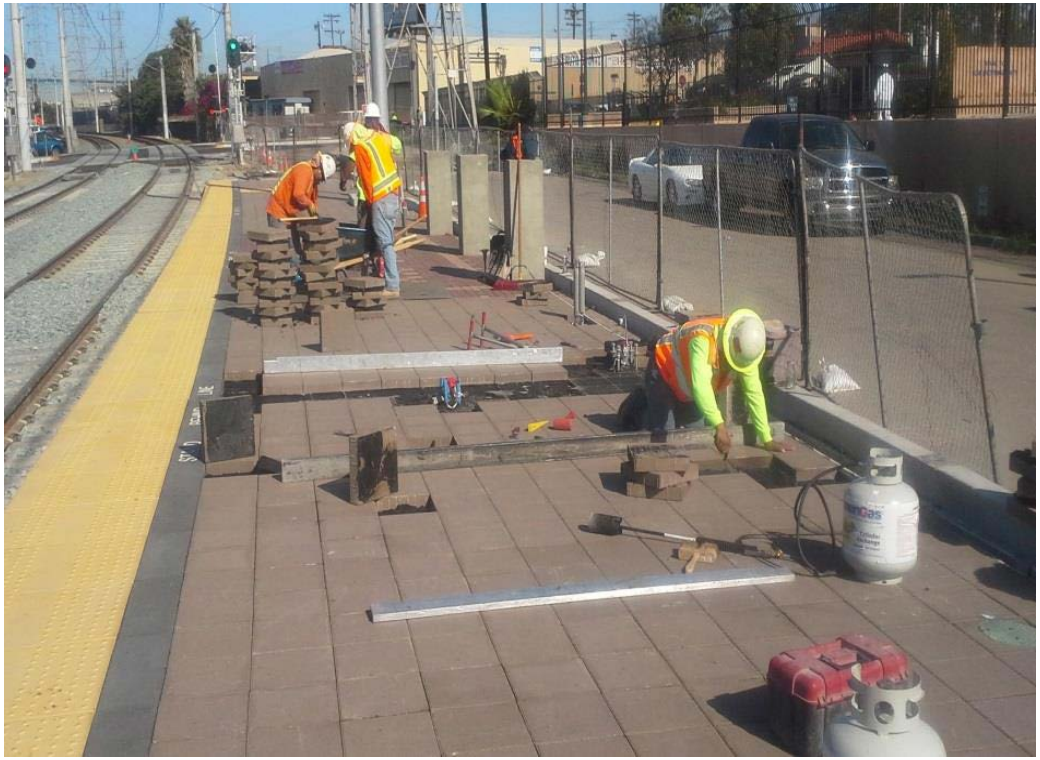
Barrio Logan Station

Pavers Installed / Shelter Going In

MTS Executive Committee

Harborside Station





Installing Shelters and Pavers

MTS Executive Committee

Pacific Fleet Station

Installing Shelters and Laying Bituminous Bed for Pavers

Shelters and Platform Pavers Nearing Completion

MTS Executive Committee

8th Street Station

Curb & Gutter and Asphalt Pavement in Parking Lot and Bus Turnaround

Platform Ready for Pavers and First "Double Gull Wing" Shelter Being Installed

MTS Executive Committee

24th Street Station

Platforms Ready for Pavers and
Column Pedestals ready for shelters

Concrete Pour for Bus Transit Lanes

E Street Station

Forming Eastward (SB) Platform and Shelter Pedestals

Both Platforms now Ready for Pavers

MTS Executive Committee

H Street Station

Excavation & Installation of Turndown Slab for SB Trackway Replacement

Demolition of Existing Platform & Shelter

MTS Executive Committee

Palomar Street Station

New Track Installed / Excavating And Grading New Parking Lot

Trackwork Thru Station Complete / Temporary Platforms In Use

MTS Executive Committee

Other Blue Line Projects Update

- Recently Bid Projects
  - San Ysidro Yard Improvements (WCG) – Excavation Ongoing
  - Mainline Freight Improvements (Flatiron) – Pad ready for TPSS
- Job Order Contracts (JOC's)
  - Grade Xing Improvements @ Moss & Naples – Complete
  - CPUC Directed ADA & Safety Improvements at Various Xing's
    - ✓ 6 of 6 Xings completed and approved by City & CPUC
  - Trackway Reconstruction on 12th Avenue from Imperial to K St.
  - Downtown Wheel Counters – Waiting on Siemens Substitution
  - C Street TSP – Signalization Complete @ Columbia / Coordinating with Courthouse Contractor @ State & Union
  - C Street Grade Crossings at 3rd and 4th – Under design
- Engineering Phase
  - Slope & Track Reconstruction @ Blue Barn – Engineer On Board

MTS Executive Committee

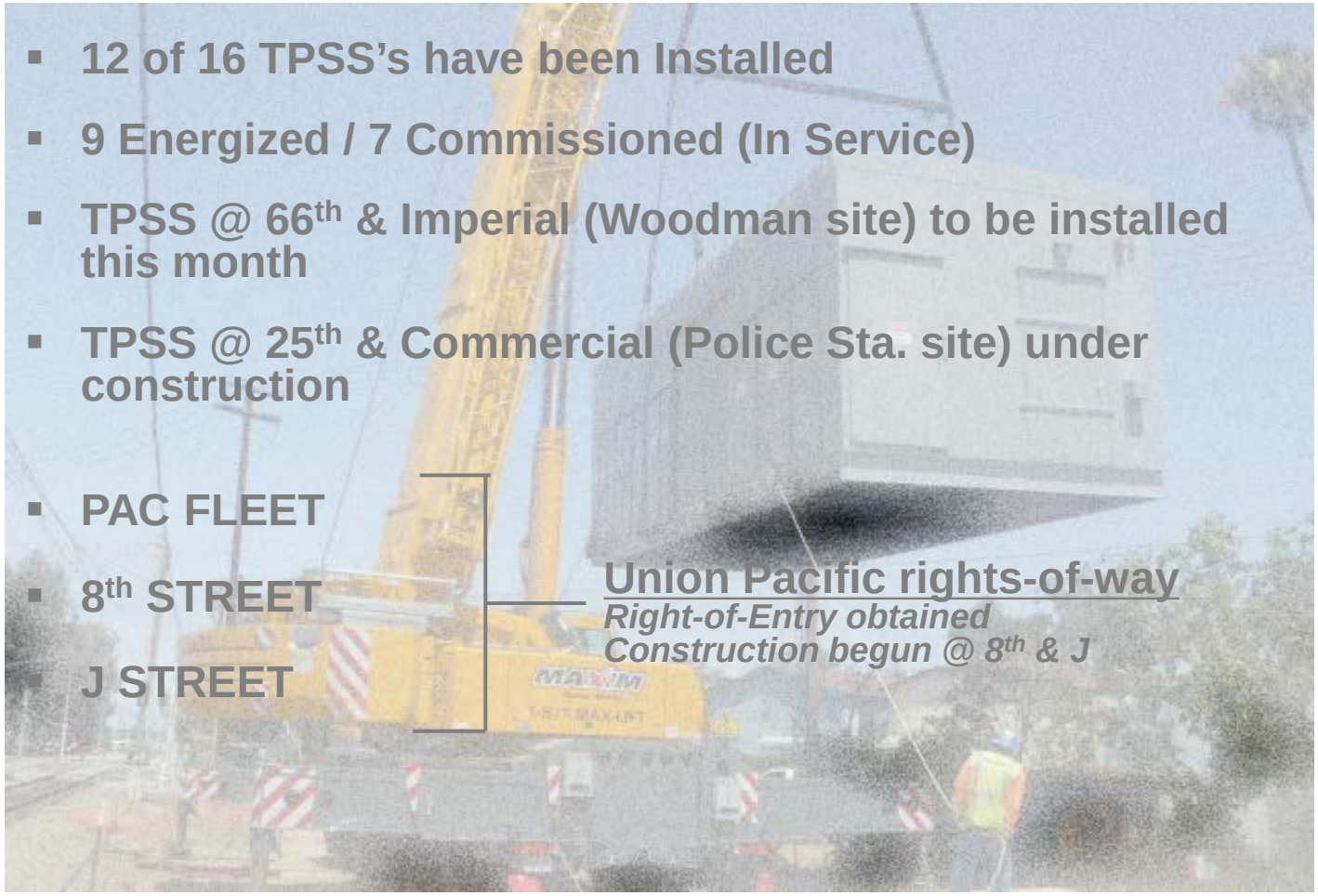
Other Blue Line Projects (by JOC)

12th Avenue Trackway Reconstruction
(Imperial to K St.)

C Street Trolley TSP
New Signals @ NE Corner of State

MTS Executive Committee

Traction Power Substation (TPSS) Update



- 12 of 16 TPSS's have been Installed
- 9 Energized / 7 Commissioned (In Service)
- TPSS @ 66th & Imperial (Woodman site) to be installed this month
- TPSS @ 25th & Commercial (Police Sta. site) under construction

- PAC FLEET
- 8th STREET
- J STREET

Union Pacific rights-of-way
Right-of-Entry obtained
Construction begun @ 8th & J

MTS Executive Committee

TPSS Construction Update

Ground Grid Installed & Pad Ready for TPSS Installation @ 25th & Commercial (Police Station site)

TPSS Installed and Ready to be Energized @ 66th & Imperial (Woodman site)

Light Rail Procurement Status - COMPLETE

- **Production Timeframe: 2010 to Early 2014**
  - Production Status: 100%
  - Delivered: 65 of 65
  - In Revenue Service: 62
  - In Production at the Plant: 0

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Agenda Item No. C2

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2014

SUBJECT:

ENCANTO / 62ND STREET TROLLEY STATION TRANSIT ORIENTED DEVELOPMENT (KAREN LANDERS AND TIM ALLISON)

RECOMMENDATION:

That the Executive Committee:

1. receive a report on a potential long-term development agreement and ground lease with AMCAL Multi-Housing, Inc. (AMCAL); and

2. forward a recommendation to the Board of Directors (Board) for approval of the Disposition and Development Agreement and Ground Lease.

Budget Impact

The San Diego Metropolitan Transit System (MTS) will receive an initial payment of $1,035,000 for the first fifty-five year term of the ground lease to be credited to Land Management.

DISCUSSION:

AMCAL, a California affordable housing developer, has expressed interest in developing the Encanto/62nd Street Trolley Station (Attachment A) for a multi-family affordable-housing development. MTS received a letter dated August 30, 2011, that outlined the proposal. On October 13, 2011, the Board authorized staff to execute an Exclusive Negotiating Agreement (ENA) to open negotiations on final business terms for a potential long term ground lease. The ENA was executed on March 15, 2012, and later amended on October 16, 2012, October 30, 2013, and March 26, 2014 to negotiate the terms of a Disposition and Development Agreement (DDA) and Ground Lease.

MTS staff and AMCAL have been working to finalize the basic business terms and site layout in order to finalize a draft DDA for Board approval. The DDA and Ground Lease

are attached. MTS staff will provide a more detailed analysis to the Board on the details of the agreements.

The Executive Committee is asked to recommend to the Board the approval of the DDA and Draft Ground Lease in substantially the same format attached.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contacts: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Site Map

Encanto / 62nd Street Station

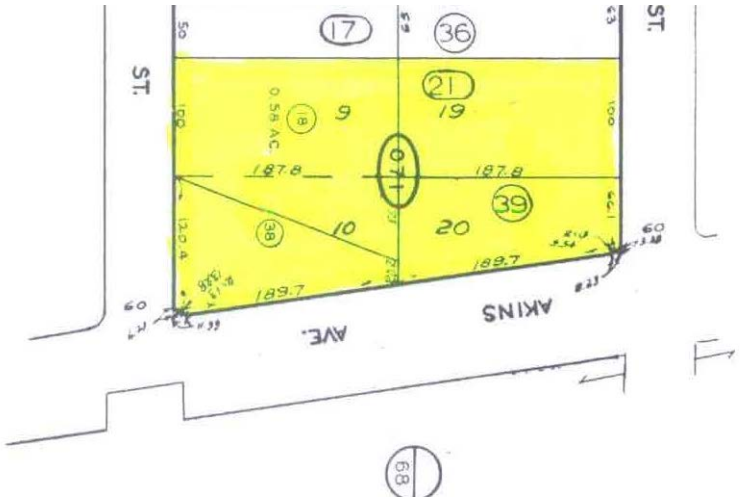
ENCANTO / 62nd STREET TROLLEY STATION

June 12, 2014

Encanto / 62nd Street Station

Encanto / 62nd Street Station

- City of San Diego
- 1.67 acres
- 171 Total Parking Spaces
- Bus Stops on Imperial Avenue
- SEDC interest in coordination with the Imperial Avenue Corridor Master Plan



Encanto / 62nd Street Station

Development Proposal

- Redevelopment of Underutilized Parking Lot
- "Smart Growth," Transit Oriented Development
  - Next to Encanto/62nd Street Trolley Station
- Mixed-use Development:
  - Affordable family housing
  - MTS parking
  - Ground floor retail space
  - Ground floor community room and office

Building Elevations

South Elevation

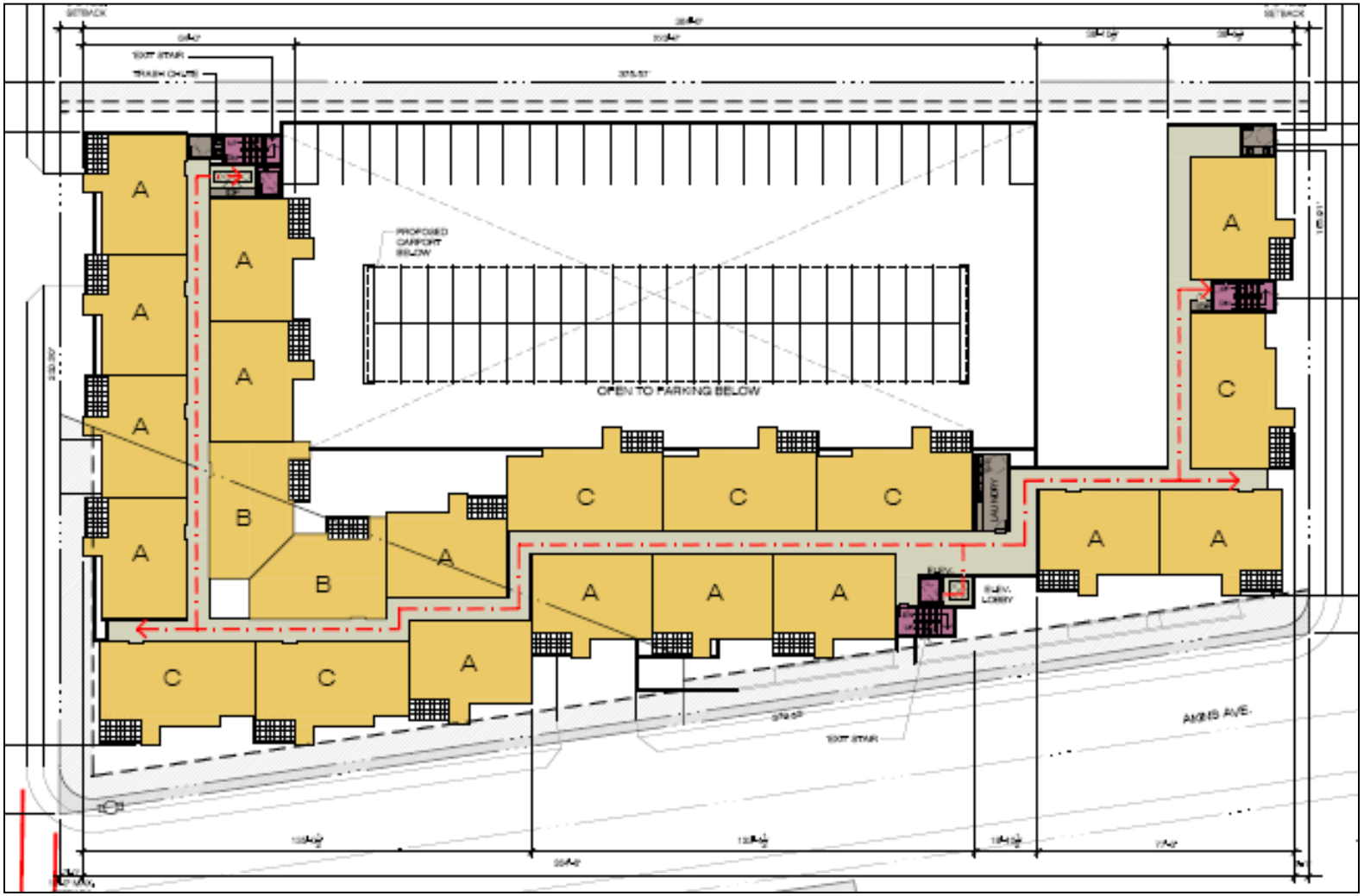
Development Status

- City Staff reviews on-going
- Encanto Community Planning Group approval complete
- Next steps:
  - MTS approval
  - City completion of CEQA
  - City Planning Commission approval
  - City Council approval

Development Proposal

- 67 affordable workforce housing units
  - 45 2-bedroom
  - 22 3-bedroom
- 3,350 sq. ft. community room & leasing office
- 900 sq. ft. ground floor retail space (coffee shop)
- Residential parking in subterranean garage
- MTS and retail parking in street level garage

Site Plan – Upper Floors



DDA and Ground Lease Highlights

- **Upfront payment - $1,035,000 for initial term of 55 years**

- **Market adjustments for subsequent terms of 25 years and 19 years**

Recommendations

- **Receive staff report**

- **Forward a recommendation to the Board for approval of the Disposition and Development Agreement and Ground Lease.**

MTS Metropolitan Transit System

AGENDA ITEM NO. C2

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT) TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM

1. INSTRUCTIONS
This Request to Speak form must be filled out and submitted in advance of the discussion of your item to the Clerk of the Board (please attach any written statement to this form). Communications on hearings and agenda items are generally limited to three minutes per person unless the Board authorizes additional time; however, the Chairperson may limit comment to one or two minutes each if there are multiple requests to speak on a particular item. General public comments on items not on the agenda are limited to three minutes. Please be brief and to the point. No yielding of time is allowed. Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.

(PLEASE PRINT)

DATE	6/12/14
Name	MARIO TURNER
Address	2082 Michelson Dr. Ste. 306 Irvine CA 92612
Telephone	949-863-9408
Organization Represented	AMCAL MULTI-HOUSING, INC
Subject of Your Remarks	ENCANTO / 62nd St. Trolley TOD.
Regarding Agenda Item No.	C2
Your Comments Present a Position of:	☑ SUPPORT ☐ OPPOSITION

2. TESTIMONY AT NOTICED PUBLIC HEARINGS
At Public Hearings of the Board, persons wishing to speak shall be permitted to address the Board on any issue relevant to the subject of the Hearing.

3. DISCUSSION OF AGENDA ITEMS
The Chairman may permit any member of the public to address the Board on any issue relevant to a particular agenda item.

4. GENERAL PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA
Public comment on matters not on the agenda will be limited to five speakers with three minutes each, under the Public Comment Agenda Item. Additional speakers will be heard at the end of the Board's Agenda.

NOTE: Subjects of previous hearings or agenda items may not again be addressed under General Public Comments.

Metropolitan Transit System

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Agenda Item No. C3

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2012

SUBJECT:

SAN DIEGO TAXI FARE STANDARDIZATION REPORT (SHARON COONEY, BILL KELLERMAN AND DR. JAMES COOPER, TAXI RESEARCH PARTNERS)

RECOMMENDATION:

That the Executive Committee receive a presentation by Taxi Research Partners regarding the "San Diego Taxi Fare Standardization Report" and provide direction.

Budget Impact

None.

DISCUSSION:

Taxi Fare Setting Policy

MTS carries out the responsibilities of Taxicab Administrator for the cities of San Diego, El Cajon, Poway, Lemon Grove, La Mesa, Imperial Beach, and Santee. Each city has delegated to MTS its authority to regulate the operation of taxicabs and other vehicles for hire through a separate agreement between MTS and the city. This authority includes the collection and administration of all fees, fines, and forfeitures related to taxicabs. Each of the agreements cites MTS Ordinance No. 11, "An Ordinance Providing for the Licensing and Regulating of Transportation Services within the City," as the basis for MTS's authority and responsibilities.

The San Diego County Regional Airport Authority (SDCRAA) regulates, permits, and collects fees for taxicabs operating at the airport. However, MTS carries out inspections for those vehicles and, to work at the airport, the taxicab must have both an SDCRAA permit and an MTS/City of San Diego medallion.

Under MTS Ordinance 11, section 2.2 (a), MTS shall establish a maximum rate of fare for taxicab trips. Taxicab permit holders may set their rates at or below the maximum rate, but those rates must be filed with MTS, placed in the meter, and printed on the vehicle's rear doors. The Ordinance provides an exception for trips originating at the Airport, which must have a uniform rate of fare. (Section 2.2 (b)) This exception was made at the request of the Airport.

These fares are set based on MTS Board Policy 34. MTS Board Policy 34 provides guidelines and procedures for the implementation of Ordinance 11. The relevant provisions are as follows:

34.4 Maximum Fare Policy

Pursuant to MTS Ordinance No. 11, Section 2.2(a) and after a duly noticed and open public hearing, MTS determined that the maximum rate of fare for exclusive ride and group ride hire of taxicabs shall be that fare that does not exceed twenty percent (20%) more than the weighted average of fares as established in accordance with this policy.

34.4.1 Maximum Fare Determination

The weighted average of fares shall be computed by the Chief Executive Officer and duly promulgated in writing upon the passage of this policy and thereafter each year by averaging each segment of the fare structure of all MTS taxicab permit holders. The fare structure shall consist of the dollar amounts charged by said permit holders for the flag drop, the per-mile charge, waiting-time charge, first zone, and each additional zone charge. The weighted average of these charges shall be arrived at by adding each segment of each respective charge and dividing it by the total number of taxicabs holding effective permits.

34.4.2 The Chief Executive Officer will use his discretion when the maximum rates of fare and the uniform rates of fare for trips from Lindbergh Field airport are incompatible. The Chief Executive Officer may adjust the maximum rates of fare so that the uniform rates of fare, based on the change in the Annual All Urban Western Transportation Consumer Price Index, do not exceed the maximum rates allowed in accordance with Section 34.4.1.

34.5 Airport Taxicab Fare Policy

Rates of fare for trips from Lindbergh Field Airport shall be uniform.

In the event an owner chooses a different rate for nonairport trips for taxicabs authorized to service the airport, two meters or a multirate meter shall be installed and identified. The meter(s) shall be activated according to the proper rate for the trip's origin, and it shall be clearly visible to the passenger which rate is being charged.

34.5.1 The uniform rates of fare for taxicab trips from Lindbergh Field Airport are initially established at $1.40 flag drop, $1.50 per mile, and $12.00 per hour, effective June 1, 1990.

The airport rates shall be reviewed annually, beginning in January 2009, by the Chief Executive Officer. Airport rates shall be adjusted based on the 1990 amounts, in accordance with the change in the Annual All Urban Western Transportation Consumer Price Index/ San Diego. Adjustments shall be rounded up or down, as appropriate, to the nearest even $0.10 increment.

In addition to the airport uniform rate of fare, a taxicab operator may charge an "extra" equal to the Airport Trip Fee assessed against the individual taxicab operator by the San Diego County Regional Airport Authority. The extra may not be charged on any trip that does not originate at the airport or on any trip where the taxicab operator does not pay the fee to the San Diego County Regional Airport Authority. The extra charge may only be charged to the customer by utilizing the extra button on the taxicab meter. A driver may not verbally request payment.

2014 San Diego Taxi Fare Standardization Report

A letter from the SDCRAA in 2011 requested that MTS standardize rates of fare for MTS-permitted airport taxis. This request initiated a discussion regarding what the fare should be and the appropriateness of having standardized rates of fare. MTS contracted with Taxi Research Partners to analyze the San Diego industry with the purpose of recommending appropriate rates of fare and assessing the impacts of moving to standardized rates for all taxis. Dr. James Cooper of Taxi Research Partners will present the results of the study and its recommendations.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, sharon.cooney@sdmts.com

Attachments: San Diego Taxi Fare Standardization Report (Board only due to volume)
Attachment also available online at http://www.sdmts.com/MTS/2014EC.asp

Taxi Research Partners
Demand | Market | GIS | Fares

San Diego
Taxi Fare Standardization Report

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Taxi Fare Standardization Report 1

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2. Introduction and Project Description

2.1 Introduction

Taxi Research Partners Ltd. (TRP), and our project partners Nelson Nygaard have been engaged by the Metropolitan Transit System of San Diego (MTS) to undertake a review of the taxi tariff applied in San Diego. Our work addresses the levels of fares, the determination of a methodology for increases in the taxi tariff and the impacts of taxi fare standardization. The study includes a detailed review of taxi production costs, being the costs associated with the provision of taxi services, changes in costs thus defined, and the impacts of changes in the level applied to taxi fares through taxi tariff(s).

Taxi fares typically derive from a combination of charges applied to engagement, distance driven, time and a range of extras defined in advanced and measured in the provision of a trip. The constituent elements can be, and generally are, defined or approved by a taxi licensing authority - the MTS in the case of San Diego. A majority of cities in the US, but not all, define a precise taxi tariff - the statement of allowable fare components - though this is not the case in San Diego, with the exception of trips originating at San Diego International Airport. The San Diego taxi tariff is currently defined as a maximum level, allowing a radio service the ability to advertise and charge less than their competitors. Individual radio services, branded taxi 'companies', are free to define fares up to the maximum allowed by the MTS, subject to the individual service tariff being notified to the MTS, the rate being displayed upon the vehicle using decals in a defined font; and taximeters being certified as complying with the agreed rates.

San Diego International Airport (SAN) differs from the MTS approach in that it defines and updates a specific tariff applied to all trips originating from the airport. Differences between MTS approved fares and those defined by the airport can result in a differential between the fares charged in the same vehicle dependent upon the origin of the trip, between airport and non-airport originating trips. A vehicle serving both city and airport and charging different rates for non-airport trips compared to airport originated trips is required to have a taximeter equipped to measure in either rate, with the driver selecting the appropriate rate on engagement. The proportion of vehicles with differing airport and non-airport rates is somewhat reduced by a number of companies choosing to align non-airport trip rates to those defined by the airport, though this does not apply across all services.

The market is defined in common with many other US cities around taxi brands (sometimes called colors), based on radio services, with a market in the choices of drivers and owners as to which service they choose, though this choice may be diminished dependent on the contractual relationships between vehicle owner, medallion[1] owner, and driver. While all radio services have a requirement to provide radio dispatch, the extent to which this is used and the extent of technologies applied to dispatch differs between services, often reflected in the rates that may be charged, whether directly to owner operators or via lease rates to lease drivers. These differences result in a split in the patterns of services offered by different categories of driver, whether emphasis is placed on dispatched trips, stand or hailed trips. The costs and take home

[1] The term 'medallion' relates to the permit or license required to operate a taxi. Medallions are restricted in numbers issued in San Diego. A range of terms can be used for medallions, defined in detail in section 3.1

driver earnings are also affected by lease rates as well as numbers of hours typically worked. Lease arrangements can differ and are generally separate from radio service control, although these operate in a free market reflecting an equilibrium between medallion owner cost and market demand / ability to pay.

2.2 Study Purpose

The study has the dual purpose of measuring change in cost and income allowing recommendation of a method of updating the San Diego taxi tariff; and assessing the impacts of moving to a standardized fare. In making recommendations on fare levels and changes to fares we felt it important to recommend a taxi rate that: 1) allows taxi operators and drivers to recover operating costs and earn a reasonable income; and 2) provides a consistent method by which taxi fares may be updated in the future using a clear and transparent process of analysis. The study also provides a recommendation of responses to significant sudden changes in operating costs that may be associated with spikes in individual cost elements, such as might be experienced in fuel costs. The study also recommends the adoption of a standardized fare, described in subsequent sections.

2.3 Methodology and approach

The study has adopted a data led analysis approach to assess the impacts of changes in the level, structure and application of taxi fares in San Diego. The study includes a review of methods applied in cities across the USA, building a San Diego specific taxi market model, San Diego public, stakeholder and driver experiences.

The approach requires and follows from the study team identifying the dynamics of the taxi market, its variations and nuances. We have achieved this by developing a detailed review across the city of San Diego, its airport and suburbs. The review includes the identification of relationships within the taxi industry, between key stakeholders involved in the production of taxi services, advisory and policy oriented advocates; and between the public and the trade. The study has also identifies the current use of new vehicle types, some recently labeled as TNCs[2], and behavioral choices currently made in the use of and choice between services. Primary survey and data collection exercises have been undertaken to identify the relationships and choices impacting on the taxi industry. These are summarized as:

- Review of approaches adopted in peer city locations;
- Public Survey, based an intercept across all area of the city using tablets, resulting in 689 responses;
- Driver Survey, based on a paper questionnaire, distributed and collected directly from drivers, resulting in 286 responses;
- Structured interviews of key stakeholders, including owners and radio services;
- Operation data mining, using electronic data specific to dispatch and operational information, based on over 500,000 records.

[2] See section 3.1 for a detailed lexicon of common terms.

Our analysis recognizes the different impacts of changes in levels of taxi fares on a range of users and differing segments within the industry itself. In short, no one passenger, driver or operating company experiences the same circumstances as any other. In recognizing this we have identified passenger categories, as well as driver groups, allowing for comparisons between groups on a consistent basis. The differing segments are identified on the basis of differing elasticities of demand, which influence choices to use a taxi; social, spatial and demographic differences. The study team also considered differing driver groups based on operating patterns, and the impacts of new technologies and new service types on the ability of the taxi driver and the wider taxi industry to operate effectively.

Two econometric models were developed specific to the San Diego taxi market, a base cost model allowing the identification and measurement of costs of production in the taxi industry, stratified by driver type; and a more detailed taxi market model allowing the identification of impacts arising from changes in the rates charged and structure applied to the taxi tariff. The taxi market model allowing the measurement of impacts across a range of passenger 'types' including vulnerable passenger groups, that arise from changes in the taxi tariff, and the associated impacts on demand and thus driver income.

The combination of the taxi cost and market models allowed for the testing of scenarios, a method of defining a range of fare policies to identify the potential and impacts arising from the policies thus identified. Scenarios were developed in association with the MTS and other key stakeholders to reflect a full range of potential outcomes, and are described in detail in subsequent sections of this document.

2.4 Market Segments and User Groups

The study team recognize that any change in the rates or structure of a taxi tariff will impact on differing users and stakeholders differently. This applies equally within the taxi trade as to the passenger groups using taxis. Equally changes in taxi tariff will have a continued and iterative impacts as the longer term impacts may differ from short term changes in demand. These include impacts directly associated with the trade and those following from secondary, competing and alternative transport markets. In order to fully identify impacts the team identified a range of driver, trade and public groups, summarized here and set out in more detail in subsequent sections. Differing relationships were also identified in terms of lease arrangements, and cost, also impacting on the wider cost and market choices. The groups defined below can exist in isolation or combination, creating a wider matrix of market participants discussed in detail in subsequent sections.

Identifiable driver groups include:

- Part Time Drivers
- Full Time Drivers
- Drivers working Extended Hours

Identifiable operating patterns chosen within driver groups included combinations of:

- Drivers responding mainly to dispatch trips
- Drivers responding mainly to hail and stand trip engagement

- Drivers operating predominantly at the airport
- Drivers operating predominantly from non-airport trips

2.5 Study Conclusions / Recommendations

The study draws a series of conclusions based on our analysis. On the basis of a measured review of taxi operating costs we conclude that there has been an increase in production costs of 1.187%, in the 12 month period to January 2014. We have used this cost increase as the basis for analysis of effective changes to tariffs.

The study concludes that, on balance, fare standardization has a net benefit to the market and that a single standard fare structure should be adopted. The team tested the impacts of adopting an existing tariff, one of those currently charged in San Diego, but have concluded that none of these achieve the goals of reflecting costs and changes to costs. We have therefore recommended a new tariff be adopted of $3.00 flag, $3.20/mile, and $26/hour waiting. We recommend a change to the included distances applied to flag drop, at 1/10th mile; and a charging increment of $0.20 for subsequent distance. This is described in more detail in subsequent sections.

The study concludes that a role exists for fare discounting in a limited number of markets. As discounting across the entire market may reduce driver incomes inappropriately it is recommended that discounting be permitted post tariff application, ie: a discount applied to a standard tariff. We anticipate that some companies may choose to offer targeted promotions, percentage discount or dollar amount savings as part of their marketing strategy.

The study concludes that a very limited application of fuel cost supplements may be appropriate, based on variation between pump prices and trend prices for gasoline in excess of $0.50/gallon. Supplements should not exceed an additional $0.20/ trip for every $0.50 variation in gasoline price. We recommend that any such supplement be applied only at the request of the majority of the taxi trade, and that the onus lies with the taxi trade to demonstrate that the conditions have been met for its application.

The study recommends that tariff reviews be undertaken on an annual basis with each review resetting baselines, ie: no analysis exceeds 12 months review.

The study recommends that MTS approach the San Diego International Airport to apply the standardized fare rates and update methodology as applied in the city. It is anticipated that an airport departure supplement, currently $2 will remain in force notwithstanding this recommendation.

3. Taxi Fares and fare standardization

Our work has focused upon the identification of costs associated with providing taxi services in San Diego, options associated with adopting a standard taxi fare in San Diego, its measurement and impacts arising from its update.

Taxi fares are significant in providing a measured return to a taxi driver, but also play a role in the economics of the wider taxi industry, and will influence the extent to which taxis are used. To fully assess the impacts of taxi fares and changes in fares we considered it necessary to identify the full range of relationships within the taxi industry, between the public and their use of taxis, and between market participants including differing driver types, ownership and controls. We undertook a robust review of the market in all its elements, using these findings as a basis for our analysis of fares in the city.

3.1 Taxi Fare Structures and Taxi Fares in San Diego

Any taxi fare represents a composite calculation based upon a pre-determined tariff that can be measured using a taximeter or other similar device. A variety of terms are applied reflecting the history of taxis and the structure of the charge in any one location. While no one term may be any more accurate than any other, we feel it appropriate to use a terms consistently in our report. We have therefore defined terms used in this document as follows:

Figure 1: Lexicon of common terms

Term used in this document	Definition
Taxi Fare	The total amount paid by a passenger (passengers) for a single trip, based upon measurement of time and distance, plus extras / supplements as appropriate, defined in a taxi tariff and measured using a taximeter or similar device.
Taxi Tariff	(AKA: Taxi Meter Rate, Fare Table) The definition of charging rates based on a specified combination of time, distance and extras. Typically amounts for initial engagement (flag), amounts per unit of distance and time, and for specific extras. Many cities, including San Diego require the display of a taxi tariff visibly, as an external door display (decal) in the case of San Diego.
Taximeter	A certified and hard fitted device measuring variables defined in the taxi tariff. Taximeters normally comply with current weights and measures legislation - as measuring devices, and can be mechanically sealed after inspection.
Initial charge	(AKA: Flag / Flag drop / drop) The initial charge levied for use of a taxi, applied to all trips regardless of total distance or time. Initial charges typically include a defined distance without additional charge.

Term used in this document	Definition
Distance charge	The amount of money that is charged per increment of distance or any fraction thereof.
Time charge	The amount of money charged for an increment of time while a taxi is stationery in service, or fractions thereof.
Increment	The measurement of a unit of time or distance used in charging. Typically as a fraction of a mile or fraction of an hour, thus an increment of distance may be defined as 1/10th of a mile. It is normal that increments are charged 'in advance' for any fraction of that unit.
Extras	Published additional charges (typically included on the taxi tariff / decal) made on top of measured time and distance rates. These may include additional costs such as an airport charge made to departing taxis.
Decal	An identification or notice printed as an adhesive transfer for display on a vehicle. Once attached a decal usually requires professional removal, ie: may not be tampered with or removed by public.
Supplement	An additional or supplementary charge (surcharge) made in addition to the published taxi tariff in specific circumstances. Examples include fuel surcharges that may be applied in response to a defined change in fuel cost.
Fare Box	A term related to income received from taxi fares. The term originates from cash received being deposited in a fare box within a vehicle, but also extends to payments received by credit card or other means, that may include invoicing for contracted trips. The total fare box amount is the total amount of income received by a driver for trips before costs are subtracted.
Driver Earnings	The level of personal driver income that remains from fare box (plus any additional income - such as 2nd driver rental) after all costs have been subtracted. We have included tips to drivers in the measurement of driver earnings, but excluded any federal income taxes that may be imposed on driver earnings.
Taxi Medallion	The taxi 'medallion' is the permit or vehicle license that is required for legal operation as a taxi in most cities. A variety of terms can be and are applied to the medallion or its equivalent across cities; and within San Diego city a range of differing names are used. Our use of the term medallion refers to the vehicle operating permit currently in force. A number of 'ownership' models apply to the medallion, with the majority of (but not all) San Diego drivers leasing use of a medallion.
Medallion Cap	A defined constraint on the numbers of taxi medallions that are available and in circulation.
Airport Permit (Taxi Vehicle)	San Diego International Airport provides access to airport taxi stands to vehicles and drivers using an additional permit and payment of a fee per use (barrier lift). All taxis picking up at the airport are required to have this permit. Permit options include permits valid for one (of two) or both airport terminals.

Term used in this document	Definition
Airport Barrier Lift Fee	In addition to an annual airport permit, each taxi trip through San Diego International Airport is charged an additional fee, currently $2/trip. The fee is recoverable through an airport 'extra' included on the taxi tariff.
Factors of Production	Relate to elements associated with the delivery of a taxi trip, described as factors of production. These are most often associated with the costs of delivering a trip (production costs), but also extend to demand impacts. Factors of production are extended to include physical requirements - such as inspections etc., and licensing requirements - such as obtaining correct licenses, both of which have an associated cost, which may differ from an estimation of value.
Production costs	(Costs of production) The identifiable dollar value of a factor of production.
Radio Service	A defined taxi brand with unique colors and marketing name. Radio services vary between those offering comprehensive dispatch services, and those that provide minimal dispatch. The levels of dispatch are typically reflected in the charges levied for membership.
Taxi Regulator	The taxi regulator is the person / body responsible for maintaining operational control on the taxi industry in the public interest. Regulation can apply to Quantity, Quality and Economic controls (QQE factors) applied, in San Diego, by the Metropolitan Transit System of San Diego (MTS) and its agents.
Dispatch Drivers	Drivers who concentrate on trip engagements received via a radio service dispatch system. This does not preclude engagement via street hail or stand, but rather relates to drivers with a predominance of trips from dispatch.
Street Drivers	Drivers who concentrate on trip engagements received via street hail or taxi stands. As with Dispatch drivers this is not exclusive to street engagement, but rather relates to drivers with a predominance of trips from street hail and stand.
Airport Drivers	As per Dispatch and Street drivers, this is a non-exclusive definition for drivers with a predominance of trips from the San Diego International Airport (SAN). Airport drivers tend to be charged a higher amount for lease and an airport departure fee.
QQE (QQE Factors)	An abbreviation referring to Quantity, Quality and Economic controls placed on the taxi industry. Quantity controls typically relate to the numbers of vehicles or vehicle medallions that may be available. Quality control can relate to vehicle safety control, vehicle design and condition as well as to requirements for service levels and accessibility. Economic controls most commonly apply to the determination of taxi fares, which may be precisely defined or set as maxima, but may also apply to lease cap control. San Diego applies an element of all three controls (QQE), but does not require lease caps.

Term used in this document	Definition
CPI	Consumer Price Index. A commonly used measure of price inflation, measured using a 'basket of costs' and defined on a regional basis across the USA.
IPI	Industrial Price Index. A specialist measure of price inflation affecting specific industrial sectors. Measured using a basket of costs specific to a defined industry sector. May also be referred to as a Taxi Cost Index when applied to the taxi trade, see section 4.
Transportation Network Companies (TNCs)	TNCs represent a relatively new market segment, associated with transport services booked directly via smartphone application (app). TNC is a new categorization initially defined by the California Public Utilities Commission (CPUC), with a series of similar categories in other US states and some US cities. The term applies to new vehicle types beyond the scope and licensing control applied to taxis. A range of other terms have also been applied to this sector including 'Rideshare' as well as trade names associated with the technology companies providing apps on a single platform, across platforms and/or associated with a variety of license categories. There are a series of significant variations within the app market, with a variety of impacts on the traditional taxi market. These are discussed in detail in subsequent sections.
SAN	We have used the San Diego International Airport (Lindbergh Field) IATA code - SAN for consistency throughout this document.

Taxi fares in San Diego reflect a practice common across US cities of making charges for initial engagement, time and distance, with defined extras. Charges are displayed externally on San Diego taxi vehicles allowing intending and potential passengers to be aware of charging structure in advance of use. The city differs from other locations in that taxi tariffs can vary between companies, with a range of tariffs applied up to a maximum set by the Metropolitan Transit System of San Diego (MTS).

San Diego airport tariff rates may also differ from those used for non-airport trips, and are defined by the airport authority. Unlike non-airport originating trips, all airport originating trips are required to use the same tariff. This difference, in fare setting, has the effect that all airport originating engagements should be charged at the same rate, while non-airport originating engagements may differ.

San Diego Taxi Tariff rates may be increased following one of three models:

- SAN Airport tariff rates increased against a defined CPI measure on a regular review by the airport authority,
- Non-Airport maximum rates increased against a measured variance from mean on a regular review by the MTS,

- Non-Airport company specific rates changed up to the MTS defined maximum on request from the company.

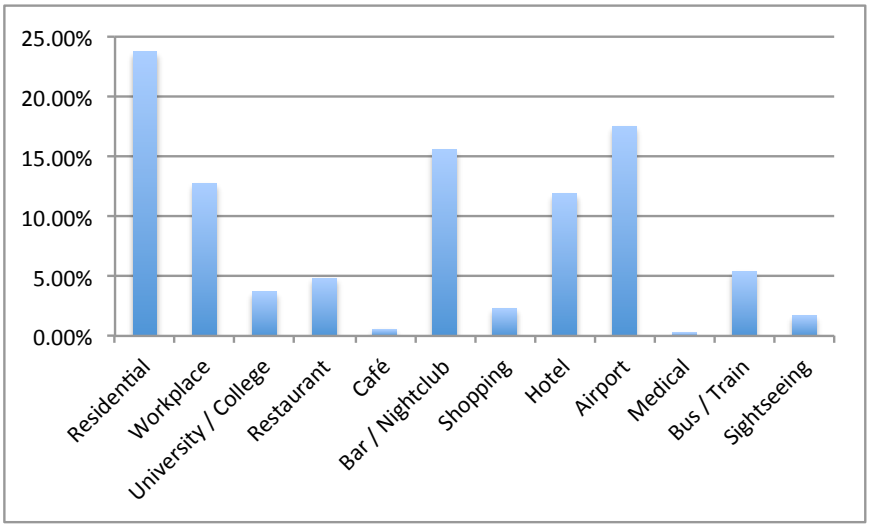
Taxi tariffs are significant in that driver earnings may be directly related to the amount of income received through the fare box, but also relate to the economics of the wider taxi industry including the markets associated with lease payments; and on the demand for and use of taxis in San Diego.

3.2 Demand for and Use of Taxis in San Diego

Demand for and use of taxis, and the nature of demand has a direct impact on the effectiveness of any given tariff. Demand for taxis can be affected by a number of factors, including price. Changes in taxi tariff are likely to impact on the numbers of trips being made, affecting the extent to which increases in tariffs result in increases in driver earnings. Equally reductions in tariff, or lower comparative tariffs, may result in an increased level of demand - price elasticity of demand; with a similar response related to the apparent and perceived quality of vehicles and service received. It is also notable that demand, and elasticities of demand, vary by user group, with a wide range of user 'types' across differing demographics.

The study team undertook a wide ranging public survey, set out in detail in section 4, which identified both trip characteristics, figure 2 , and user income demographics, figure 3. The survey also identified differing price elasticity of demand by group, suggesting a relatively inelastic market with a small number of key groups showing differing elasticity and demand characteristics, discussed in subsequent sections.

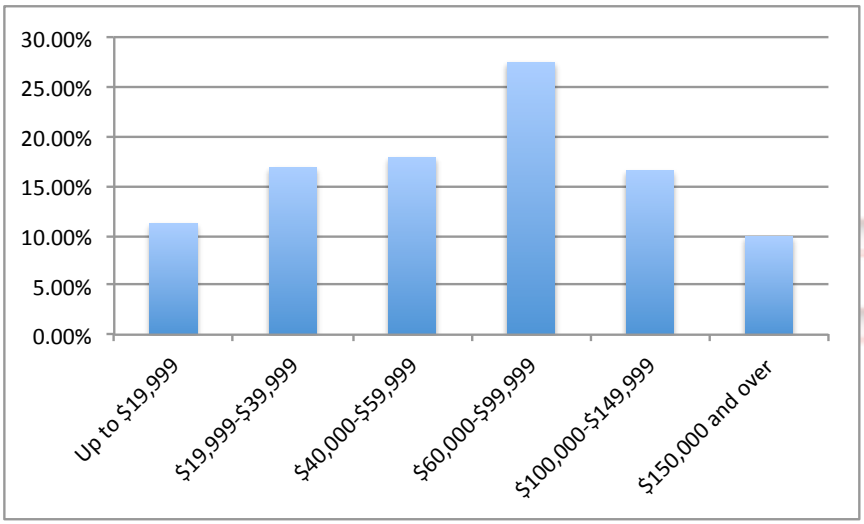
Figure 2: Trip Characteristics - Trip Origin



Source: Public Survey

Residential trips remain the majority trip origin at 24%, with airport trip origins the second most frequently reported trip (17%). Night time activities, trips from Bars & Nightclubs (15%) and Restaurants (5%) also scored highly. Trips from shopping locations, which often include 'low income' trips represented a relatively small percentage of the trip origins, as did medical trips (0.28%), but as these categories may include vulnerable trip users they have been considered in more detail in subsequent sections.

Figure 3: Taxi user demographics, Income



Source: Public Survey

Income distribution also suggests a more frequent use of by middle and higher income bands, though it is apparent that taxi use is spread across all income brackets.

3.3 Internal Factors Affecting Taxi Costs / Income in San Diego

In addition to the numbers of trips being made - the demand for taxi services, economic relationships exist between taxi drivers, taxi radio services, vehicle and medallion owners. These relationships are internal to the taxi industry as they reflect costs and charges made of the industry itself, and may be considered a part of the factors of production. Internal factors may consist of a variety of relationships including contractual requirements at one end of the spectrum, to free market relationships at the other. Internal factors in San Diego are concentrated around the relationship between drivers and: vehicle owners, medallion owners and radio services. These are summarised in figure 4, which also provides an overview of the nature of the relationship.

It is noted that regulatory controls applied to internal relationships can differ between locations, with significantly different market outcomes associated with differing forms of control. Regulation is currently applied to the numbers of medallions issued in San Diego; with further controls on maximum fares and vehicle inspections, applied by MTS. There are no regulated price caps nor restrictions in place in San Diego

affecting the market for the lease of medallions within the defined number (medallion cap). The impact of these market constraints are discussed in more detail in subsequent sections.

Figure 4: Internal factors affecting San Diego taxi costs

Internal Market Relationships	Description
Driver / Owner / Radio Service	Each vehicle is required to be subscribed to a defined radio service, being the company under whose 'colors' the vehicle operates. The primary relationship exists between the vehicle owner (which need not be the driver) and the radio service. Radio services differ in the levels of services provided, typically reflected in the numbers of calls relayed via a radio, and operate in a free market. Costs associated with radio services are borne by the vehicle owner, and will be passed on to a driver through the vehicle lease where the driver is not the vehicle owner. There are no mandated constraints on the charges that may be levied by a radio service, with charges reflecting market equilibrium.
Driver / Owner	A driver may be a vehicle owner (owner operator) but need not be so. The majority of drivers in San Diego do not own their vehicle, nor the associated medallion, but rather lease a vehicle with medallion. There are no mandated constraints on the charges that may be levied by an owner, nor the precise contractual detail, with a number of equilibrium points visible depending on the extent of use. A lease is typically defined to include costs associated with medallion and subscription to a radio service and is market led. Effectively a lease driver experiences lease cost and fuel cost alone.
Owner / Radio Service	An owner need not be affiliated to any one radio service, though radio service officers may also be owners. Vehicles are affiliated in the open market to a defined radio service under whose colors they then operate. An owner may move between services.
Taxi Regulator / Driver / Owner / Radio Service	The taxi regulator (MTS) influences the operation of the taxi market through controls placed on QQE factors. The regulator does not require nor does it set or advise on lease rates.

Internal market factors are significant in determining the impacts of changes in the level of fares, in that changes in the base income entering the industry, as may alter with a change in taxi fares, has a ripple effect on the other market relationships. Equally changes in the costs associated with internal market relationships impact most heavily at the driver level as these costs can only be met be a reduction in driver earnings.

A fundamental element in the calculations defined in subsequent sections is that driver earnings can be calculated as the remaining income from Fare Box after all other costs have been removed. This is expressed:

$$DY = \sum_{x-i} Yf - (Cl + Cg + Co)$$

Where:

DY = Driver Earnings
Yf = Total income through Fare Box
Cl = Costs associated with lease
Cg = Costs associated with gasoline / fuel
Co = All other operating and licensing costs

The calculation of costs and changes in costs can be applied as an initial indicator of appropriate fare levels and increases in taxi tariff. A similar, cost based, approach to that adopted by San Diego International Airport in determining increase in tariff in line with CPI, but not currently applied in non-airport taxi tariffs. The measurement of changes in costs provides an indication of reducing levels of earnings as a result of changes in operating costs, it does not fully account for changes in earnings that result from external factors affecting the taxi market, user price elasticity of demand, or impacts arising from changes in market conditions such as new market entrants.

3.4 Additional and External Factors affecting Taxi Costs / Income in San Diego

External factors, or externalities, relate to market factors outside a defined market area - in this case taxi costs. An externality can be defined as the cost or benefit that affects a party who did not choose to incur that cost or benefit. In defining taxi costs this might include other modes which may be seen as alternatives to taxis that may detract from the demand for traditional taxi services (diversion) and external economic circumstances that facilitate or reduce the need to travel at all (suppression), was well as positive benefits that may accrue from taxi use, such as a reduction in overall auto ownership, environmental and access benefits. Additional factors are also included, those that fall within the control of the taxi industry, but beyond the direct measurement of changes in cost alone, which may include the definition of quality standards, or the external impacts of vehicle types on demand.

While external factors are not directly created by the the traditional taxi industry, nor in the measurement of costs, many will impact on the relationships between costs and income - identified in previous sections in relation to defining taxi tariff. We have therefore identified a range of factors influencing earnings beyond the measurement of change in cost alone that are appropriate in defining taxi tariff set out in figure 5, below. These are discussed in more detail in subsequent sections.

Figure 5: Additional and external factors affecting San Diego taxi costs / income

Additional and External Market Relationships	Description
Demand - Price Elasticity of Demand	The impact that changes in fare levels have on the number of taxi trips being made. An increase in the cost of a product impacts on the equilibrium point, between supply and demand. A product that is said to be inelastic will experience little decline in demand as prices increase, and equally a limited increase where a price falls. An elastic product will experience a large change in demand as price changes. the taxi market differs in price elasticity between user types, resulting in turn in a range of impacts from a change in tariff. Price elasticity of demand may also be affected by service quality and its perception, discussed in subsequent sections.
Complementary and Competitive Services	The relationship between taxis and other transportation is more complex than in other markets, as the taxi offers both complementarity, for example where a taxi forms part of a chain of transport: to/from airports, distribution from a train station etc.; and competition where a taxi is taken instead of a trolley trip or vice versa. An additional complementary role exists where taxis are used in one direction only for example where a trip is made to an entertainment venue by transit, and return by taxi. In contrast, TNCs offering taxi-like services typically operate in direct competition.
Diversion to alternatives	TNCs and other competitive alternative services impact on the use of taxis following changes in the taxi fare (price elasticity of demand), and changes in the prices charged by the alternatives (cross elasticity of demand), as well as a result of changes in the (relative / perceived) quality of the taxi and its alternatives.
Latent Demand	Latent Demand and its corollary market suppression relate to the numbers of trips that are not made (suppressed) as a result of a number of factors including affordability, which is related to price elasticity of demand; availability, which may be associated with fleet size, time and location; and suitability, which may include vehicle design and (perception of) service levels.

The relationship between the measurement of internal, additional and external costs allows a more detailed review of the impact of a change in the taxi tariff that may be expressed as:

$$DY = \sum_{x-i} Yf - (Cl + Cg + Co)$$

$$Yf = \triangle Tx.i$$

Where:

DY = Driver Earnings
Yf = Total income through Fare Box
Cl = Costs associated with lease
Cg = Costs associated with gasoline / fuel
Co = All other operating and licensing costs
Txi = Tariff charged

3.5 Application to taxi tariffs in San Diego / Taxi Tariff Standardization

Having identified range of market relationships in the San Diego taxi market it is possible to define costs associated with the provision of taxi services, changes in costs experienced by the industry and potential changes in the taxi tariff that these costs predicate. The same concepts also allow measurement of impacts arising from changes in the taxi tariff, and the impacts that arise from moving to a standard fare in San Diego.

In subsequent chapters we measure base operating costs associated with the Taxi Industry in San Diego, changes in those costs, relationship between costs and appropriate taxi tariff, and impacts arising from such changes. It should be noted that the nature of these changes impact on the market differently, with very different levels of demand across user groups, and income levels by driver type. Market segments are set out in detail in chapter 4, which also describes differences between driver categories, and comparative income in the current market.

In chapter 5 we quantify changes in the production costs associated with providing taxi services and define market scenarios that we test to ascertain impacts of:

- Taxi Tariff Standardization
- Taxi Tariff increase
- Structural changes in the taxi tariff

Subsequent chapters consider market segments and categorization, cost and market models, and optimal fare structures. In chapter 8 we identify a taxi fare model and methods for its update that allow for assessment of change in cost and appropriate taxi tariff responses in to the future. The study concludes, in chapter 9, by presenting our recommendations including a method of measuring standardized taxi fares, methods for updating taxi tariffs in light with ongoing and potential future changes in the market for taxi and taxi-like services.

4. Data Collection and Review

Our work included a number of data collection exercises including a series of surveys and primary data analysis undertaken in the course of our study. We have set out a description of our surveys, other data sources, and the analysis in this chapter. A description of the Data outputs is included in this chapter, with a review of their application in subsequent sections of this document.

4.1 Surveys undertaken

Data collection exercises were undertaken specific to three areas of analysis: a review of the demand for taxi transport, a review of the supply of taxi transport, and a review of the methods of regulating the market. The latter, methods of regulation, included assessment of the methods adopted in other locations (peer cities) in defining and reviewing taxi fares. The team undertook the following surveys:

- Review of approaches adopted in peer city locations;
- Public Survey, based an intercept across all area of the city using tablets;
- Driver Survey, based on a paper questionnaire, distributed and collected directly from drivers;
- Structured interviews of key stakeholders, including owners and radio services;
- Operation data mining, using electronic data specific to dispatch and operational information.

4.2 Survey Overview

Surveys were completed over the course of the project. Public and driver surveys were undertaken in San Diego by a locally based survey team. A number of issues arose in obtaining appropriate response numbers, a requirement being that a sufficient and representative sample / response rate was achieved to allow confidence in conclusions drawn. In this section we detail the surveys and data collection undertaken.

4.2.1 Review of peer city locations

The team undertook a review of taxi fares and rate setting methodologies in 40 cities across the USA. Peer cities were asked to identify the basis for fare setting in their location, current fare rates and fare structures, as well as a review of the approach adopted in the setting of fares, where this was undertaken by the city. A number of locations provided more detailed information related to the analytical approaches used in defining changes to taxi fare rates. A detailed review of the methodologies applied in peer city locations is included in a separate document.

Figure 6 illustrates taxi fares between the main US cities surveyed, set out in order from the lowest cost to the highest cost of taxis. The comparison identifies San Diego as a relatively expensive city for taxi use. While this measurement is an appropriate starting point for any such analysis, the actual comparison

between cities should be undertaken within the context of individual circumstances. As both geography and economic circumstances differ, any comparison should also consider differences in context and operating cost ie: the direct comparison between locations may fail to identify the full range of issues that need be considered. These are discussed in more detail in subsequent sections.

Figure 6: Comparative Taxi Fares[3] (1,2, 5 miles) in peer cities (in increasing cost order based on 2 mile cost)

City	1 Mile Cost based on flag & distance	2 Mile Cost	5 Mile Cost
Dayton	$3.00	$5.00	$11.00
Detroit	$3.90	$5.50	$10.30
Dallas	$3.85	$5.65	$11.05
Atlanta	$4.25	$6.25	$12.25
St Louis	$4.55	$6.55	$12.55
Columbus	$4.55	$6.58	$12.65
Indianapolis	$4.60	$6.60	$12.60
Chicago	$4.85	$6.65	$12.05
Anchorage	$4.25	$6.75	$14.25
Annapolis	$4.25	$6.75	$14.25
Denver	$4.50	$6.75	$13.50
Little Rock	$4.75	$6.75	$12.75
Austin	$4.50	$6.90	$14.10
Miami Dade County	$4.50	$6.90	$14.10
Houston	$4.75	$6.95	$13.55
Louisville	$4.70	$6.95	$13.70
Fairfax County	$4.96	$6.96	$12.96
Nashville	$5.00	$7.00	$13.00
New York (Yellow Taxis)	$4.50	$7.00	$14.50
Tampa	$4.60	$7.00	$14.20
New Oreleans	$5.25	$7.25	$13.25
San Antonio	$4.67	$7.27	$15.07
Minneapolis	$4.70	$7.45	$15.70

[3] Fares based on Flag and Distance calculation. San Diego fares calculated using Yellowcab non-airport rate.

Charlotte	$5.00	$7.50	$15.00
Cincinnati	$5.50	$7.50	$13.50
Montgomery County	$5.50	$7.50	$13.50
Washington DC	$5.39	$7.55	$14.03
Seattle	$4.90	$7.60	$15.70
Portland	$5.10	$7.70	$15.50
Boston	$5.00	$7.80	$16.20
Buffalo,NY	$4.80	$7.80	$16.80
Los Angeles	$5.25	$7.95	$16.05
Madison	$5.60	$8.00	$15.20
Philadelphia	$5.77	$8.07	$14.97
Las Vegas	$5.70	$8.30	$16.10
San Francisco	$5.70	$8.45	$16.70
San Diego	$5.50	$8.50	$17.50
San Jose	$5.90	$8.90	$17.90
Honolulu	$5.90	$9.10	$18.70

Source: Peer Review

Few locations differ in the underlying structures on which taxi fares are based, with the vast majority of US cities applying a combination of flag, distance and time charges[4]. Differences are visible in the rates of charges applied, contributing to the differing 'positions' as illustrated in figure 6, with a number of further differences related to distances included in initial engagement charges, surcharges and extras. These are set out in more detail in the Peer City Review[5], but do suggest a variety of approaches may be adopted in defining a taxi tariff.

Underlying fare setting methodologies were also included in the peer review. The analysis addressed three areas: approach adopted to identify appropriate rates of change, frequency at which reviews were undertaken, and specific factors that may trigger a rate review. Individual approaches to fare setting were typically defined into one of four common methods, see figure 7.

[4] Phoenix, AZ does not define set fares; Charlotte NC does not include distance in initial charges. Louisville KY has a significantly higher initial charge but includes a 1 mile distance.

[5] See document: 1311 2901 JC San Diego Peer city methodological review

Figure 7: Common methods of fare review

Name/Acronym	Method	Description
Peer	Peer Comparison	Based on reported changes in other locations considered peer cities, and applied directly.
CPI	Consumer Price Index	Based on changes in CPI measured by statistical agency. Often using individually defined elements of CPI. Can include a weighting factor applied to common elements.
TCI / IPI	Taxi Cost Index / Industrial Price Index	An increase based on locally measured metrics specific to the taxi industry. This is often referred to as a Taxi Cost Index as the measurement seeks to identify those costs within the local taxi trade, but actually refers to the wider costs of the taxi industry in that it can be used to measure comparative industrial prices across the taxi market including those of (taxi-like) competitors.
Trade	Trade led increases	Increases based on the stated costs presented by the taxi trade.

Source: Peer Review

Seven locations[6] also provided detailed data in respect of fare calculations allowing for a more detailed comparison of methodologies applied, set out in detail in the peer city methodological review (ibid). Fare reviews vary significantly in frequency, time between reviews split between defined period or undertaken in response to a request for an update; with similar levels of variation in the choice of analysis method undertaken (fig 7). Of the cities providing details a majority chose to define fare increases using a basket of costs defined against specific CPI metrics or revealed IPI. As these approaches are similar and can be considered in respect of the Taxi Industry the term Taxi Cost Index (TCI) is widely applied. Index measurements typically are based on a definition of cost components at a given point in time and calculated as those costs increase. The basic cost components are important as these form the underlying base for increases, but it should also be noted that these components may change over time. This is particularly visible in the case of fuel, where this is included as a cost, in that fuel efficiencies have improved significantly over time, the impact of which is a reducing cost base for fuel costs.

In common with its peers, the San Diego airport authority also applies a a defined methodology (CPI) when increasing fares for trips originating at SAN airport. Fare increases affecting other San Diego trips, those that do not originate at SAN, are not based on a measured index, but rather on a defined maximum value at the discretion of the taxi radio service.

A subset of the respondents also noted factors arising from and impacting on the measured change in fares. Fairfax County suggested a link between increases in fares, achieved in Fairfax County using an IPI

[6] Fairfax County, Houston, Miami, Montgomery County, San Francisco, Toronto (Canada), and Glasgow (UK)

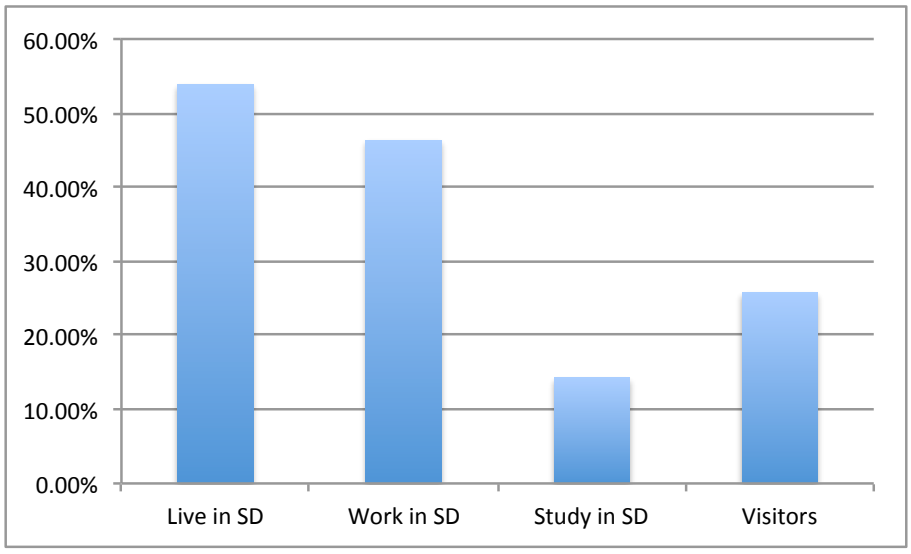
approach, and the total numbers of trips - an effect related to the price elasticity of demand; while Houston commented that infrequent reviews could result in excessive changes in taxi fares that, while correctly measured, may not be appropriate for application. Other economic relationships were also noted, by peer cities, between income derived as a result of a specific taxi fare and the costs associated with taxi leases. A number of cities have chosen to control the maximum charges that may be made for taxi leases, notably San Francisco, though this was applied only in a minority of cities.

4.2.2 Public Surveys

Public surveys were undertaken using a tablet intercept methodology. Public surveys resulted in just under 700 responses considering a wide range of issues affecting the use of taxis in San Diego. Respondents were asked a range of questions related to their use of taxis and taxi-like vehicles in general, and questions pertaining to their last taxi journey. This allows a realistic snap-shot of uses to be drawn and analyzed. Survey respondents were drawn across all communities and all demographics allowing for differing responses to be identified across differing user groups.

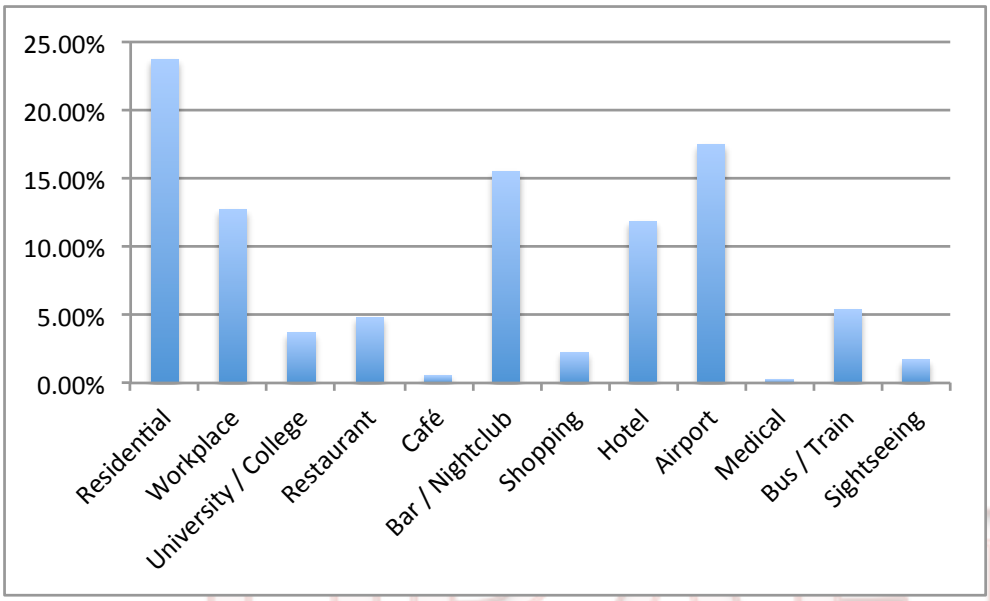
Respondent profiles are illustrated in the figures below. Approximately 25% of all respondents were visitors to San Diego, who neither lived, worked nor studied in the city, with the remaining respondents split between those living within the city, and those regularly traveling to it. 28% of all respondents live and work in the city, around half of all respondents living in the city; with 10% of all respondents both living and studying in the city.

Figure 8: Public survey respondent split local user / visitor



Source: Public Survey

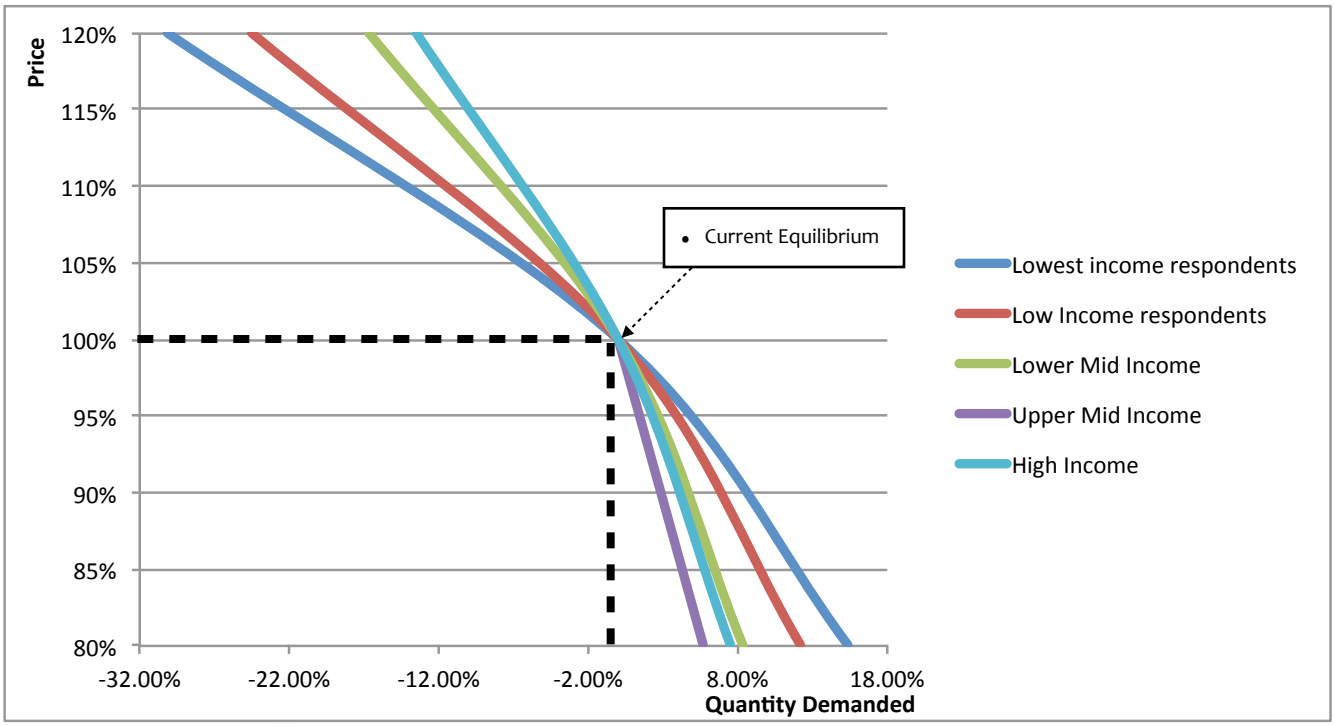
Figure 9: Public survey respondent trip origins



Source: Public Survey

Trip origins are also included to distinguish between differing uses of taxis and allow for the identification of differing impacts from changes in fares based on the price elasticity of demand for particular user groups. Price Elasticity of demand relates to the sensitivities of user groups to changes in fares. Effectively this is the extent to which a change in price impacts on the demand for a product. Elasticities reflect personal choice and can relate to both immediate headline price and perception of value, which may include quality. We have identified typical elasticity values across user demographics and trip origin. Figure 10 illustrates changes in demand for taxis following changes in price. A detailed review of the impacts resulting from differing price elasticities of demand is set out in section 7.

Figure 10: Price Elasticity of Demand by user income - Response in demand / change in taxi fare



Source: Public Survey

The calculation suggests that taxi users of differing incomes will respond differently to changes in price. Figure 10 illustrates the PED for users of differing incomes. Lower income taxi users, illustrated by the dark blue line, are the most price sensitive group (demonstrate the highest price elasticity). A small increase in price produced the greatest reduction in use in lower income groups. High income groups, in contrast, were relatively inelastic and were less likely to decrease use of taxis following a price increase. Small reductions in price also impact on the groups differently, with low income groups showing a small increase in use from a price reduction, though all income groups appeared relative inelastic for larger price reductions.

Higher income trips show less variation and become less elastic as income levels increase. Higher income elasticities remain relatively stable, and are not widely influenced by either price drop nor price increase, suggesting that the key factor in use is not that of price, or price alone.

4.2.3 Stakeholder Surveys

Stakeholder and Institutional Surveys were undertaken to identify a wider range of impacts affecting the supply and use of taxi services. Stakeholder surveys followed a structured interview methodology, based

on individual and small group meetings. The surveys followed a standard pattern of defined questions but also allowed for the identification of additional areas of discussion. Stakeholders included the MTS, the City of San Diego, Hotel and Motel representatives, visitors association, taxi unions and representative groups, and a cross section of owners and taxi radio services.

4.2.4 Driver Surveys

Driver surveys were undertaken to establish the range of operating patterns, issues and factors affecting the supply of taxis in San Diego. Surveys were based on a paper questionnaire circulated and collected across a broad cross section of taxi drivers. The team considered it important that a representative sample of drivers were given the opportunity to participate across a variety of differing operating patterns. Questionnaires were therefore distributed at stand, in the SAN airport holding area, at the Sheriff's licensing facility, at the MTS training and inspection facilities. The survey was also made available on-line using a unique code system comprising stated address and recorded IP address. The unique code reduces the potential for multiple entries using the on-line system, with a similar precaution on paper responses based on name.

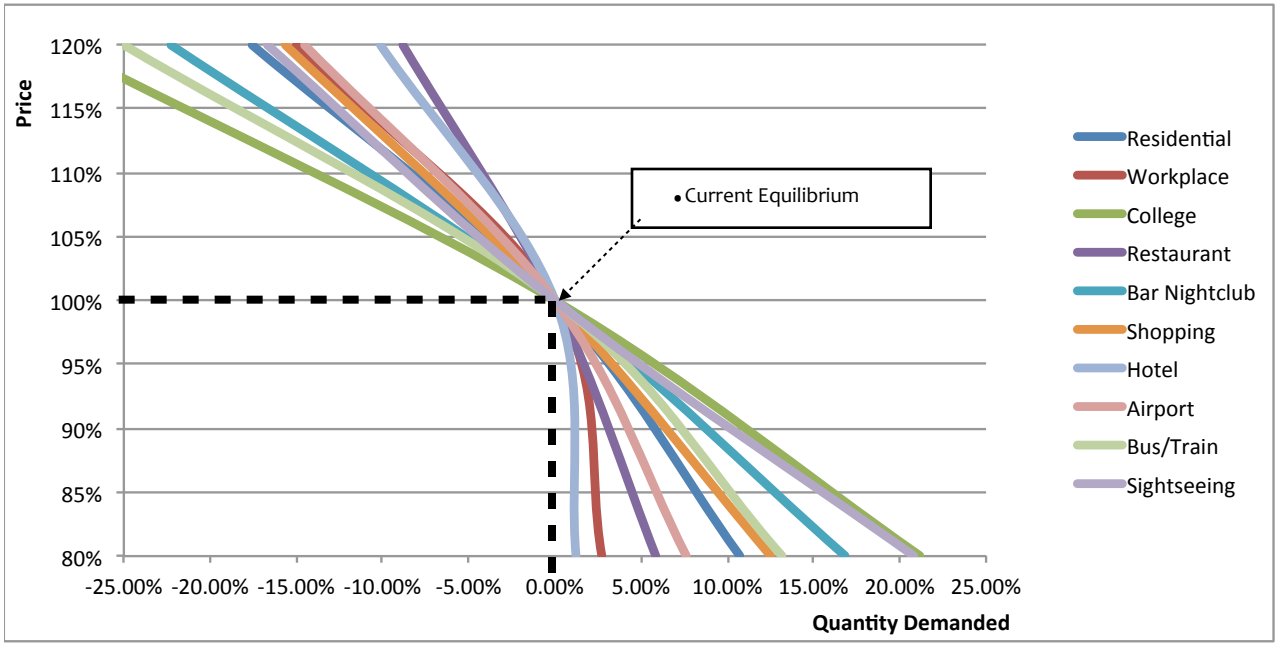
5. Market Segmentation / Categorization

Market responses vary across differing user groups and across differing operating patterns. Differences can exist in all areas of the market and apply equally to the choices made by passengers, intending passengers, drivers and the wider taxi trade. As these responses both impact upon and are affected by changes in fare levels and fare structure, the study team have sought to identify the range and nature of market relationships in the San Diego taxi market. The identification of differing market segments, and the likely responses in each category provides a more detailed review of impacts than may be undertaken in respect of a single 'taxi market'.

5.1 User Segments

The market for taxis comprises a broad cross section of users that differ in terms of demographic profile and income, and may be further defined in terms of trip purpose and trip profile. Differing user groups, differentiated by income, demonstrate differing Price Elasticity of Demand, illustrated in figure 10, above, and are likely to respond differently both to changes in the fare structure and in level of impact and hardship that may follow a fare increase. In Figure 11 we illustrate the same measurement (PED) as it impacts on differing trip purposes.

Figure 11: Price Elasticity of Demand by trip purpose - change in Quantity Demanded / change in Price



Source: Public Survey

Steeper curves suggest a more inelastic market, where large changes in price have little impact on the levels of use. Hotel and Restaurant trips are largely unaffected by changes in price - in both these trip types large changes in price result in very limited change in the numbers of trips made. In short, trips from Hotels and Restaurants that would have been made by taxi, continue to be made by taxi even where price is increased, while few additional trips are made where price is decreased. Workplace trips are also inelastic in the instance of price reduction, there being few additional trips in the instance of discounting, but appear more elastic in response to fare increases - numbers of workplace trips decline in response to a price hike.

College / University trips appear the most elastic, together with trips to/from sightseeing and train/bus origins. Small changes in fare affected all three groups both where fares are increased, and where fares are discounted. College users of taxis were the most elastic user group, representing the greatest fare sensitivity of any group. Student users also represent the most positive market for discounting, with a likely increase in customer numbers exceeding costs in promotions.

Correlation is also visible between elasticities identified in relation to income (figure 10), and those associated with trip purpose (figure 11). Trip purposes that may be associated with higher income activities, such as restaurant trips, Hotel trips and workplace trips, demonstrate inelastic demand. Elastic trip purposes include college trips, trips to/from trains and shopping. Trips to/from bars and nightclubs appear more elastic than trips to/from restaurants, suggesting a greater willingness on the part of bar users to move between modes of transport, including new forms of door-to-door transport (apps) discussed in more detail in subsequent sections.

5.2 Driver Segments

In addition to passenger segments, distinct differences can be seen between drivers in San Diego. Differences are often associated with the numbers of working hours a driver may typically work, but should also extend to differing operating patterns - whether working predominantly from dispatch, street hail etc., and the ownership models - mainly associated with leasing arrangements. This provides a wide ranging matrix of driver types, illustrated in figure 12, below. It should also be noted that no precise definitions are possible as drivers can vary their working hours and method of engagement to a greater or lesser extent. This flexibility can also lead to differences in measurement, with a range of differing, and mutually exclusive, views on working hours expressed to the study team.

Figure 12: Driver Segmentation

Category	Description	Sub Categories
Driver Hours Worked	Numbers of hours 'in service' expressed as a weekly total. Hours in service are defined as those over which a driver is available to accept trip engagements. For a driver accepting trips via dispatch only this relates to the times at which a radio is logged on and in service. Drivers hours in service necessarily include all times when a driver is available, not just those where a driver is engaged with passenger.	Part Time Drivers Full Time Drivers Extended Hours Drivers
Driver Operating Patterns (Engagement Method)	The method by which drivers are engaged. The distinction relates to the primary engagement methods, see below. Engagement methods can have a significant impact on the numbers of trips received.	(Mainly) Dispatch Trips (Mainly) Hail / Stand trips Airport Non-Airport trip origins
Ownership (Lease)	Ownership, of vehicle and medallion, can vary between those who own and operate using their own vehicles, to drivers who lease vehicle with medallion. The nature of ownership impacts on costs that are experienced by the driver.	Owner Operators Lease drivers leasing for 12 hrs daily Lease drivers leasing for 24 hrs daily Lease drivers leasing on a weekly basis (for 12 or 24 hours per day)

5.2.1 Driver Hours Worked

A range of estimates have been expressed in terms of the numbers of hours a driver may choose to work in a day / week. While the final choice of drivers working hours will normally fall to the driver - how many hours does a driver chooses to be available - the identification of actual hours is significant in that it impacts directly on a nominal 'wage' or wage equivalent. The greater the number of hours worked in achieving a weekly income, the lower the equivalent hourly wage.

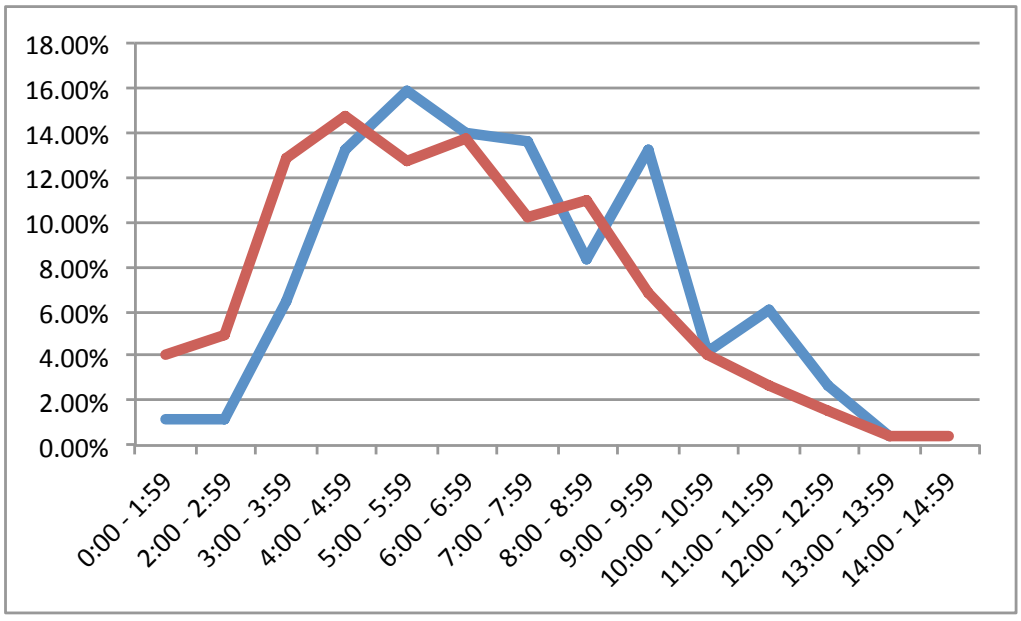
The study team have identified three categories which we have applied to drivers hours: Part-Time Drivers, Full Time Drivers, and Drivers working extended hours. The categories reflect a cross section of working practices that may be identified in most cities, while the actual working hours may differ between driver. In order to define typical working patterns we have used two primary sources of data, trip records provided in the form of electronic information, and driver self reported questionnaires.

Dispatch Data - Hours Worked

Two large dispatch companies provided trip-by-trip records setting out driver ID and trip times. Data provided by one company also included log on and log off times, effectively start of day and end of day times. In the second company dataset we used time of first trip call to time of last trip drop off, and rounded this figure up to represent round shift hours. Trip dispatch records were requested across four months representing winter, spring summer and fall operating patterns and each provided between 40,000 and 60,000 trip records for each dataset. Having established working hour patterns for the dispatch market represented in the trip records we then selected mode values, those being the most frequently worked, as a representative value for part time, full time and extended hours working.

Figure 13 illustrates the distribution of working hours across differing dispatch companies, the mean of which, figure 14, is used as a definition for driver typical working hours in dispatch service.

Figure 13: Distribution of working hours, dispatch drivers



Source: Electronic dispatch records

Figure 13 illustrates, despite some differences between companies, similar patterns are identifiable for both part time and full time drivers, with both data sources suggesting a long tail of drivers working extended

hours, with a peak visible in one. A mean value, based on the distribution multiplied by numbers of drivers is set out in figure 14.

Figure 14: Dispatch Drivers Hours worked (daily)

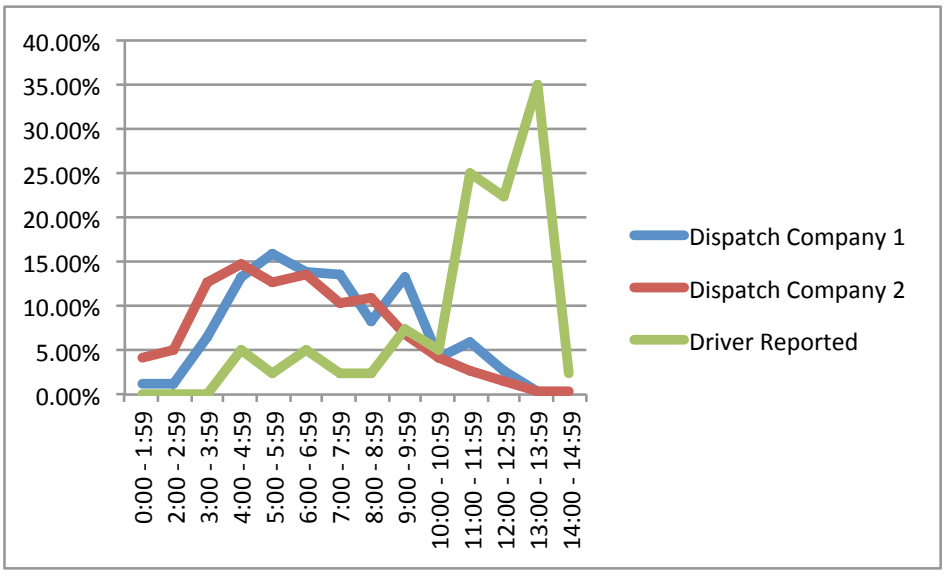
Category	Hours worked / day
Part Time	5.25
Full Time	7.75
Extended Hours	9.75

Source: Calculated from electronic dispatch records

Driver Survey Hours Worked

A different picture emerges in the instance of stated hours indicated in driver surveys. Self reported driver hours appear to suggest longer overall shift hours, see figure 14, though this may be explained, in part, by the differing driver operating patterns, described in section 5.2.2, below. Two patterns are visible and highlighted on the green line, that correlation exists between the driver reported patterns and this visible from electronic data records for driver hours between 0 - 8 hour shifts, with significant divergence for 'extended hours' from approximately 9 hour shifts upwards.

Figure 14: Distribution of working hours, driver reported



Source: Electronic dispatch data and driver survey

While, in the first instance the divergence between electronic and driver reported hours may appear irreconcilable, the extent of correlation between dispatch and driver reported figures should indicate that the latter peak, driver reported hours above 9 hour shifts, relates to street hail trips without significant dispatch business. Effectively that drivers relying on street hail and stand engagement alone work significantly longer hours than those who concentrate on dispatched trips. As this choice impacts on the economic costs and benefits that may accrue to drivers it is considered in more detail below.

5.2.2 Driver Operating Patterns

Operating factors affecting drivers extend beyond the choice of hours and can include company choice, ownership and lease, and preference between radio dispatch, hail and stand engagement. Engagement methods may be summarized as including:

- Dispatch via radio service
- Street Hail
- Taxi Stand (non-airport)
- Airport Taxi Stand
- App based dispatch to taxi driver
- Personal contact via cellphone (non dispatch)

A driver is able to choose the methods of engagement most preferred, to a greater or lesser extent, partly dictated by the extent of dispatch available through a given radio service or whether they hold an airport permit, both of which relate to a further economic choice and potentially a trade off between costs and benefits; but may equally relate to personal preference, home location etc. A trade off may relate both to the actual additional costs of permits etc. and to the waiting times between passengers.

Mainly Dispatch

Drivers who choose to operate mainly to dispatch via radio services appear to receive the highest number of trips. On average a dispatch driver receives between 1 and 2 dispatch trips in every hour based on electronic datasets from radio services. Not all radio services can provide this level of calls, leading to the potential between radio services known to provide a reliable supply of dispatched trips, and those where drivers are more inclined to other forms of engagement.

Mainly Street Hail and Taxi Stand

The alternative to dispatch trips relates to street hail and stand. With the exception of the airport, street hail and stand engagements may be considered interchangeable, as drivers are open to accept hails on the

way to a stand and vice versa. There are significantly fewer stand and hailed trips when compared to dispatch trips, with the result that a driver concentrating on the hail and stand market alone is likely to be worse off than a driver working for a radio service with an effective dispatch system.

Airport Taxi Stand

A distinctly different pattern is observed for airport originating trips than for those seen elsewhere in the city. Airport originating trips tend to be longer than those originating elsewhere and are thus more lucrative. Most airport drivers also appear to prefer pick ups from the airport rather than the city, with an increased incidence of empty return running than seen in other engagement methods. This does not apply to part time drivers serving the airport, who appear to split their time more evenly between airport and non-airport pickups.

Combinations of engagement methods

It should be noted that a significant number of combinations are possible in the selection of engagement methods often, but not exclusively, in the choice of the driver. Personal choices may relate to areas that are preferred, or that appear to reflect economic decisions on the part of the driver. A trade off exists between a driver choice between radio services with advanced dispatch capability and radio services with a more limited dispatch system with a higher number of street pick ups. Similarly many drivers, but not all, with an airport operating permit choose to concentrate on pickup from the airport stand. Economic decisions also follow from the diverse nature of the current taxi tariff, discussed in more detail in section 6, below. Figure 15 illustrates the divergence between radio services by type, and highlights economic trade offs between driver segment, radio service and preferred engagement methods.

Figure 15: Engagement method by service type[7]

Service by type	Primary Engagement	Notes
Airport	Airport Stand only	Plus $2 airport fee recovered from fare, ie: income neutral
Large Dispatch	Radio	
Limited Dispatch	Hail / Stand	

A trade-off exists for drivers between dispatched trips netting a lower income per trip and hailed trips netting a higher income per trip. Lease rates also tend to be higher for large dispatch operations, though these are generally not controlled by the radio services themselves; with a further additional cost for airport permitted vehicles. A critical point arises as to whether a driver is able to achieve as many trips from

[7] 'Airport' origins listed as a service due to uniform charge

the cruising market as from dispatch, or whether a radio service with dispatch produces sufficient additional trips to offset any additional costs.

5.3 App Based Market Segmentation

A further market segment relates to the emergence of app based technologies affecting the taxi market. A range of apps exist and are rapidly growing in the taxi market. In this respect it is necessary to extend the taxi market beyond the supply of traditional taxis alone. The market may thus be considered to include any on-demand small vehicle operating against bookings, hail and stand engagement. It is noted that the only vehicles able to respond legally to hailing are taxis. The wider taxi market is illustrated in figure 16.

Figure 16: Wider Taxi Market participants[8]

Segment	Technology	Example of company*
Traditional Taxi	App booking operating via radio service	Taxi Magic
Traditional Taxi	App booking operating direct to driver	Hailo
Limousine License	App booking operating via existing service	Flywheel
Limousine License	App booking operating direct to driver	Uber
TNCs	App Booking operating direct to driver	Sidecar
Floating Car Rental	App and car based booking without driver	Car2Go

Note: Car2Go is a trade name of Daimler Mobility and refers to an instant self driver rental. Car2Go services are floating, in that they operate from a street curb rather than a defined rental station. It is included as the vehicle technology allows for trips that may otherwise be fulfilled by taxis. * - List is not exhaustive

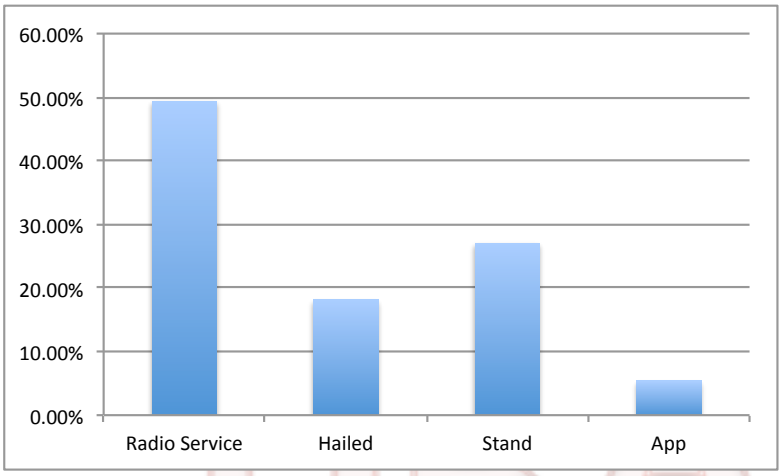
Impact on Demand

App technologies have created a significant discussion within the taxi industry and across taxi users. The technologies have advanced rapidly with differing functions being added and refined at all times. The app provides a rapid access point to vehicle booking and can support, add to or replace many existing taxi radio service functions. Arguments related to legality and operational parameters of new technologies are set out in a wide range of third party publications and are referred to in this document only where directly relevant to the definition of the taxi market and its operating costs. This said, the development of the app has two primary impacts in relation to the fare study, the impact on demand for taxis, and the impact on traditional operating practices that form part of the tariff calculation.

[8] Company names are given as examples only. A wide range of additional and competitive suppliers exist in each segment. Not all service types are available in San Diego at the time of writing

The public survey indicates an increasing acceptance of apps, while their use remains limited in the current taxi market, see figure 17, the development of apps has a significant impact on the market, see figure 18.

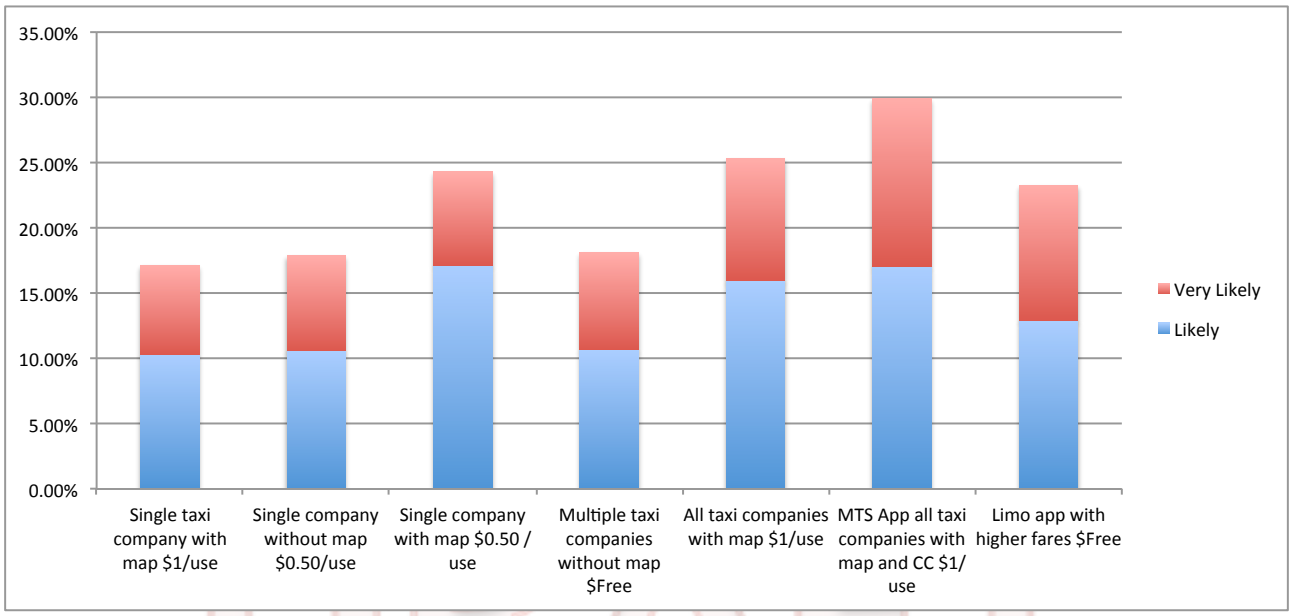
Figure 17: Primary Engagement Methods



Source: Public Survey

Figure 17, which **excludes** airport engagements, highlights the primary methods used to access a taxi. The public survey suggests a concentration on dispatched trips using radio services, representing just under half of all trip engagements. Radio services dispatch trips against traditional phone bookings, but have also moved to accepting internet and some app based bookings, discussed in more detail below. Hailed and stand engagements collectively represented 45% of engagement, and include engagements made using a taxi from a hotel forecourt. App bookings of all types reflect the remaining 5.4% but should be considered against stated intent. Questions within the public survey suggest interest in app bookings is increasing, see figure 18; which will impact, in turn, on the development of the taxi market.

Figure 18: Stated Intent, use of apps



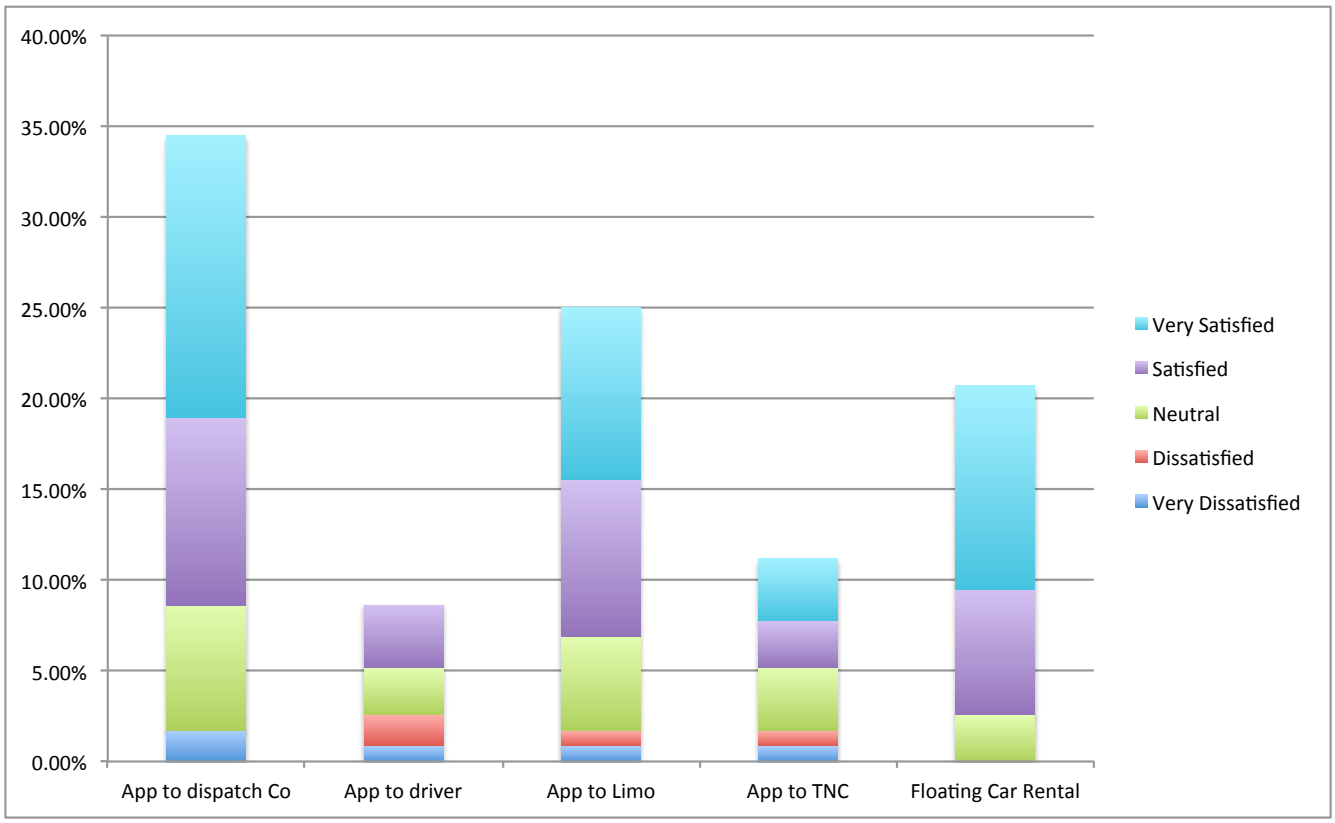
Source: Public Survey

Figure 18 illustrates the stated choice to use app based engagement methods, comparing the relative uptake of seven differing app formats with variations on numbers of fleets included, cost of use, availability of mapping within the app and ability to pay within the app.

The current baseline of 5% use is exceeded in all instances, suggesting an increasing desire to use apps within the taxi market, with particular gains where apps provide access to mapping and credit card payment. The highest stated intent (30%) related to an MTS branded app allowing payment by credit card. 23% of all respondents also indicated an intent to use apps providing access to Limousines, such as the Uber and Flywheel apps, which in turn impacts on the numbers of trips that may be delivered via the traditional taxi fleets.

Satisfaction level was also considered significant in identifying the current market and potential change arising from new booking technologies. Respondents were asked to score apps on the basis of their satisfaction with the quality of service received via the app / app booking. We included floating car hire in the analysis as these vehicles provide an alternative service. The results are set out in figure 19, and highlight three peaked technologies. Apps that provide bookings via existing radio services scored the highest satisfaction ratings. These include apps that are branded to specific radio services and those which allow for the selection of a specific radio service. Apps that book to Limos were also highly scored. Instant car hires also received a high score and stood out as the only technology with no negative comments.

Figure 19: Satisfaction by 'new' booking technology



Source: Public Survey

The combination of stated intent and satisfaction levels in the current market suggest that new technologies are currently developing within a growing market. This does not imply that all services can remain mutually beneficial, nor that the growth in one service type does not detract from others, but rather that the current growth of technologies has not resulted in a sudden catastrophic loss from one market type. It is noted that this balance may remain even where market loss is experienced as the taxi market moves toward a new equilibrium reflecting mature competition.

Where the market reaches a new equilibrium market growth for any one market participant is less likely to be accommodated from an increasing number of trips and is more likely to be achieved at the expense of other market participants.

6. Taxi Market Model

The taxi market model provides a San Diego specific measurement of primary market factors, current demand and supply within the San Diego market, production costs associated with providing a taxi service in the city, and incomes across a range of driver groups identified in the previous section. The Market model comprises two elements, a review of taxi costs experienced in the market including their application to determine driver income, and a market response model identifying the impacts of changes in: 1) Base Taxi Tariff, 2) Taxi Fare Structure and 3) external factors impacting on the taxi market.

In the first test, the taxi market model was applied to identify the production costs associated with providing taxi services and an estimate of approximate earnings across a range of driver types.

6.1 Taxi Costs

Taxi costs vary dependent upon a wide range of factors both within and outside the control of the driver / operator. Distinctions can be drawn between owner operators, typically owning vehicle and medallion, and lease drivers. Differences in costs also exist between vehicle types, and may also reflect the levels of 'buy-in' services that are felt appropriate. 'Buy-ins' include costs that may not be experienced n the provision of basic taxi services, but are widespread and may be prerequisite in some service types. Examples of 'buy-ins' include airport permits, but may also extend to choice of radio service, where choice is possible, between services providing advanced dispatch capabilities, and those with basic provision. The extent to which choice is possible may vary between driver categories, as may the allocation of some of the costs, see figure 20.

Figure 20: Cost categories and Driver categories[9]

Cost Category	Owner Operator	Lease Driver
Vehicle Costs	Vehicle Purchase Finance Cost Maintenance (parts) Maintenance (Labor) Vehicle Inspection Vehicle Cleaning	Vehicle Lease
Insurance Costs	Primary vehicle liability insurance	Included in lease

[9] This table is illustrative and not intended to provide an exhaustive list of costs nor an exhaustive application to driver type

Cost Category	Owner Operator	Lease Driver
Infrastructure Costs	Training costs Vehicle License Medallion Costs Medallion financing Radio service costs App fees Credit Card Fees	License costs App Fees Credit Card Fees
Fuel Costs	Gasoline per use	Gasoline per use

Separate markets apply to most elements within the list of costs, with the exception of directly controlled license and testing costs. The extent of control applied by the MTS is common across many cities, where markets for gasoline, vehicle purchase and maintenance are not within the scope nor ability of the regulator to control. In common with a majority of US cities, the MTS also avoids intervention in the lease market. While the majority of locations allow an open market in taxi leases, not all do, with a smaller number choosing to regulate the nature of the contract and place a maximum lease rate (eg: Boston).

The identification of production cost, and the measurement of changes in base costs levels allows for the identification of an initial response. Thus an overall increase in the costs of production for the taxi industry may suggest an increase of 10% in fares. This does not consider the wider range in factors, however, in that differing driver types experience differing cost structures and cost levels. Part time drivers and those receiving smaller numbers of trips will experience higher fixed costs per trip when compared to a mean average driver. Moreover, as the public response to changes in fares may include decline in use following an increase, the relationship between production costs and taxi tariff is more complex than the initial review suggests.

6.2 Baseline Costs

An initial baseline has been created against which updates in taxi tariff and fare structure may be compared. The baseline equates to a series of calculations of operating costs for taxi drivers across the driver segments identified in previous sections. As no individual driver will take home the same amount as any other, the baseline calculation calculates an indicative amount appropriate for comparison.

6.2.1 Dispatch Drivers - Full Time

The following section provides a review of baseline earnings with primary methodology for drivers operating mainly in response to dispatch calls. The methodology is then applied for other driver types. Figure 21 sets out the key parameters for the driver group. The calculation shown relates to full time drivers using a mode average. Two further categories are also measured, part time drivers and drivers working extended hours. These are discussed in subsequent sections.

Figure 21: Driver Profile - Full Time Dispatch Driver

Metric	Measure	Description
Responds to Dispatch Calls	80%	Proportion of all trips this driver accepts from dispatch. High percentage indicates an advanced dispatch system
Responds to Hail / Stand	20%	
Responds to other engagement	0%	
Percentage of all engagement at airport	0%	Driver does not work from the airport (SAN). It is unlikely that the vehicle will be licensed for use of the airport taxi stand

In the first measurement we measured the costs and income for a driver working full time for a radio service with an advanced dispatch system.

A full time dispatch driver was identified as a driver receiving 80% of trips via the dispatch system, with an additional 20% of trips arising from hailed or stand markets. The split was defined to reflect the practice of drivers accepting small numbers of hailed trips, for example before logging on, or between dispatch calls, but recognizes that the significant majority of calls are received via a radio service. A series of operating and cost assumptions are also necessary, see figure 22, based on observed and reported measurement, described below.

It should be noted that we have used an annual equivalent measure to allow for comparison of like-for-like figures. This should not be read to indicate that all drivers are employed all year, but rather to provide a comparative annual income were a driver to work all year.

Figure 22: Driver operating variables - Full Time Dispatch Driver

Metric	Measure	Description
Number of weeks worked in a normal year	50	Number of weeks in service per annum
Hours worked in a 'Full Time' day	7.75	See below
Trips received per day via dispatch	8.06	See below
Trips received through hailing / stand	2	See below
Include tips in calculation	Yes	An amount is included for tips based on IRS guidance of tip income
Working Hours	Mode value (FT)	Uses a mode measurement for hours based on dispatch data
Gas Price	$3.68	US Gallon

The analysis was based on the calculation of income derived through fare box and costs experienced by each driver type. Three datasets were used in this calculation: data derived from the public survey, used to define trip distribution and choices made in terms of engagement method; data derived from electronic dispatch records, which provides defined numbers of dispatched trips, a breakdown of driver hours worked while responding to dispatch calls; and a driver survey indicating operating statistics for drivers whilst not driving for dispatch companies, and an indication of costs experienced. A description of our approach to collecting data is set out in more detail in section 4, above.

In the case of a driver working predominantly for dispatch we have used records from two large radio services to identify hours driven in service, numbers of trips made and trip length. A mode value is taken to provide the most common working hours and this is then averaged across the two fleets. The fleets represent the most active radio dispatch services, being those with an advanced dispatch system and thus the most likely to be used by drivers concentrating on dispatch trips. Dispatch drivers working 'full time' work an average of 7.75 hours in a day as logged on to a dispatch service. The same driver, working full time and concentrating on dispatch trips will receive, on average, 8.06 trips via the dispatch system, and will also undertake 2 trips from hailed or stand engagements. The average trip length for non-airport originating trips was 5.37 miles, based on dispatch data, allowing for the calculation of income as set out in figure 23, below.

We have used the most common taxi tariff to determine the mile based income for this trip. Using the same driver characteristics, we calculate the costs incurred in providing the service. For a lease driver these include the cost of the lease itself, fuel costs and a small number of infrastructure costs, see figure 24. The calculation is then applied, figure 25, where all costs are paid the remaining income from fare box represents a take home wage.

Figure 23: Full Time Dispatch Driver daily income

Metric	Measurement	Unit	Sub Totals	Totals
Numbers of Trips	From Dispatch		8.06	
	From Hail / Stand		2	
	From other methods		0	10.06
Average Trip distance	With passenger	5.37 miles		
Income	From Flag	Trip count * $2.80	$28.17	
	From Distance	Trip count * 5.3 * $3.00	$159.95	
	From Time	Proportion @0.069	$11.04	
	From Extras	Non-airport origins	$0.00	
	From Tips	@10%	$19.92	
Average Daily Income				$219.07
Equivalent Annual Farebox Income				$48,500.00

Figure 24: Full Time Dispatch Driver daily costs

Metric	Measurement	Unit	Sub Totals	Totals
Daily Trip Count			10.06	
Lease Costs	Daily equivalent lease (see text)		$65	
Fuel Costs	Trip miles with passenger	Trip count * 5.37	54.0222	
	Trip miles in positioning	Trip Count * 4.83	48.5898	
	Fuel efficiency (traditional veh.)	16 mpg		
	Gasoline / US Gallon	$3.68	$22.38	
Average Daily Costs				$87.38
Equivalent Annual Costs				$19,700.00

Figure 25: Full Time Dispatch Driver income

Metric	Source / Description	Totals
Annual Vehicle Income	From figure 23: Equivalent Annual Farebox Income	$48,500.00
Annual Vehicle Costs	From figure 24: Equivalent Annual Costs	$19,700.00
Rounded Take Home wage	Annual Equivalent Wage: Farebox income - Annual Costs	$28,800.00
Equivalent Hourly Rate		$16.50

Note: Figures may vary slightly due to rounding

The calculation, outlined above, suggests that a Full Time driver working predominantly for a dispatch company with a small number of hailed trips has an annual equivalent take home wage of $28,800 - before federal income taxes. This is summarized in figure 25a. Costs are calculated on the basis of figures provided in driver surveys and reflect a mean average of costs experienced by drivers operating for radio services with advanced dispatch systems. Variations may be expected between companies and in different lease agreements with the result that some drivers may receive a higher take home income, some lower. Street drivers, those concentrating on street pick-ups, are more likely to receive lower incomes and work longer hours, set out in more detail in subsequent sections.

Figure 25a: Annual Cost / Income table, full time dispatch drivers (non-airport)

DISPATCH DRIVER - FULL TIME				
LEASE - TRADITIONALLY FUELED VEHICLE				
NON-AIRPORT				
		Annual Costs		Annual Income
Vehicle / Infrastructure Costs		$14,526.57	Flag	$6,200.87
Fuel Costs		$5,195.44	Distance	$35,212.06
			Time	$2,429.63
			Tips	$4,702.82
Total Annual Costs		$19,722.02	Total Annual Income	$48,545.37
Annual Income	$48,545.37			
Annual Costs	$19,722.02			
Income - Costs	**$28,823.36**			
Approximate hourly income	$16.48			

Note: Figures may vary slightly due to rounding

6.2.2 Dispatch Drivers - Extended Hours

The full time earnings potential, calculated in the section above, are derived from driver hours recorded by dispatch companies and measured as a mode average for full time activity. In the driver survey a number of drivers indicated that their working hours were, in fact, longer. We have identified these as drivers working extended hours (extended hours drivers), and this is visible in the third peak in figure 13. It is noted that this peak relates to drivers accepting a majority of trips from dispatch. A further, and more distinct, peak relates to the extended hours of street drivers, discussed in more detail in subsequent sections. Typical characteristics applying to dispatch drivers working extended hours are set out in figure 26.

Figure 26: Driver operating variables - Extended Hours Dispatch Driver

Metric	Measure	Description
Number of weeks worked in a normal year	50	Number of weeks in service per annum
Hours worked in a day - Extended Hours	9.74	
Trips received per day via dispatch	11.1	
Trips received through hailing / stand	2.8	
Include tips in calculation	Yes	
Working Hours	Mode value (FT)	Uses a mode measurement for hours based on dispatch data
Gas Price	$3.68	Gallon, regular gasoline, San Diego mean

Where all other factors remain the same, the extended hours dispatch driver works an additional 2 hours per day, receiving just under 4 additional trips in this period. Where lease cost and fuel costs remain the same, the driver is able to spread capital costs over a greater number of driven miles, resulting in a lower lease per mile value. This has the effect of increasing the total potential take home income as illustrated in figure 27.

Full time and extended hours dispatch drivers also worked fewer days in dispatch service than street drivers worked on street. It is possible, indeed likely, that dispatch drivers also worked as street drivers on 'off days', allowing them to supplement income above that received in dispatch days alone. This additional income would have the impact of increasing annual take home pay above the amounts illustrated above, and would further offset costs associated with fixed costs, including lease costs.

Figure 27: Annual Cost / Income table, extended hours dispatch drivers (non-airport)

DISPATCH DRIVER - EXTENDED HOURS					
LEASE - TRADITIONALLY FUELED VEHICLE					
NON-AIRPORT					
		Annual Costs			Annual Income
	Vehicle Costs	$13,879.63		Flag	$8,361.80
	Fuel Costs	$6,869.12		Distance	$46,587.17
				Time	$3,214.51
				Tips	$6,222.04
	Total Annual Costs	$20,748.75		Total Annual Income	$64,385.53
Annual Income	$64,385.53				
Annual Costs	$20,748.75				
Income - Costs	**$43,636.77**				
Approximate hourly incom	$20.75				

6.2.3 Street Drivers - Full Time

A further category relates to drivers who concentrate on the street hail and taxi stand markets. Street drivers tend to receive fewer trip engagements through dispatch services, though this does not exclude engagement using this method. A number of taxi companies concentrate on the street market, offering a reduced dispatch service when compared to larger radio services. A correlation also exists between company type and fare, suggesting companies with a reduced dispatch service also charge higher taxi tariffs. Lease rates may also be lower for drivers using companies with a reduced dispatch capability, effectively mirroring lower service dues, though this relationship is not linear and reflects the wider market for taxi lease arrangements. Effectively a driver may choose to trade off lower entry or lease costs with a lower number of dispatch calls, for higher trip by trip income. In the following examples we calculate costs and income for street drivers receiving no dispatched trips. In this section we calculate cost and income for the companies with the highest current taxi tariff. A driver profile for street drivers is illustrated in figure 28.

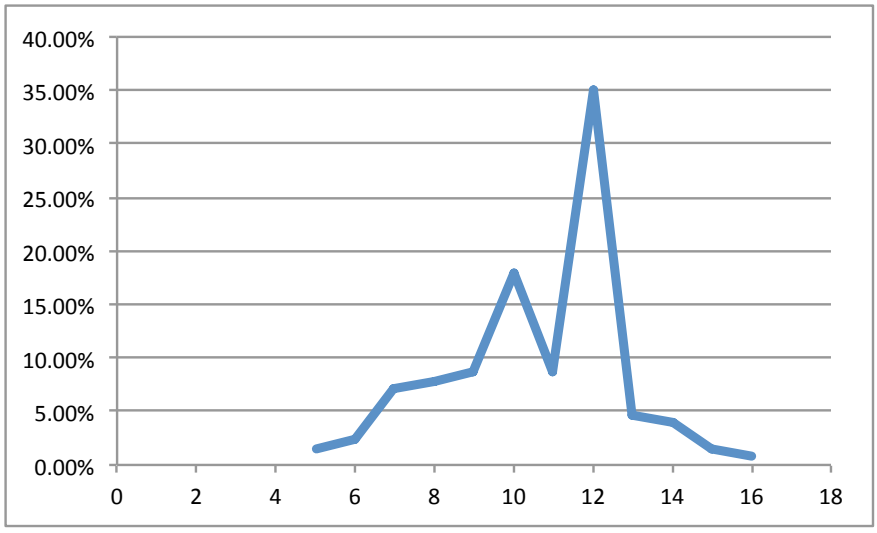
Figure 28: Driver Profile - Full Time Street Driver

Metric	Measure	Description
Responds to Dispatch Calls	0%	Relates to drivers accepting few if any dispatch calls.
Responds to Hail / Stand	100%	
Responds to other engagement	0%	App engagements are defined separately below.
Percentage of all engagement at airport	0%	Driver does not work from the airport (SAN). It is unlikely that the vehicle will be licensed for use of the airport taxi stand

Working Hours

In figure 14 (section 5) we highlighted the patterns of working hours and differentiated between dispatched and street drivers. In figure 29 we concentrate on the upper quartiles, using driver survey data for drivers concentrating on hail and stand market, showing peak values at 10 hours and 12 hours worked per day. While this figure differs from the mode average values established from dispatch records, which suggests dispatch drivers work fewer hours, it is reasonable that this reflects street driver hours where few dispatch trips are taken.

Figure 29: Driver reported working hours - street drivers



Source: Driver Survey

Further variables required in the calculation relate to the identification of trip numbers, trip distance and positioning. To establish these numbers we have used a combination of data from the public survey, which allow calculation of split between engagement methods; measured dispatch trip number using electronic

data; and stated working hours. Excluding app engagements, street hail and stand engagements account for 45.22% of all trips made. This figure includes engagements made by members of the public walking to hotel forecourts / entrances where taxis may often wait, but excludes engagement at the airport stand, which we have considered as a separate market. Using a mean average value across radio services for trips dispatched (using radio services with advanced dispatch), this suggests an average demand of 0.916 street trips for every 1 dispatch trip. It is also necessary to weight this figure to account for the relative numbers of drivers seeking street engagement rather than working predominantly for dispatch trips, where street hails can effectively be picked up by either street drivers (majority of trips), or dispatch drivers (minority reflecting engagement split for dispatch drivers). Using the dispatch driver engagement split of 80%/20% dispatch to street work, where the number of trips available to street only drivers is reduced by the proportion of trips picked up by 'mixed engagement' dispatch drivers the following base statistics are calculated, see figure 30.

Figure 30: Driver operating variables - Full Time Street Driver

Metric	Measure	Description
Number of weeks worked in a normal year	50	Number of weeks in service per annum
Hours worked in a day - Full time driver	10	
Trips received per day via dispatch	0	
Trips received through hailing / stand	6.596	
Include tips in calculation	Yes	
Working Hours	Mode	Based on driver survey responses
Gas Price	$3.68	US Gallon

It is noted that 'street drivers' in this definition are assumed to engage trips from street hail and taxi stand alone. Effectively the income illustrated, see figure 31, excludes any additional trips that are received through dispatch, apps etc. These represent an additional source of income that has not been included. The measure of income **without** dispatch or app bookings therefore represents a lower estimation for drivers working street hail and stand trips working for the mode hours values (working hours = 10 / day - figure 31; working hours = 12 / day - figure 32).

Variation is also possible within these brackets, with a number of street drivers reporting shorter working days - who will receive a lower hourly rate as the capital costs are higher per mile driven; and a number of street drivers working longer hours, receiving a higher hourly rate as capital costs per mile decrease. Drivers

may also make location choices affecting income, whether these are related to a favored location within the downtown core or a suburban location.

Figure 31: Annual Cost / Income table, full time street drivers

STREET DRIVER - FULL TIME				
LEASE - TRADITIONALLY FUELED VEHICLE				
NON-AIRPORT				
		Annual Costs		Annual Income
Vehicle and Infrastructure Costs		$17,909.81	Flag	$6,219.22
	Fuel Costs	$4,706.54	Distance	$35,509.73
			Time	$2,756.44
			Tips	$4,742.57
	Total Annual Costs	$22,616.35	Total Annual Income	$49,227.97
Annual Income	$49,227.97			
Annual Costs	$22,616.35			
Income - Costs	**$26,611.62**			
Approximate hourly income	$8.86			

6.2.4 Street Drivers - Extended Hours

We have also calculated the potential earnings of street drivers working for extended hours. As with dispatch drivers, those working for longer hours are able to offset fixed costs across a larger number of miles, reducing the per mile cost and increasing the potential earnings level per mile driven. Figure 32 illustrates potential cost and income for street drivers working extended hours.

Figure 32: Annual Cost / Income table, extended hours street drivers

STREET DRIVER - EXTENDED HOURS				INCOME
LEASE - TRADITIONALLY FUELED VEHICLE				
NON-AIRPORT				
		Annual Costs		Annual Income
	Vehicle and Infrastructure Costs	$17,909.81	Flag	$7,372.18
	Fuel Costs	$5,579.06	Distance	$42,092.76
			Time	$2,904.40
			Tips	$5,621.78
	Total Annual Costs	$23,488.88	Total Annual Income	$57,991.12
Annual Income	$57,991.12			
Annual Costs	$23,488.88			
Income - Costs	**$34,502.24**			
Approximate hourly income	$9.57			

The calculations suggest that street drivers tend to receive a lower take home amount than those working predominately for dispatch, and subsequently work longer hours. The difference accounts for some of the differences observed in other reports pertaining to the San Diego taxi market, and suggests annual equivalent driver incomes between $27,200 and $45,600 depending on the choices made. A small number of drivers can take home higher sums as a result of working longer hours, while those choosing to work fewer hours will receive proportionately less. It should be noted that this difference is not a straight line, with part time drivers likely to take home significantly less per hour than those working full-time and extended hours.

6.3 Additional Costs

As in the case of income, a variation in costs is a natural consequence of drivers choosing between different locations, making different lease choices, including between fuel efficient and more traditional vehicle types. It should be noted that a disincentive currently exists to use more fuel efficient vehicles, discussed in section 6.4, below. Vehicle related costs are likely to become more of an issue to the San Diego taxi driver, as the most common traditional vehicle, the Ford Crown Vic, has ceased production, and will gradually withdraw from the market. This is likely to have the impact that differences in lease costs between fuel efficient and traditional vehicles are likely to become less distinct. This is discussed in section 6.4.

Additional costs appear to relate to payments made for ancillary services, particularly in the case of lease drivers, which may relate to an additional charge for maintenance, dispatch services or other facilities normally contained within a 'full service' lease package. It is noted that these structures are not in themselves inappropriate if constituted in the lease arrangements, but are somewhat more opaque as only a relatively few drivers report additional charges. The presence of 'undocumented' payments can not be verified, nor monetary values applied, and have thus been excluded from the calculations. Of Lease Driver responses to the driver survey, 2.6% of respondents indicated an additional payment for maintenance, with a mode average value of $300/month. This reflects a very small proportion of the lease driver respondents, but should be considered as a potential extra cost that may be faced by some members of the driving community. An additional calculation has been undertaken in respect of both full time dispatch and street drivers, illustrated in figures 33 and 34, demonstrating the impact of this additional cost on annual and potential hourly income.

It is highlighted that the calculation of an income is indicative rather than precise, as the exact amount depends on driver, owner and passenger choice.

Figure 34: Full Time Dispatch Driver with additional maintenance cost of $300/month

DISPATCH DRIVER - FULL TIME				
LEASE - TRADITIONALLY FUELED VEHICLE, WITH ADDITIONAL MAINTENANCE COSTS				
NON AIRPORT				
		Annual Costs		Annual Income
	Vehicle / Infrastructure Costs	$14,526.57	Flag	$6,367.46
	Fuel Costs	$5,335.03	Distance	$35,475.84
	Additional Costs - Maintenance	$3,600.00	Time	$2,447.83
			Tips	$4,738.05
	Total Annual Costs	$23,461.60	Total Annual Income	$49,029.18
Annual Income	$49,029.18			
Annual Costs	$23,461.60			
Income - Costs	**$25,567.58**			
Approximate hourly income	$14.62			

Figure 34a: Full Time Street Driver with additional maintenance cost of $300/month

STREET DRIVER - FULL TIME				
LEASE - TRADITIONALLY FUELED VEHICLE, WITH ADDITIONAL MAINTENANCE COSTS				
NON-AIRPORT				
		Annual Costs		Annual Income
	Vehicle / Infrastructure Costs	$17,909.81	Flag	$6,143.48
	Fuel Costs	$4,649.22	Distance	$34,482.77
	Additional Costs - Maintenance	$3,600.00	Time	$2,379.31
			Tips	$4,605.41
	Total Annual Costs	$26,159.03	Total Annual Income	$47,610.97
Annual Income	$47,610.97			
Annual Costs	$26,159.03			
Income - Costs	**$21,451.94**			
Approximate hourly income	$7.14			

6.4 Fuel Efficient Vehicles

In the preceding sections, we have considered the costs and income associated with running a traditionally fuelled vehicle. This sector is dominated in The San Diego taxi market is dominated by the Ford Crown Victoria. The 'Crown Vic' is widely used in taxi service in a great number of US cities, often as a result of its widespread use in police fleets and cascaded to taxi fleets. The Crown Vic achieves relatively low fuel efficiencies compared to more modern vehicle designs, and in particular the adoption of hybrid vehicles in to Taxi fleets. The most popular hybrid in taxi service in San Diego is the Toyota Prius. The Prius achieves significantly better fuel efficiencies when compared to the Crown Vic, being a critical factor in its success in the fleet. The vehicle also commands a higher lease rate which results in a reduction in the benefits achieved through lower fuel bills. Figure 35 illustrates the impact of driving a hybrid vehicle on cost and potential income.

Figure 35: Annual Cost / Income table, full-time dispatch drivers - Fuel Efficient Hybrid vehicle

DISPATCH DRIVER - FULL TIME					
LEASE - FUEL EFFICIENT VEHICLE					
NON-AIRPORT					
		Annual Costs			Annual Income
	Vehicle / Infrastructure Costs	$19,042.78		Flag	$6,367.46
	Fuel Costs	$1,707.21		Distance	$36,158.07
				Time	$2,494.91
				Tips	$4,829.16
	Total Annual Costs	$20,749.99		Total Annual Income	$49,849.60
Annual Income	$49,849.60				
Annual Costs	$20,749.99				
Income - Costs	**$29,099.61**				
Approximate hourly incom	$16.64				

A driver leasing a Hybrid vehicle makes a significant saving in fuel costs, but this is offset by the additional vehicle lease costs for the use of the vehicle. A full-time dispatch driver driving a traditional fuel Crown Vic is has a potential annual earning rate of $31,284 after costs but before personal taxation. The same driver leasing a hybrid vehicle has a potential annual earning rate of $30,360 in a year.

Vehicle purchase patterns differ between the traditional Crown Vic and the Hybrid Prius, which may be a deciding factor in the different lease costs seen in each sector. Hybrid vehicles are much more likely to be purchased new or as recent model used cars compared to traditional fuel vehicles. New vehicles entering the fleet are also likely to be maintained in taxi service, while traditional fuel cars enter the taxi fleet at a

more advanced age, and are removed from service in a far shorter period. Effectively the choice falls between a new vehicle run for its serviceable life in the taxi trade, and a used vehicle purchased at retirement from other service (such as police work) and driven for a short period until scrapped.

While the impact of higher lease costs - leading to lower earnings in hybrid vehicles, highlights a disincentive in adopting greener vehicles (effectively the market currently encourages use of less fuel efficient vehicles) this may prove to be transient or short lived. As the Crown Vic has ceased production a market readjustment is occurring, and appears to be in favor of much newer hybrids entering from new / recent used. The impacts of this are discussed in section 6.6.

6.4.1 Airport Drivers

Drivers providing service at San Diego International airport experience differing costs and income compared to drivers who concentrate downtown. The category includes drivers departing from official airport stands in one or both airport terminals, driving permitted vehicles and paying a $2 additional charge for each trip, recoverable as an extra from the taxi tariff.

Airport drivers benefit from longer trips originating from the airport, resulting in higher incomes per trip, but will usually experience higher lease payments for airport permitted vehicles. Airport drivers are also able to work dispatch, street hail and stand trips from the downtown, though the extent to which this occurs differs by driver group. Full time drivers appear to split their driving evenly between airport and non-airport trip origins (46% of FT pick ups are from the airport), while drivers working extended hours appear to concentrate more on the airport itself (69% of ET pick ups are from the airport) suggesting that a driver working extended hours is more likely to return empty to the airport. Fewer part time drivers serve the airport than full time drivers, which is likely to reflect the higher lease costs of airport permitted vehicles. Figure 36 illustrates the costs and income that may be experienced by a full time airport driver.

Figure 36: Annual Cost / Income table, full-time airport drivers

DISPATCH DRIVER - FULL TIME				
LEASE - FUEL EFFICIENT VEHICLE				
AIRPORT				
		Annual Costs		Annual Income
	Vehicle / Infrastructure Costs	$21,300.89	Flag	$6,675.29
	Fuel Costs	$2,077.89	Distance	$44,343.02
	Airport departure costs	$2,193.31	Time	$3,059.67
			Airport dep extras	$2,193.31
			Tips	$5,922.32
	Total Annual Costs	$25,572.09	Total Annual Income	$62,193.61
Annual Income	$62,193.61			
Annual Costs	$25,572.09			
Income - Costs	**$36,621.52**			
Approximate hourly income	$20.94			

Full time airport lease drivers appear able to offset additional costs as a result of longer airport trips, while the airport 'barrier lift' charge is offset by an additional tariff extra allowing this to be passed directly to the customer. Full time airport drivers driving fuel efficient vehicles are able to exceed the income levels achieved by non-airport drivers using the same vehicle, and exceed income levels of dispatch drivers driving traditionally fueled vehicles. Figure 37 illustrates the costs and income potential for airport drivers driving extended hours.

Figure 37: Annual Cost / Income table, extended hours airport drivers

DISPATCH DRIVER - EXTENDED HOURS				
LEASE - FUEL EFFICIENT VEHICLE				
AIRPORT				
		Annual Costs		Annual Income
	Vehicle / Infrastructure Costs	$20,352.09	Flag	$7,808.49
	Fuel Costs	$2,599.17	Distance	$55,217.20
	Airport departure costs	$2,565.65	Time	$3,809.99
			Airport dep extras	$2,565.65
			Tips	$7,374.64
	Total Annual Costs	$25,516.91	Total Annual Income	$76,775.97
Annual Income	$76,775.97			
Annual Costs	$25,516.91			
Income - Costs	**$51,259.07**			
Approximate hourly income	$24.38			

6.5 Owner Drivers

An owner driver experiences many of the same market factors as a lease driver, responding to the same patterns of demand and taxi tariffs as lease drivers; but differ in that vehicle and medallion costs that would generally be included in the lease fall directly to the driver. This can result in a range of additional individual costs to the owner operator, offset by savings associated with not having a lease cost. Figure 38 illustrates the costs and potential income for a full-time owner driver, operating a traditionally fueled dispatch vehicle, and for a street owner driver (figure 38a).

Figure 38 Annual Cost / Income table, full-time owner drivers - Dispatch

DISPATCH DRIVER - FULL TIME				
OWNER OPERATOR - TRADITIONALLY FUELED VEHICLE				
NON-AIRPORT				
		Annual Costs		Annual Income
	Vehicle Purchase	$1635.00	Flag	$6,367.46
	Vehicle Finance	$420.85	Distance	$36,158.07
	Vehicle parts and servicing	$2362.72	Time	$2,494.91
	Infrastructure/Insurance	$3172.64	Tips	$4,829.16
	Fuel Costs	$5,335.03		
	Medallion Purchase	$4833.33		
	Medallion Finance	$3443.75		
	Total Annual Costs	$21203.32	Total Annual Income	$49,849.60
Annual Income	$49,849.60			
Annual Costs	$21203.32			
Income - Costs	**$28,646.28**			
Approximate hourly income	$16.38			

Figure 38a Annual Cost / Income table, full-time owner drivers - Street Driver

STREET DRIVER - FULL TIME				
OWNER OPERATOR - TRADITIONALLY FUELED VEHICLE				
NON-AIRPORT				
		Annual Costs		Annual Income
	Vehicle Purchase	$1,635.00	Flag	$5,588.37
	Vehicle Finance	$420.85	Distance	$31,907.79
	Vehicle parts and servicing	$2,362.72	Time	$2,201.64
	Infrastructure/Insurance	$3,172.64	Tips	$4,261.51
	Fuel Costs	$5,335.03		
	Medallion Purchase	$4,833.33		
	Medallion Finance	$3,443.75		
	Total Annual Costs	$21,203.32	Total Annual Income	$43,959.31
Annual Income	$43,959.31			
Annual Costs	$21,203.32			
Income - Costs	**$22,755.99**			
Approximate hourly income	$7.57			

6.6 Changes in operating costs

In section 4 we outlined the methods by which peer cities undertook fare reviews. As most cities define taxi tariffs as predefined charges it is a reasonable outcome that changes in the costs of producing a service should be recoverable from a similar change in the defined taxi tariffs. This poses two questions, however, the impact of changes in tariff on the demand for taxi use, and how any change may be reasonably measured. Figure 11, section 5, and figure 10 illustrate the relative price elasticities of demand for taxi services in relation to different trip purposes and different income levels respectively. A traditional viewpoint may suggest that the taxi market is relatively inelastic, that large changes in price have a very limited impact on demand, but this is not the case across all user groups. or all trip purposes. In number of cases the market may be suggested to be elastic, that a small increase in fare will lead to a significant reduction in the numbers of trips being made. In short, an increase in taxi tariff of a given percentage does not equate to an increase in income of the same amount. The impact of these elasticities are discussed in section 7, Market Response Model.

6.6.1 Production Cost Measurement

In our review of peer cities we identified four common methods of measuring changes in the costs experienced in providing taxi services. The methods range between locations, as do the values measured in each. Figure 39 illustrates the four methods, with definitions, and the practical impacts of their application. It is noted that the identification of production costs / cost measurement does not equate to recommended fare increases, see section 7. A review of each method and their application is set out in subsequent text.

Figure 39: Production Cost Measurement

Method	Definition
Peer Comparison	The identification of increases in tariff from other cities and their direct application
Consumer Price Index (CPI)	The identification of increases to CPI (and elements measured in CPI) and their application to the taxi market
Taxi Cost Index / Industrial Price Index	The identification of increases to a range of taxi specific costs, which may include weighting of cost elements) and their application to the taxi market
Trade led increases	Increases based on the stated costs presented by the taxi trade.

Peer Comparison

The first method of measuring change in operating costs relates to the comparison of rates between locations. The method has the benefit of simplicity, that no actual calculation is required in the 'target' city, but lacks any real measurement of costs specific to the city under review. The measurement relies on the accuracy of cost measurements applied in other locations, which may experience differing economic circumstances, see figure 40, below, differing cost structures or market factors. These differences make the application of a general comparison of peer rates a questionable measure at best.

Consumer Price Index (CPI)

The use of a consumer price index (CPI) has a significant benefit over peer comparison in that it uses a distinct and recognized price variable that has a wide history of application. CPI provides a measure of the average change in prices over time in a fixed market basket of goods and services. The US Bureau of Labor Statistics (BLS) publishes CPI values for two population groups[10]:

1. CPI for All Urban Consumers (CPI-U) which covers approximately 88 percent of the total population, and
2. CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers 29 percent of the total population.

[10] US Department of Labor, Bureau of Labor Statistics, Consumer Price Index, San Diego. Doc# 14-290-SAN

CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, and retirees and others not in the labor force. Both CPI-U and CPI-W are based on measurement of the prices of food, clothing, shelter, and fuels, transportation fares, charges for doctors' and dentists' services, drugs, and the other goods and services as they affect the target groups. Figure 40 illustrates changes in CPI-U experienced in San Diego, California and the United States. The comparison suggests that the basket of all urban costs have generally risen faster in San Diego than that in California as a whole or that experienced across all the USA. Effectively the cost of living has risen more quickly in San Diego than other US locations.

Figure 40 CPI based inflation rate comparison CPI-All Urban, San Diego, California, United States

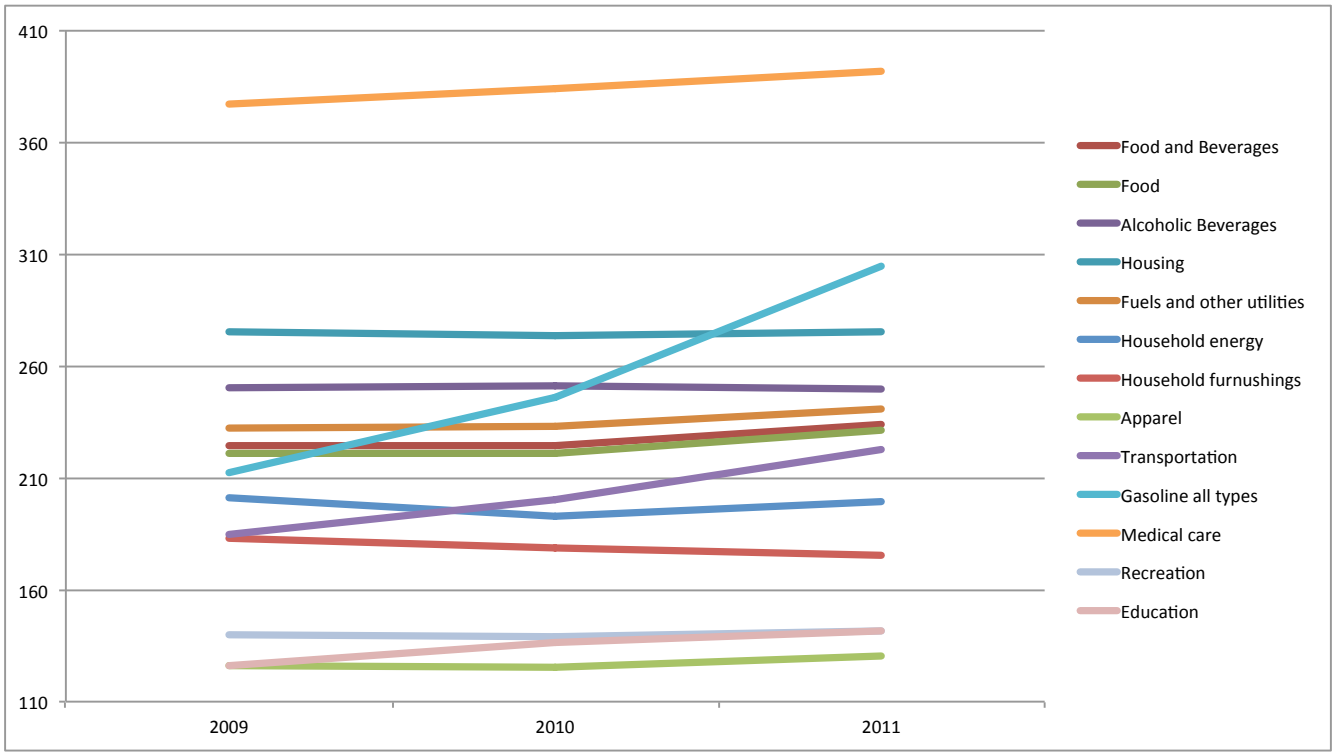
Year	San Diego		California		United States	
1982 = 100	Index	Change	Index	Change	Index	Change
2000	182.8		173.8		172.2	
2001	191.2	4.60%	181.7	4.55%	177.1	2.85%
2002	197.9	3.50%	186.1	2.42%	179.9	1.58%
2003	205.3	3.74%	190.4	2.31%	184.0	2.28%
2004	212.9	3.70%	195.4	2.63%	188.9	2.66%
2005	220.6	3.62%	202.6	3.68%	195.3	3.39%
2006	228.2	3.45%	210.5	3.90%	201.6	3.23%
2007	233.3	2.23%	217.4	3.28%	207.3	2.83%
2008	242.3	3.86%	224.8	3.40%	215.3	3.86%
2009	242.3	0.00%	224.1	-0.31%	214.5	-0.37%
2010	245.5	1.32%	226.9	1.25%	218.1	1.68%
2011	252.9	3.01%	232.9	2.64%	224.9	3.12%

Sources: National University System Institute for Policy Research; CA variables computed by the California Department of Industrial Relations; US Department of Labor, Bureau of Labor Statistics

CPI is generally applied as a single measure, effectively the cost of inflation over time, whether at local, state or federal levels. The BLS suggests a current annual CPI-U rate of 1.7% for San Diego in the period 2012-2013 (ibid), that the total costs of the basket has increased. In the same release the bureau also indicates that the increase was not consistent across all component parts. Gasoline prices had fallen by 3.8% across the region, while other energy prices had risen considerably (electricity +14%; natural gas +18.7%). Figure 41 illustrates the variation in components (expenditure categories) for the period 2009 - 2011.

As with any individually identified industry, the taxi industry experiences some, but not all elements used to measure the CPI-U. Moreover the proportions of any element consumed by the taxi industry may differ from 'typical consumption'. A taxi driver consumes considerably more gasoline than an office worker, and is thus more susceptible to changes in that cost element. Changes in motoring related cost elements are likely to have a disproportionate effect on the taxi industry, while changes in many others have limited effects, or no effect at all. These differences are considered in more detail in the development of an Industrial Price Index, see next section.

Figure 41: Change in expenditure categories, San Diego, 2009 - 2011



Source: US Department of Labor, Bureau of Labor Statistics

Figure 41 illustrates differing changes in costs as contained within the CPI-U, demonstrating significant differences between the rates of change in differing expenditure categories. The use of a single CPI figure applied to the taxi industry would not accurately reflect the changes in costs experienced by the industry, as a general CPI figure includes a range of cost inputs that are not experienced by the taxi industry. Alternatives which benefit from the consistent methods applied in the measurement of CPI include the identification of elements within the index that apply to the taxi industry, and the inclusion of more detailed analysis of industrial price changes / change in the costs experienced by the taxi industry.

Industrial Price Index (IPI) / Taxi Cost Index

The third measure relates to the use of an Industrial Price Index. IPI is a generic term that addresses any industry specific measurement with alternative terms including Taxi Cost Index (TCI) or Taxi Cost Model (TCM). The application of IPI to a specific industry will further require the definition of variables contained within the index, but these are location specific, rather than generic, and should be addressed at a local level.

In defining an index for San Diego, we have identified a number of factors affecting the production costs of taxi services, though not all costs apply to all within the industry. A specific issue arises in terms of the lease costs experienced by drivers, which may reflect a broader series of market relationships than those impacting on owner operators. Moreover, as the MTS does not seek to control nor restrain the market for taxi leases, the interrelationships between taxi tariff and lease rates is a matter of market response rather than present limitation. Figure 42 sets out the costs that are experienced by differing market participants and issues arising.

Figure 42: IPI costs, San Diego Taxi Drivers

Taxi Production Cost	Owner Operators	Lease Drivers*	Issues
Vehicle Purchase	Yes	No	Differing life cycles experienced across fleet by vehicle type. Reduction in availability of Crown Vic
Finance Cost	Yes	No	
Maintenance Costs (parts)	Yes	No	Variable costs associated with differing vehicle types and driving patterns
Maintenance Costs (labor)	Yes	No	Variable costs associated with differing vehicle types
Vehicle Inspection	Yes	No	
Vehicle Cleaning	Yes	Yes	Requirement for clean vehicles does not proscribe any frequency nor standards
Insurance Costs	Yes	No	
Training Costs	Yes	Yes	
Vehicle License	Yes	No	
App Fees	Yes	Yes	Variable costs associated with differing apps
Credit Card Fees	Yes	Yes	Costs can vary
Gasoline	Yes	Yes	Varying costs dependent upon vehicle type and driving style

Notes: A significant number of production costs are passed onto a lease drivers through the cost of the lease, see below.

It is noted that many of the costs identified in figure 42 vary dependent upon vehicle type and driving style. This said, the identification of changes in costs, across a defined driver population, effectively changes to

the IPI basket, will provide a consistent base measurement of cost that allows for the calculation of a taxi fares, set out in more detail below.

A further complication exists, however, as a result of differing costs experienced by differing driver populations, including owner drivers and lease drivers. With a few exceptions, as described in relation to driver survey results, the majority of lease drivers experience costs associated with the lease (80.2%)[11] and the cost of gasoline (19.8%) alone, with wider production costs included in the lease itself. This arrangement is common in many US cities and is sometimes referred to as 'gas and gates'.

Lease owners operate in a distinct market in their own right, experiencing differing costs and income structures than lease drivers. Incentives for vehicle purchase and investment decisions will also differ from owner operators, reflecting both the market for lease rental and a differing income structure. The separation of a lease owner from the traveling public may also lead to differences in interpretation of costs between driver and lease owner, with a fear being described to the survey team that increases in taxi tariffs were lost to (excessive) increases in lease rates. While the perception may relate to a misinterpretation[12], the impact of changes as affecting the lease market should also be considered as a legitimate factor impacting on the costs of production experienced by a driver.

Owner operators also experience differing cost structures to those of the lease driver, who faces many of the costs that are included within the lease rates paid by lease drivers. A composite index is constructed, based on changes in fuel costs (affecting all drivers) and a proportionate value associated with vehicle purchase, maintenance and insurance, infrastructure and operating costs, providing an element addressing both costs experienced by owner drivers, and costs affecting lease owners. It is noted the adoption of a composite index does not remove the ability of a lease owner to increase charges above the rate of the Industrial Price Index, nor to reduce lease rates comparative to other owners to provide market advantage, these being a correct response within a market for lease provision. An additional check may be built in to this process to track lease costs over time to ensure correct market responses.

Trade led increases

A fourth measure relates to the identification of tariff increases by the taxi trade. The approach differs from previous measurements as it does not seek to identify changes in the costs incurred in the provision of taxi services at an authority level, but rather to validate or approve stated changes in cost presented by the

[11] The proportion of lease costs @80.2% of all costs refers to a Full time street lease driver. Differing driver types will experience differing proportions, with drivers working extended hours experiencing lower proportionate costs associated with lease; part time drivers, a higher proportionate cost.

[12] Some drivers reported that an increase of a given percentage was lost to an increase in lease rates. While this is not directly reflected in changes in lease rates, which operate independently in a distinct market between driver and lease owner, increases in tariff may impact as to what the market may bear. It is important to note that an increase in lease costs of 5% following an tariff increase of 5% DOES NOT equate to a loss of increase to lease.

trade. The current San Diego system allows for a trade led increase subject to a defined maximum, allowing for variations in price between companies and, significantly, the potential for discounting within the market.

While trade led increases may also present issues in the measurement of costs differing between operators, and between operators and authorities, the relative simplicity of its structure may have benefits in application. Additional arguments may also relate to the ability of the trade to promote price competition, though this may in itself lead to significantly differing points of view.

6.6.2 Production Cost Values

In drawing conclusion between differing methods of measuring taxi production costs, we have concluded that an IPI methodology based on composite costs experienced across the trade provides the most accurate measurement. The composite draws from factors that are included within the CPI-U measurement, and focuses on the costs experienced within the taxi industry.

Peer based methodologies are unlikely to provide a review reflecting the costs experienced in the San Diego taxi fleet, and are further challenged by the assumption that peer city reviews fully reflect costs on a consistent basis. We also do not consider that trade led increases provide a consistent measure that would be perceived as a neutral measurement, but do recognize the role of trade in determining costs and the potential benefits that may be associated with market discounting / market responses. The latter issues are discussed in more detail in section 7, market response modeling.

Figure 43 sets out the production cost variables used in the subsequent sections of this document and sources of their measurement. Two variables are of significance, the identification of percentage change over a review period, and the approximation of amount. It is noted that actual amounts are likely to vary between drivers, reflecting differences in driving patterns etc. The inclusion of dollar values allow for the identification of cost proportions, the percentage role that any single element contributes to total cost, allowing for a weighting of changes in cost to reflect actual expenditure. A review of each of the cost elements is set out below the table. Cost proportions are defined using current (2013 / 14) costs, and are defined as falling into one of three elements:

- Fuel costs, based on the measured trip miles and vehicle efficiencies
- Vehicle and Infrastructure costs, based on measured elements set out below figure 43, and
- Personal income, defined as the amount left after all costs have been deducted from all income

As all drivers experience a differing cost/income pattern, a single measure will affect differing drivers to a differing extent. We have therefore based calculations of income and cost proportion on a full time reference driver working full time as a lease driver on street. This group represents the largest driver group and the lowest earning group in the city. The selection of this driver group for reference ensures that no individual driver group working full time is unable to benefit from tariff reviews.

Figure 43: Industrial Price Index - Taxi Cost

	Measurement base	Cost Proportion	Data Source / Notes	Values 2013/14	Change over previous 12 months	Change x proportion
FUEL COSTS						
Fuel	$ / Gallon regular gasoline	9.38%	gasbuddy.com values for Jan - Jan	$3.68	1.66%	0.156%
VEH/INFRAST						
Vehicle Purchase Cost	Weighted vehicle cost depreciated over 6 years	9.88%	KBB / Dealership	$2305.20	4.776%	0.472%
Vehicle Finance (Interest)	Mission Fed CU / CPI-U	2.54%		$593.36	-10.4%	-0.264%
Vehicle parts and servicing	Driver costs / CPI-U vehicle repair	10.13%		$2362.72	-2.02%	-0.205%
Insurance Costs	CPI-U	13.60%		$3172.64	3.452%	0.469%
EARNINGS						
Wages	0.5 x OES Transportation + 0.5 x CPI-U	54.47%		$26,990.15	1.025%	0.558%
		100%		TOTAL CHANGE IN COST		1.187%

Measurement of the Taxi Cost Index suggests a total increase in production costs of 1.187%, in the 12 month period to January 2014.

Fuel Costs

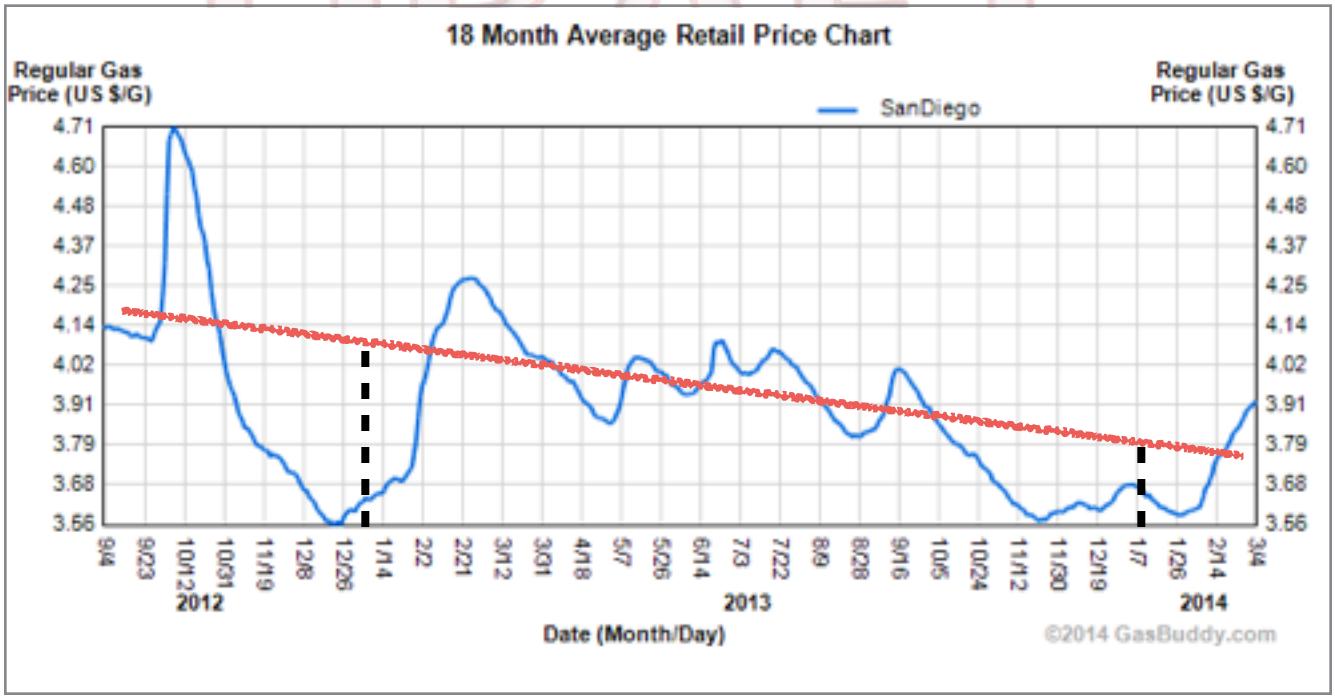
The San Diego taxi market is dominated by two vehicle types, the Ford Crown Victoria - a traditional gasoline fueled vehicle; and the Toyota Prius, a Gasoline/Electric hybrid. Other vehicle types exist within the fleet smaller proportions, with the vast majority of vehicles capable of operating on regular gasoline. Gas costs represent 9.38% of all costs[13].

[13] All costs are based on the operating and personnel costs of a Full time lease street driver.

Identifying trends in the price of regular gasoline provides a measure of changes in this cost element, see figure 44. A large number of gas price websites are available, with little variation in the data provided. We have used GasBuddy.com to track gasoline prices over the past 18 months.

Measuring the gas price at the same time from one year to the next provides an indication of the change in prices at two points in time. Regular gasoline cost, on average, $3.68 on January 7th, 2014; compared with $3.62 on the same date in 2013, this represents an increase of 1.66%. The figure can be said to reflect a like for like comparison, but does not fully represent the gas price, however, as prices will often fluctuate, as seen in this period.

Figure 44: Gas Price fluctuation



Source: Derived from GasBuddy.com

The use of a specified point in time indicates, in this instance a marginal increase in the price of gasoline, while the trend in gas prices over the same period has been downward - gasoline has become cheaper. This leads to a fundamental question, whether the use of point-to-point provides a more accurate measure, or trend line prices. The trend line for the same period has fallen from a trend line value of $4.08 in January 2013, to a trend line value of $3.79 in January 2014, a fall in gas prices of 7.11%.

The use of trend line prices suffers two issues, it is accurate only when applied over a longer term and continuous period. A driver who works for a shorter period, some months only in a year, will lose out where the trend line lies below the actual gas price. It is also likely that visible differences between the price at the pump and the trend line price will create tension or disagreement with the trade in application.

The use of point-to-point prices (spot prices) are also likely to result in disadvantage to the driver where the spot price lies below the trend line. A potential solution relates to secondary fuel pricing charges, allowing for the use of spot price measurement, reducing likely disagreement between regulator and trade, with a secondary measure for temporary spikes in gas costs. On this basis, the operating costs associated with fuel has increased by 1.66%.

Vehicle Costs

The allocation of costs to vehicle purchase and maintenance is more complicated than the measurement of changes to fuel costs. The majority of drivers do not incur a vehicle cost directly, but pay for vehicle purchase, maintenance and upkeep through a lease arrangement. The inclusion of the measured vehicle cost, therefore, addresses the changes felt by owner drivers in the purchase and use of a vehicle, and as one of the factors influencing the market for lease.

The San Diego market is currently dominated by 2 vehicle types, a traditionally fueled vehicle (Crown Vic), and a fuel efficient vehicle (Prius), of which the Crown Vic has ceased production. The traditional vehicle route to the market, from a secondary market to taxi service is therefore restricted and declining. The impacts of changes in vehicle supply will be felt over time as the proportions of used vehicles alters. It is therefore appropriate to adopt a vehicle cost calculation that will adapt to account for changes in the market. We have adopted the following principals:

- The most common traditional and most common fuel efficient vehicles are included in the calculation
- A single consistent vehicle price source is used. We have used the Kelley Blue Book.
- The vehicle type cost is calculated in proportion to its incidence within the fleet
- Base specification models are used to define price and proportion
- Traditional vehicles purchased used with an average age of 4 years on entering taxi service[14]
- Fuel efficient vehicles purchased new[15]
- A vehicle service life of 6 years is applied based on straight line depreciation to zero[16].

[14] Used vehicle age is applied on a consistent basis to allow for comparison of like-for-like costs. The used vehicle age may vary.

[15] Fuel efficient vehicles are based on new purchase for comparison on a like-for-like basis. Vehicle purchase patterns may vary.

[16] Does not require a vehicle to be scrapped at 6 years service and is used for comparison on a like-for-like basis. Vehicle life patterns may vary

On the basis of these principals, the following formula is applied:

$$\sum_{vtt}\left[\frac{Pvtt+T+F}{SL}\right]\alpha vtt+\sum_{vth}\left[\frac{Pvth+T+F}{SL}\right]\alpha vth$$

Where:

Pvtt = Price of traditional vehicle at purchase, using fair value with no additional options
Pvth= Price of fuel efficient vehicle at purchase, using fair value with no additional options
T = Tax rates applied
F = DMV Fees applied
SL = Life in Taxi Service

It is noted that the change in availability of the Crown Vic will impact on the total cost included in this element. It is proposed that calculation of traditional vehicle costs continue to be based on the majority vehicle within this category. This will alter over time and should be updated as the vehicle mix changes. On the basis of the formula set out above, vehicle costs within the fleet have increased by 4.776%.

Vehicle Finance

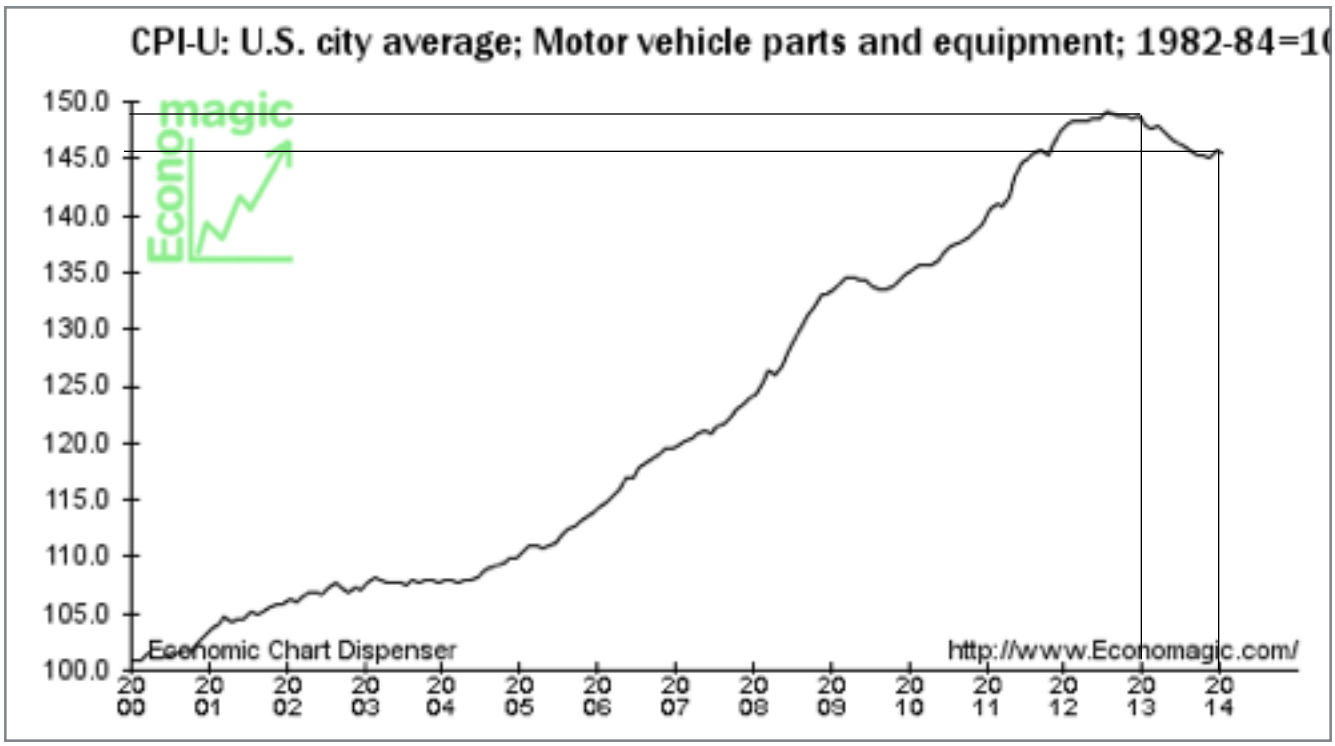
A vehicle finance rate has been sourced from Mission Federal Credit Union in San Diego, based on auto financing up to 72 months. The rate of 4.29% is then applied to the total composite vehicle costs to provide an annual cost for financing.

Maintenance Costs

The maintenance of a vehicle differs significantly between drivers and vehicle types. Reported costs of maintenance are limited to drivers providing an estimate, with an estimated annual cost in 2014 of $2,362. This is illustrated in figure 44, which sets out changes in motor vehicle parts and equipment.

An average maintenance cost of $2,362 per annum, is derived from the driver surveys and represents a current cost allowing for a proportion to be derived. The CPI-U figures also indicate a small decrease in the costs of motor vehicle parts and equipment, suggesting a decline in the overall costs of this element. On the basis of driver stated costs and measured CPI-U, the cost of maintaining a vehicle has fallen by 2.02% in the period 2012/13 - 2013/14 from $2,412 - $2,363.

Figure 45: Motor vehicle parts and equipment



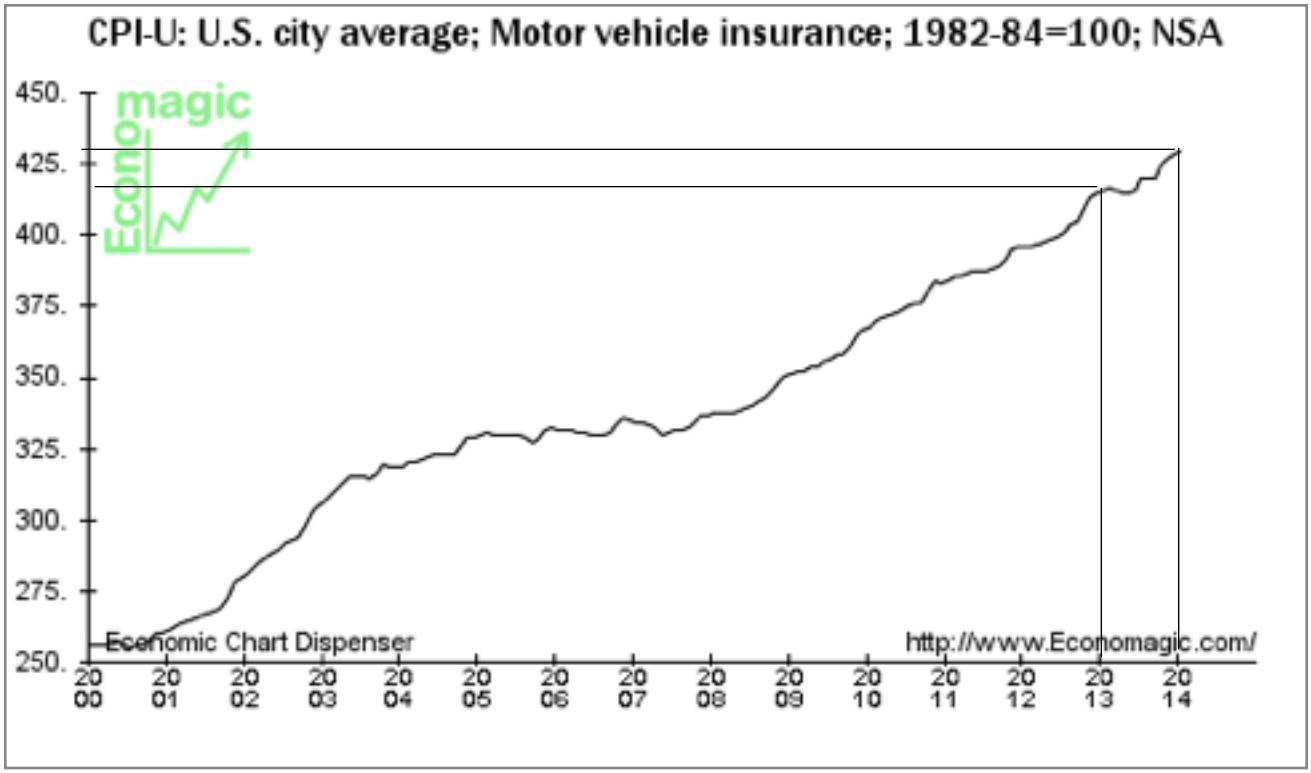
Source: economagic.com

Insurance Costs

Insurance is seen as an essential element in the provision of taxi services, and may be purchased individually by owner drivers or included within the lease arrangements of lease drivers. Its measurement will differ between drivers as no one individual driver or lease owner will experience the same costs as any other, but all will experience changes in costs reflecting changes in the market for insurance.

A mean cost is derived from driver surveys suggesting an annual insurance cost 2013/14 of $3,173. The stated amount is used to define the proportion of all costs, while CPI-U cost change indicates an increase in the cost of insurance of 3.452% in the period 2012/13 - 2013/14.

Figure 46: Motor Vehicle Insurance



Source: Economagic.com

Personal Income

The measurement of personal income is also included to ensure that changes in the taxi tariff also result in an increase to the potential earnings of the taxi driver. Personal income accounted for 54.47% of all costs of a reference driver, and is included at this proportion across all driver types. The inclusion of personal income does not imply an employer/employee relationship, nor additional responsibilities beyond those already defined within the taxi industry, but is included to ensure that the taxi fare review accounts for increases in potential earnings.

A value reflecting change in personal income is derived from equivalent trades rates defined as appropriate to San Diego, using San Diego OES Employment and wages data for Transportation and Material Moving from the State of California Employment Development Department[17]. The OES statistics suggesting a minimal increase in the wages earned within the transportation sector, of 0.35% in the period 2012 - 2013; and a fall in taxi driver earnings by 6.62% in the same period. In effect taxi drivers wages had dropped while the rest of the transportation sector had remained static. While it is inappropriate to seek to increase taxi driver earnings to the extent that would offset changed demand patterns, it is recommended that an

[17] Sourced from: http://www.labormarketinfo.edd.ca.gov/LMID/OES_Employment_and_Wages.html

increase in driver earnings is achieved through an equal combination of transportation sector OES (0.35%), and CPI-U (1.7%), resulting in an increase of 1.025%.

7. Market Response model

In preceding sections we identified production costs, baseline driver income and changes in the costs associated with providing taxi services. In this section we consider the nature of demand, and the changing demand for taxis and similar service types. We also consider the impacts that changes in the taxi fare are likely to have on demand for taxis.

7.1 Measured Cost / Income Target

In section 6.6.2 we identified that production costs are currently increasing at a rate of 1.2% per annum[18]. On the basis of this measurement it is logical that taxi tariffs increase to counter the increasing costs of production, and to continue to provide a defined level of income to the taxi driver. In defining a change in costs, the impact of a change in fare on demand should also be considered. In other words, as the fare increases loss of custom becomes a further potential impact. This loss may be estimated using the defined Price Elasticity of Demand calculations detailed above and summarized in figure 48 in relation to an increase in fares.

Figure 48: Changes in Demand by Production Type[19]

Trip Production	Incidence	PED	PED x Incid
Residential	29.07%	0.878	0.255
Workplace	15.57%	0.750	0.117
University / College	4.50%	**1.443**	0.065
Restaurant	5.88%	0.441	0.026
Bar / Nightclub	19.03%	**1.114**	0.212
Shopping	2.77%	0.782	0.022
Hotel	14.53%	0.506	0.074
Bus / Train	6.57%	**1.250**	0.082
Sightseeing	2.08%	0.834	0.017
	Composite PED	0.870	

PED Figures in **bold** indicate an elastic demand
Source: Public Survey.

[18] Rounded from 1.187%

[19] Based on measured Price Elasticity of Demand using existing trip mean (non-airport) and normalized straight line PED in response to changes to 20% applied to response rates by trip type.

PED measurement allows the estimation of passenger demand changes resulting from a change in fare. PED values lower than 1 indicate an inelastic demand where larger changes in price have a limited effect, while those with a value over 1 are elastic, and may result in a greater change in demand from a smaller change in fares.

The overall taxi market, measured as a composite of its trip types, demonstrates a PED value below 1 - ie: the market is relatively inelastic. In these circumstances an increase in fare will result in a lower loss of demand, and income, and has a net positive effect on driver income from a price rise. Specific sectors differ, however, notably: University, Bar and Nightclub, where a relatively elastic market is shown. In these instances the increase in fares will result in a net loss of income as more passengers move away from taxi use. In subsequent sections we apply the measured composite PED to the income calculations set out above, to demonstrate the impacts of changes in tariff against driver income including PED effects.

7.2 Application of Production Cost increase to mode tariff

Current San Diego taxi fares can vary between companies. In order to illustrate the impacts of a price increase we have used the most common fare (mode) in this section. We discuss the impacts of changes in fares applied to differing companies fares in subsequent sections. Figure 49 sets out the current mode taxi tariff, its current application to the mean trip distance, and the application of an increase in line with measured changes in production costs (figure 50).

Figure 49: Mode Taxi Tariff and application to mean non-airport trip

Mode Tariff					
	Cost	Unit	Included	Increment	Increment cost
Flag	$2.80	drop	0.1		
Distance	$3.00	mile		0.1	$0.30
Time	$24.00	hour			
Mean Trip					
Distance	5.37	Miles			
Drop			$2.80		
Distance Increments	52		$15.60		
Time factor @ 0.069			$1.08		
Tips factor @ 0.133			$2.07		
TRIP INCOME				$21.55	Includes time / distance / tip
Annual Income (Lease Dispatch Driver - FT)					
Annual Income		$49849.60			
Annual Costs		$19,861.60			
Income - Cost (take-home earnings)			**$29,988.00**		

Figure 50: Mode Taxi Tariff with Production Cost Increase and application to mean non-airport trip[20]

Mode Tariff					
	Cost	Unit	Included	Increment	Increment cost
Flag	$2.83	drop	0.1		
Distance	$3.04	mile		0.1	$0.30
Time	$24.28	hour			
Mean Trip					
Distance	5.37	Miles			
Drop			$2.83		
Distance Increments	52		$15.79		
Time factor @ 0.069			$1.09		
Tips factor @ 0.133			$2.10		
TRIP INCOME				$21.81	Includes time / distance / tip
Annual Income (Dispatch Driver)					
Composite PED	0.87				
Reduction in demand	1.03%	2289			
Annual Income		$49,924.62			
Annual Costs		$19,861.60			
Income - Cost (take-home earnings)			**$30,063.02**		
Comparative change in driver income					
Target increase	1.1870%	$30,343.96			
Baseline income			**$29,988.00**		From figure 49
Scenario Income			**$30,063.02**		
Actual Increase in income	1.176%	**-0.011%**			Loss of income due to PED

The inclusion of a PED variable is used to identify reduction in the demand for taxis that may result from a change in the taxi tariff. Figure 50 suggests that an increase in tariff of 1.187% results in an increase in driver income of 1.176%, effectively that the driver income does not increase at the same rate as the change in fare. Although it is noted that the difference is very small (0.011%).

[20] Taxi Tariff increases are applied without rounding to demonstrate impact of PED

Differences in PED are also notable for University/College, Bar/Nightclub and Bus/Train trip origins (relatively elastic market segments), where the loss in passengers is greater than the increase in fares. Drivers serving or concentrating on these trip origins are likely to be worse off as a result of the increase in tariff. Conversely, those serving or concentrating on Workplace, Restaurant and Hotel trip origins (relatively inelastic market segments) are likely to be better off.

Passenger PED elasticities can also impact positively on demand from price reductions. A reduction in taxi tariff may have the impact of increasing demand, particularly in relatively elastic segments, providing a market benefit to services known to discount, or providing specific targeted market promotions. Benefits may also arise to both passenger and some operators as a result of fare standardization, the adoption of a uniform city fare. As the San Diego fleet currently operates a range of tariffs, moving to a single tariff may have the effect of increasing demand from passengers from services charging higher than average fares, though the benefit of this move is likely to be spread across the industry, with a potential dis-benefit to drivers within the higher charging services.

7.3 Standardization of taxi tariffs

The following sections address the impact of moving to a standardized fare. A number of options are available in defining a standard fare which can include the adoption of an existing fare structure, being one that is already charged by one or more company (companies); the adoption of the existing airport fare structure; or the adoption of a new structure not currently charged by any company. As a number of companies already charge the airport fare, this would not necessitate a change for those companies.

We have identified three scenarios reflecting different options using fares already charged by one or more companies in San Diego, see figure 51. These are defined as Mode Fare, the fare currently charged by the most companies, median fare, a mid point fare, and a standardization at the maximum fare currently charged. It is noted that the Mode fare is also one of the lowest fares charged in the city, and mirrors that charged for airport departures.

Figure 51: Fare Standardization Scenarios

Senario Name	Flag	Drop %	Mile Rate	Waiting Time / hr
Standardization at Mode	$2.80	1/10	$3.00	$24
Standardization at Median	$3.00	1/16	$3.20	$26
Standardization at Maximum	$3.10	1/11	$3.30	$27

The three fare standardization scenarios are supplemented by a fourth, which varies from all fares currently charged, have been tested and are described in section 8.

8. Impacts assessment

In this section we calculate the impacts arising from changes in the taxi tariff in San Diego. Impacts can be felt by passengers, where changes in taxi fares affect the affordability of taxis, by drivers and by the wider taxi industry. Some taxi users will be more influenced by changes in tariff than others, and this is noted in particular for lower income groups and for some trip types. An example relates to student taxi users where an increase in taxi fare would reduce use. In this group any increase in income would be lost to a greater decline in use, with the result that drivers would be worse off with a fare increase than without, though the same does not apply to other user groups.

Impacts are tested on the basis of scenarios, defined 'what if' statements tested on an increasing level of application from Do Minimum to Do Maximum, reflecting a range of options open to the MTS.

8.1 Scenario development and description - Standardization

A series of scenarios have been defined as described below. Two main variables relate to fare standardization and fare increases reflecting changes in production cost. Standardization scenarios tested include:

Scenario 1: Fare Standardization at mode

Initial scenarios do not include a calculation of fare increase, but rather measure the impact of standard tariffs alone. Fare standardization at mode is based on the adoption of the most common tariff for all San Diego taxis. In the instance of San Diego, the mode rate is also the lowest charged in the city as a result of its adoption by a number of large dispatch companies. The main impacts of standardization relate to a reduction in fare per trip in radio services previously charging higher amounts, though this impact is felt by a minority of drivers. An increase in taxi use is also likely reflecting elastic nature of some trips. Passengers are likely to experience a benefit as a result of fare reductions in some radio services, particularly those focused on street engagement.

Scenario 2: Fare Standardization at median

The second scenario tests fare standardization at the current median rate. Standardization at median will impact on driver communities differently, with drivers in larger dispatch companies experiencing an increase in trip income but a reduction in passenger numbers; while drivers in companies with a higher tariff will experience a decline in trip revenue, but an increase in the number of passengers.

Scenario 3: Fare Standardization at maximum

The third scenario tests fare standardization at the current maximum rate. Standardization at maximum results in an overall increase in income for the majority of drivers, though not for those drivers currently working in the most expensive radio services. Negative impact on passengers are the most visible in this scenario with a number of groups showing significant loss. The measured impacts of standardization in all three scenarios are set out below.

8.1.1 Scenario testing - scenario 1

Each of the scenarios identified has been tested to demonstrate potential impacts on income and use. Figures 52 and 53 illustrate the impacts of standardizing fares to the mode fare. A mode fare is that which is most frequently charged, with the result that negative income impacts, where a driver may loose income as a result of moving to a lower fare, are limited to a smaller number of drivers than other scenarios. These are discussed in subsequent sections.

Figure 52: Scenario 1 impacts - annual income

Change in fare - average trip		**IMPACT**				**NON AIRPORT**
STANDARDIZATION AT MODE				Was	Becomes	Unit difference
Mode	0	No Change	No change in fare			
Median	-7.08%	Decrease in trip income	Fare Reduction	$23.59	$21.92	$1.67
Maximum	-10.68%	Decrease in trip income	Fare Reduction	24.54	$21.92	2.62
Change in income from existing trips						
Dispatch Driver Mode		No Change				
Dispatch Driver Median		Decrease in total income		$32,412.25	$28,823.36	$3,588.89
Street Driver Mode		No Change				
Street Driver Median	-13.21%	Decrease in total income		$24,612.04	$21,360.87	$3,251.17
Street Driver Maximum	-19.73%	Decrease in total income		$26,611.62	$21,360.87	$5,250.75
Increase / Decline in trips made						
			Change in trip no.	New Trips	Scenario Trip income	Impact on income
Dispatch Driver Mode		No Change				
Dispatch Driver Median		Increase in trip number	3.491%	77	$21.92	$1,694.98
Street Driver Mode		No Change				
Street Driver Median		Increase in trip number	3.491%	70	$21.92	$1,535.05
Street Driver Maximum		Increase in trip number	9.729%	195	$21.92	$4,277.99
Base trip income +/- change in demand						
			Baseline	Scenario	Difference	
Dispatch Driver Mode		No Change				
Dispatch Driver Median	-5.8432%	Decrease in income	$32,412.25	$30,518.34	$1,893.91	
Street Driver Mode		No Change				
Street Driver Median	-6.9727%	Decrease in income	$24,612.04	$22,895.92	$1,716.12	
Street Driver Maximum	-3.6554%	Decrease in income	$26,611.62	$25,638.86	$972.76	

Fare standardization has the impact of changing the market in a number of aspects, illustrated in figure 52. In the first scenario we tested the impact of standardizing the taxi tariff at the mode fare, the most common rate applied in San Diego for non-airport trips. We tested impacts using the following three steps:

- Change in income from existing customers that would result from a move to mode fares
- Change in the number of trips being made, including any growth in the market as a result of elastic demand
- Quantification of loss of income minus additional income from PED

Figure 53, below, illustrates the impact that such a change would have across a number of driver types. Where no change occurs, ie: where a radio service is already charging mode fare we have not included this as the income and potential market growth, remains the same.

Figure 53: Summary of impacts on driver income - Scenario 1 (Standardization to mode income)

IMPACT OF SCENARIO ON INCOME				
SCENARIO 1 - Standardization to mode				
	Do Nothing Take Home	**Scenario Take Home**	**Effective change**	**Satisfies production cost increases?**
Street Driver currently charging Median fare	$24,612.04	$22,895.92	-6.97%	NO
Street Driver currently charging Maximum fare	$26,611.62	$25,638.86	-3.66%	NO
Dispatch Driver currently charging Median fare	$32,412.25	$30,518.34	-5.84%	NO

Fare standardization to a mode rate has a positive impact in terms of passenger numbers and no negative impacts on any passenger group. The scenario does result in negative impacts on the taxi community, however, with a loss of income for drivers currently charging maximum and median fares, This loss of income is not recovered from market growth (additional trips), although market growth does exist. There are no negative impacts on passengers as the standardization represents a reduction or constant tariff across all user groups, and will likely result in an increase in trip number in passengers using services previously charging median and maximum fares.

8.1.2 Scenario testing - scenario 2

Scenario 2 tests the impacts of moving to a median fare. The scenario results in a mix of winners and losers as driver incomes increase above the measured rate of increased production cost discussed above, but will also have a negative impact on a large number of passengers as the most frequently charged fare (mode tariff) increases in this scenario. Figure 54 illustrates the impacts of applying a median fare across all non-airport taxi trips in San Diego.

Figure 54: Scenario 2 impacts - annual income

Change in fare - average trip		IMPACT				NON AIRPORT
STANDARDIZATION AT MEDIAN				Was	Becomes	Unit difference
Mode	7.14%	Increase in trip income		$21.92	$23.59	$1.67
Median		No Change				
Maximum	-3.87%	Decrease in trip income		$24.54	$23.59	$0.95
Change in income from existing trips						
Dispatch Driver Mode		Increase in total income		$28,823.36	$32,412.25	$3,588.89
Dispatch Driver Median		No Change				
Street Driver Mode		Increase in total income		$21,360.87	$24,612.04	$3,251.17
Street Driver Median		No Change				
Street Driver Maximum		Decrease in total income		$26,611.62	$24,612.04	$1,999.58
Increase / Decline in trips made						
			Change in trip %	Change in trip #	Scenario Trip Income	Impact on income
Dispatch Driver Mode		Decrease in trip number	-6.21%	-137	22.40	-3080
Dispatch Driver Median		No Change				
Street Driver Mode		Decrease in trip number	-6.21%	-125	22.40	-2789
Street Driver Median		No Change				
Street Driver Maximum		Increase in trip number	1.91%	38	$24	$919
Base trip income +/- change in demand						
			Baseline	Scenario	Difference	
Dispatch Driver Mode	1.77%	Increase in income	$28,823.36	$29,332.58	$509.22	
Dispatch Driver Median		No Change				
Street Driver Mode	2.16%	Increase in income	$21,360.87	$21,822.96	$462.09	
Street Driver Median		No Change				
Street Driver Maximum	-4.0621%	Decrease in income	$26,611.62	$25,530.63	$1,080.99	

Fare standardization to a Median fare produces a mix of benefits and negatives for both the taxi industry and the traveling public. Negative impacts in the taxi industry are limited to drivers previously charging the maximum tariff as a result of a fare reduction, see figure 55. The reduction impacts upon street drivers more than dispatch drivers, as a higher proportion of street drivers drive for companies with high fares compared to dispatch.

The headline reduction in fare is compensated by a moderate increase in passengers, but this is not sufficient in itself to offset the reduction in its entirety. A large group of passengers is negatively affected as fares increase in radio services previously applying the mode tariff.

Figure 55: Summary of impacts on driver income - Scenario 2 (Standardization to median income)

IMPACT OF SCENARIO ON INCOME				
SCENARIO 2 - Standardization to median				
	Do Nothing Take Home	**Scenario Take Home**	**Effective change**	**Satisfies production cost increases?**
Street Driver currently charging Mode fare	$21,360.87	$21,822.96	2.16%	YES
Street Driver currently charging Maximum fare	$26,611.62	$25,530.63	-4.06%	NO
Dispatch Driver currently charging Mode fare	$28,823.36	$29,332.58	1.77%	YES

The Median fare also produces the closest approximation to Production Cost changes of any of the existing fares, as it results in effective change rates for drivers charging mode fares of 2.16% for street drivers, and 1.77% for dispatch drivers. While these tend to balance out against the relative loss to drivers charging higher fare rates, see section 8.2.1.

8.1.3 Scenario testing - scenario 3

The third scenario tests the impacts of applying a standardized tariff using the current maximum rate. This scenario is the most beneficial to the taxi trade as it ensures all taxi drivers receive an increase or maintain existing income levels. Figure 56 illustrates the impact of this scenario.

Figure 56: Scenario 3 impacts - annual income

Change in fare - average trip		**IMPACT**				**NON AIRPORT**
STANDARDIZATION AT MAXIMUM				Was	Becomes	Unit difference
Mode	11.95%	Increase in trip income		$21.92	$24.54	$2.62
Median	4.03%	Increase in trip income		$23.59	$24.54	$0.95
Maximum		No Change				
Change in income from existing trips						
Dispatch Driver Mode		Increase in total income		$28,823.36	$34,619.54	$5,796.18
Dispatch Driver Median		Increase in total income		$32,520.49	$34,619.54	$2,099.05
Street Driver Mode		Increase in total income		$21,360.87	$26,611.62	$5,250.75
Street Driver Median		Increase in total income		$24,710.09	$26,611.62	$1,901.53
Street Driver Maximum		No Change				
Increase / Decline in trips made						
			Change in trip %	Change in trip #	Scenario Trip Income	Impact on income
Dispatch Driver Mode		Decrease in trip number	-10.39%	-230	21.92	-$5,044.15
Dispatch Driver Median		Decrease in trip number	-3.50%	-78	23.59	-$1,830.70
Street Driver Mode		Decrease in trip number	-10.39%	-208	21.92	-$4,568.20
Street Driver Median		Decrease in trip number	-3.50%	-70	23.59	-$1,657.96
Street Driver Maximum		No Change				
Base trip income +/- change in demand						
			Baseline	Scenario	Difference	
Dispatch Driver Mode	2.61%	Increase in income	$28,823.36	$29,575.39	$752.03	
Dispatch Driver Median	0.83%	Increase in income	$32,520.49	$32,788.84	$268.35	
Street Driver Mode	3.20%	Increase in income	$21,360.87	$22,043.42	$682.55	
Street Driver Median	0.99%	Increase in income	$24,710.09	$24,953.66	$243.57	
Street Driver Maximum		No Change	$0.00	$0.00	$0.00	

Fare standardization to a Maximum fare results in the greatest levels of driver benefit as the effective fare has increased for the majority of drivers, previously charging the mode fare.

The impact on passengers is in direct opposition, with the majority of passengers experiencing an increase in taxi fares beyond that identified as a result of increases in production cost alone. Figure 57 illustrates the impacts of standardization to driver income, with impacts on passengers discussed in subsequent sections.

Figure 57: Summary of impacts on driver income - Scenario 3 (Standardization to maximum income)

IMPACT OF SCENARIO ON INCOME				
SCENARIO 3 - Standardization to maximum				
	Do Nothing Take Home	**Scenario Take Home**	**Effective change**	**Satisfies production cost increases?**
Street Driver currently charging Mode fare	$21,360.87	$22,043.42	3.20%	YES
Street Driver currently charging Median fare	$24,710.09	$24,953.66	0.99%	NO
Dispatch Driver currently charging Mode fare	$28,823.36	$29,575.39	2.61%	YES
Dispatch driver currently charging Median Fare	$32,520.49	$32,788.84	0.83%	NO

8.2 Impacts of Standardization

The impacts of moving to a standardized taxi tariff will differ reflecting the extent of change that differing driver groups and differing passenger groups experience. Impacts will tend to be opposed, with passengers experiencing a negative impact from a fare increase, while drivers are likely to experience a benefit from the same action. The extent of change is mitigated by the measurable loss of passengers resulting from an increase or a relative gain as a result of a price drop, an effect of PED, but this does not in itself remove the positive income on driver income of a price rise nor fully counter loss of income from a price drop.

This should not imply that any increase be avoided on the basis of negative impacts to the traveling public, but rather that any increase be justified against measured changes in the costs of production, in the medium and long terms, and against comparative public gain in relation to fare standardization.

8.2.1 Standardization - Impacts on Passengers

Figure 58 illustrates the impact of standardization on taxi users. Three standardization scenarios have been tested, standardization at each of: Mode fare, Median Fare and Maximum fare. Mode fare relates to the most common fare applied in San Diego. Median and Maximum are both higher rates and are charged by a small number of radio services, most commonly applied for street engagements. Impacts are felt differently across passenger types, with lower income and student groups the most elastic, and thus most negatively impacted by increases in fares.

It is also noted that changes in taxi tariff impact on different passenger groups unevenly. Lower income and shorter trips tend to be more impacted by increases in fares when compared to longer trips, as the price of a flag drop represents a greater proportion of total fare to this group. Any increase applied evenly across all tariff elements will result in this impact.

Net passenger impacts, fare / demand growth, remain positive for standardization at mode alone, Fare standardization at median or maximum rates result in negative impacts with significant increases in fares in both, with potentially significant negatives arising in the case of standardization at a maximum tariff. This should not argue against standardization, but rather that standardization at higher fare levels are less appropriate than those that result in a more controlled increase. As a result of this measurement a further scenario (PC Fare Increase) has been tested, described in section 8.3. The PC Tariff rate results in the closest approximation to changes in production costs, and is therefore carried forward to the recommendations of this report.

Figure 58: Scenario Impacts - all market

Scenario	Impact on Public	Extent of Impact	Impact on Trade	Extent of Impact	Satisfies production cost increases across mean fleet?
Standardization at Mode	Fare Impact: Reduction in Median and Maximum fares. Overall Demand Impact: Small Increase in demand	Relatively small number of passengers experience lower fares. Potential average change in fare level across fleet: -1.04%	Income reduction in drivers in few companies	Loss of income greater in 2/17 currently charging at maximum rate Potential average loss of income across fleet: -1.84%	NO
Standardization at Median	Fare Impact: Reduction in Maximum fares, increase in mode fares. Overall Demand Impact: Decrease in demand	Large proportion of companies 12/17 increase fares with a larger proportion of passengers experiencing higher fares Potential average change in fare level across fleet: +5%	Income reduction in very few companies. Income increase in majority of companies.	Loss of income in 2/17 radio services. Higher income levels in 13/17 radio services. Potential average gain in income across fleet: +2.1%	YES
Standardization at Maximum	Fare impact, Increase in all fares except those charged at maximum.	Largest proportion of companies increase fares. Potential average change in fare level across fleet: +9.9%	Income increase in majority of companies. No change in companies charging maximum.	Higher income for the majority of drivers. Potential average gain in income across fleet: +5.7%	YES
Standardization at Production cost rate, see below	Fare Impact: Reduction in Median and Maximum fares. Small increase at Mode rate	Small number of passengers experience lower fares, small increase in mean dispatch rate Potential average change in fare level across fleet:- +0.52%	Income increase in companies charging mode rate, decrease in all others.	Higher income for the majority of drivers. Some loss of income in median and maximum companies Potential average gain in income across fleet: +1.4%	YES

8.2.2 Standardization - Impacts on Drivers

An opposing relationship exists in the case of driver benefit when compared to passenger benefits. Higher fares support higher incomes, while lower fares are not offset by increased demand with the exception of demand in a small number of user groups. Standardization at Mode does not meet the increased costs of production measured in the early stages of this report.

Differing driver groups will also experience changes in earnings to a differing extent, with street drivers receiving the lowest incomes despite charging the highest fares. This group will be disproportionately impacted from standardization at mode, and at median to a lesser extent. The extent of this impact may also be affected by individual driver choice with drivers choosing to accept dispatch generally receiving higher incomes than those accepting street engagement alone.

8.3 Scenario testing: Standardization at Production Cost

In the previous sections it was noted that no existing tariff satisfies both production cost increase and net passenger benefit, although Median tariff approximated the increased cost if applied to all drivers. We also note that changes have an impact on shorter journeys to a greater extent, requiring a balance between the interests of the driver, achieving an effective increase in income in line with changes in the costs of production, and the interests of the passenger, that any increase be measured and avoids excessive or unjustified increases.

In light of this conflict we have developed a further test that seeks to ensure that changes in production costs are accommodated on average across the fleet. This scenario is based on the following principles:

- Fare increases should be measured and justifiable against changes in cost
- Fare increases be sympathetic and not result in excessive increases to lower income trips
- Consistent / standard fares are available across all city pick ups
- Fare increases match changes in costs for a mean full time driver. Part time drivers will receive proportionately less, drivers working extended hours will receive proportionately more.

On the basis of these assumptions we have tested the tariff illustrated in figure 59. It is noted that fare levels remain set in multiples of 10cents to avoid the need for drivers to carry pennies. Some rounding will result from this.

Figure 59: PC tariff

Senario Name	Flag	Drop distance	Mile Rate	Increment	Waiting Time / hr
Standardization at Production Cost	$3.00	1/10 mile	$3.20	1/16 mile	$26

Figure 60: Scenario 4 impacts - annual income

Change in fare - average trip		IMPACT				NON AIRPORT
STANDARDIZATION AT PC			Fare Change	Was	Becomes	Unit difference
Mode		Increase in trip income	7.39%	$21.92	$23.54	$1.62
Median		Decrease in trip income	-0.21%	$23.59	$23.54	-$0.05
Maximum		Decrease in trip income	-4.07%	$24.54	$23.54	-$1.00
Change in income from existing trips						
Dispatch Driver Mode		Increase in total income		$28,823.36	32412.25	$3588.89
Dispatch Driver Median		Decrease in total income		$32,520.49	32412.25	-$108.24
Street Driver Mode		Increase in total income		$21,360.87	$24,612.04	$3251.17
Street Driver Median		Decrease in total income		$24,710.09	$24,612.04	-$98.05
Street Driver Maximum		Decrease in total income		$26,611.62	$24,612.04	-$1999.58
Increase / Decline in trips made						
			Change in trip %	Change in trip #	Scenario Trip Income	Impact on income
Dispatch Driver Mode		Decrease in trip number	-6.42%	-142	21.92	-$3,119.03
Dispatch Driver Median		Increase in trip number	0.10%	2	23.54	$54.02
Street Driver Mode		Decrease in trip number	-6.42%	-129	21.92	-$2,824.73
Street Driver Median		Increase in trip number	0.10%	2	22.76	$47.30
Street Driver Maximum		Increase in trip number	2.01%	40	22.76	$916.33
Base trip income +/- change in demand						
			Baseline	Scenario	Difference	
Dispatch Driver Mode	1.63%	Increase in income	$28,823.36	$29,293.22	$469.86	
Dispatch Driver Median	-0.17%	Decrease in income	$32,520.49	$32,466.27	-$54.22	
Street Driver Mode	2.00%	Increase in income	$21,360.87	$21,787.31	$426.44	
Street Driver Median	-0.21%	Decrease in income	$24,710.09	$24,659.34	-$50.75	
Street Driver Maximum	-4.07%	Decrease in income	$26,611.62	$25,528.37	-$1,083.25	

Fare standardization in line with a PC measured index, illustrated in figure 60, provides a mean increase in driver earnings in line with measured changes in production costs, and results in a limited increase in the average fare paid for dispatch trips, with reductions in street hail and stand fares for companies previously charging median and maximum fares. Passengers taking short journeys, often those favored by lower

income travelers, have been protected from excessive change to the extent possible avoiding the use of pennies.

The adoption of the PC Tariff also allows the continuation of the defined production cost methodology set out in previous sections, and included in our recommendations, see section 9. The application of the PC Tariff does not satisfy a desire stated by some to match city fares to those charged at the airport, nor does it allow for a company to offer a lower tariff, proposed to us by one. These issues are discussed below.

8.4 Airport vs. City Fares

In the course of our analysis, a number of stakeholders highlighted the benefits that would arise, in their view, from linking San Diego city fares to those charged from the airport. The arguments made were convincing and we agree with many of the benefits cited. Primary benefits relate to the avoidance of differences in fare for the same trip made in differing directions, and to the reduction in 'meter fraud', with the accidental overcharging of airport passengers by selecting the wrong tariff on dual tariff meters.

While we can not comment on the frequency of accidental overcharging, we agree that its potential would be eliminated by the adoption of a single fare structure. We also agree that using the same fare structure would reduce the confusion on the part of airport users, particularly new comers, that result from differing tariffs. It is noted that the latter element, confusion between differing tariffs, would be removed in the city fleet as a result of our recommendation to adopt a standard tariff.

In undertaking our measurement we have concluded that moving to the Mode Tariff across all San Diego taxis, effectively adopting the current rate required of airport departing passengers, does not satisfy the measured change in production costs. We also note that the San Diego International Airport operates its own fare reviews and update based on CPI. While we agree with the concept of a measured analysis, of which CPI is one approach, we do not feel that this fully identifies nor satisfies the changing costs experienced by the taxi trade.

We are not able to recommend standardization at the current airport rate of fare as this would not provide an equitable rate in the San Diego city fleet given the current differences between radio services in the city. Moreover, we have concluded that the methods of increasing fares adopted by the airport could not be guaranteed to fully cover changes in the costs of production in future reviews.

It may be an appropriate recommendation that the airport considers the adoption of the city fare, though we recognize this recommendation falls outside the scope of our study.

8.5 Fare Discounting - posted tariff differentials

Fare discounting was a further issue presented to the study team. Price discounting is a common market response to capture market share, whether from competitors or to stimulate market demand as a result of customer Price Elasticity of Demand. Fare discounting is permitted In the taxi mart in many European countries and in a smaller number of US cities where taxi tariffs are set as a price ceiling. The San Diego taxi tariff is currently defined as a maximum, with companies having the ability to determine and charge tariffs below this level.

A difference exists in the application of price ceilings, in that a number of cities in European countries permit prices to be negotiated at the time of use up to the defined maximum, whereas radio services in San Diego are required to define a tariff for their entire fleet, publish (including through the application of Decals) and certify fares. The impact of fare discounting has been mixed, with a more common feeling amongst the stakeholders that a standard fare would be more beneficial than a mix of fares between radio services. Indeed a number of taxi companies in San Diego already operate at the same fare level.

It is also questionable whether price competition is effective on the street, with the intending passenger having a limited opportunity to compare prices at stand and virtually no opportunity in the hailed market. Effectively price competition is most prevalent in pre-booked markets where consumer choices can be made with a wider range of information and access to multiple suppliers.

Our analysis also suggests a limitation to the extent to which price competition may result in an increase in demand. The limitation exists as a result of the relative PED across many taxi users. The majority of taxi users display relatively inelastic demand characteristics, meaning that a large change in price leads to a relatively small change in demand, with the composite of all users price and cross elasticity (PED / CED) also being relatively inelastic. A company offering a price reduction is unlikely to gain sufficient new customers to offset income lost from the price reduction. Notable exceptions to this include Student taxi users, Bar/ Nightclub taxi users and Sightseeing taxi users display relative elasticity, suggesting that price reductions in these groups are likely to lead to increased business that would compensate for and exceed loss in income from the reduction. As the market is, across a composite of all use types, relatively inelastic this suggests that targeted promotions to more price elastic groups would be more effective than a general discounting.

While we agree that discounting is a legitimate market response, we consider that the benefits of a defined standardized fare provide a wider benefit, discussed in detail in previous sections. A potential alternative exists in allowing for fare discounting and discount promotions within a standardized fare. This would preclude the use of separate fare by company, with the requirement that all taximeters be set to the standardized fare level; but would allow individual services to offer discounts/fare promotions allowing for

discounting and the advertisement of promotions. Price competition in the pre-booked market segment, including discounting, does not rely on rates posted on vehicles and may be established clearly in on-line advertising, printed material or targeted discount.

9. Conclusions and Recommendations

In undertaking our study we have reviewed four primary areas, the measurement of taxi production costs, including changes to these; the identification of opportunity and impacts of fare standardization; the identification of market responses to changes in taxi fares; and the application and update of fares. Our work compares various methods of measuring taxi costs, and concludes that the adoption of an IPI Taxi Cost Index is appropriate and would serve the San Diego taxi market with greater levels of accuracy than its alternatives.

We also conclude that taxi users, and intending users, would be better served with a standard tariff, than with a range of rates. This does not preclude the opportunity for price discounting, and we feel that taxi services should be able to offer individual discounts, or targeted promotions, such as 10% discount or $1/off coupons, but that this discounting should be applied to a standard fare rather than the basis of the fare itself.

It is also our recommendation that fare reviews be undertaken on a regular basis. We recommend that this be undertaken on an annual basis and fare baselines updated on each occasion, even if no increase in fare is applied. We feel that this has the benefit of ensuring that any comparison with retail price inflation, by the pubic or press, is made on a like for like basis. We do not feel that extended time delay between reviews works in the interest of the public or trade as such delay may result in the identification of significant changes in cost that compare poorly with a perception of inflation, can not be fully applied and/or result in a loss of income to the taxi trade.

9.1 Tariff Review Methodology - Production Cost Measurement

A major element of our analysis has been the development of a tariff review methodology. Taxi tariffs can be updated using a variety of measures which typically range from a regulator led measured review of costs to an operator led response as to what the market may bear. The current methodology applied in San Diego represents a mix of regulator led tariffs determined by the San Diego International Airport and applied to departures from the airport alone, and an operator led response in the rest of the city to a defined maximum set by the MTS on the basis of variance from mean. The result of this is a series of different tariffs charged by different companies across the city.

Our analysis of tariff methodologies included review of approaches adopted in other US cities, including the methods by which tariffs are updated and applied, and similar calculations applied to the San Diego taxi market. In section 6 we concluded that a measured approach to tariff review was appropriate and worked

in the interest of the traveling public and taxi trade, and recommend the adoption of a Tariff Review Methodology based on the measurement of an IPI Taxi Cost Index. We recommend that this index comprise measured change in the factors, set out in detail in section 6.

We also recommend that the taxi tariff be reviewed on a regular basis. It is our conclusion that a taxi review completed on a 12 month cycle provides the greatest benefit, reducing false comparisons - between taxi costs and inflation measured over differing periods - and reducing the impact of short term spikes in fuel costs discussed in more detail below. Tariff reviews that result in a zero increase in fares are also a valid outcome of this process and should be used to reset baselines on every occasion, ie: any new review is assessed on the previous 12 months alone.

Our analysis indicates an increase in production costs of 1.2% over 12 months, and would recommend this form the basis of updates to tariff.

9.2 Fare Standardization

In addition to the identification of a tariff review methodology, the study was also asked to look at the potential for taxi tariff standardization and the impact of any such move. Standardization relates to the adoption of a standard tariff across the city, allowing for a standard tariff, whether absolute or set as a maximum. A number of arguments exist both in favor of adopting a standard fare, mainly associated with clarity and equal treatment; and against, reflecting the competition that is possible where individual companies are able to define and advertise fares that are lower than those charged by competitors.

The study recommendation, that a standard fare is adopted relates to non-airport trip departures as the airport operates a differing tariff scheme. It is our view, however, that benefits would arise if standardization could also be applied to airport trip departures in addition to those in the city.

Standardization will have impacts on all market participants and will, by its nature, create winners and losers. The study tested a range of scenarios against the principles that any change should result in the greatest benefit and the least dis-benefit. Any change should result in a mean increase in income reflecting the measured change in costs defined in our measurement of changes in production costs. Any change in income should be based on the measurement of impacts to typical full time drivers. Drivers working part time are likely to receive a proportionately lower increase as a result of the ratio between fixed and variable costs; while drivers working extended hours are likely to receive a proportionately higher income for the same reason.

Our analysis looked at options including the adoption of one of the existing tariffs across all radio services, and have concluded that none of the existing tariff rates achieve an optimal outcome. The analysis indicates an optimal tariff lies between mode and median fares, set out in detail in section 8.3. The adoption of this tariff rate provides, on average, an increase in income consistent with the measured change in production cost.

9.3 Temporary cost spikes

The study team were also asked to consider the impact of temporary costs spikes on tariff and income. Spikes in costs most often relate to changes in the cost of gasoline, and are illustrated in figure 44, in section 6.6.2. The cost of gasoline has fluctuated significantly in the period of review, to the extent that a measurement taken from January 2013 to January 2014 may underestimate the cost by up to $0.70/gallon.

This under estimation may result in overestimation of mean driver income or result in a loss to drivers over a short term period. It can be argued that this fluctuation applies to a short term spike. Changes over the longer term are more likely to be remedied by each successive tariff review. The more frequent a review, the lower the negative impact of temporary cost spikes.

A number of cities have sought to reduce this impact by adopting fuel cost supplements in defined circumstances. While fuel cost supplements are a relatively crude method of mitigating income losses resulting from fuel spikes, some benefit can accrue from this. It is also noted that the cost of fuel is only a limited part of the total costs of operation, representing 20.6% of the costs experienced by a Full Time street driver, and is a cost purely in terms of distance travelled, resulting in a relatively low additional cost of around $0.04/mile driven in service for every additional $0.50 per gallon. Using an average trip distance calculation this would justify a supplement of $0.20 on a trip for each additional $0.50 that pump prices exceed trend costs.

We would recommend that a fuel cost supplement be permitted in a few, limited circumstances. We recommend that a fuel cost supplement is permitted where the mean at pump cost exceeds trend costs by $0.50 cents or greater. We also recommend that this supplement is NOT applied automatically, but requires an application to be made from a majority of the taxi industry, providing measurement to the MTS. The supplement should be removed as the pump costs fall below the $0.50 variation from trend. We also recommend that measurement of pump prices be made on the basis of weekly mean prices.

9.4 Future reviews

The study recommends that taxi tariff reviews be undertaken on the basis of annual assessment of changes to the IPI Taxi Cost Index. Changes in costs should be reflected in the taxi tariff where these are considered to be significant. Marginal changes or reviews where no change is recommended should, never-the-less, reset baseline figures, allowing the following reviews to refer back 12 months only.

The study recommends the adoption of a Production Cost basis for future analysis applied to a standard tariff described above.

We also recommend that the MTS seek adoption of the MTS standard fare by the San Diego International Airport.

Taxi Research Partners

San Diego
Taxi Fare Standardization Project

Report Presentation
Professor James M Cooper, Taxi Research Partners

1

Tasks

- Measure change in cost and income in the taxi industry
- Provide a recommendation on updating taxi tariff
- Test impacts of fare standardization
- Provide a recommendation on a standard fare
- Identifying appropriate responses to changes in costs

2

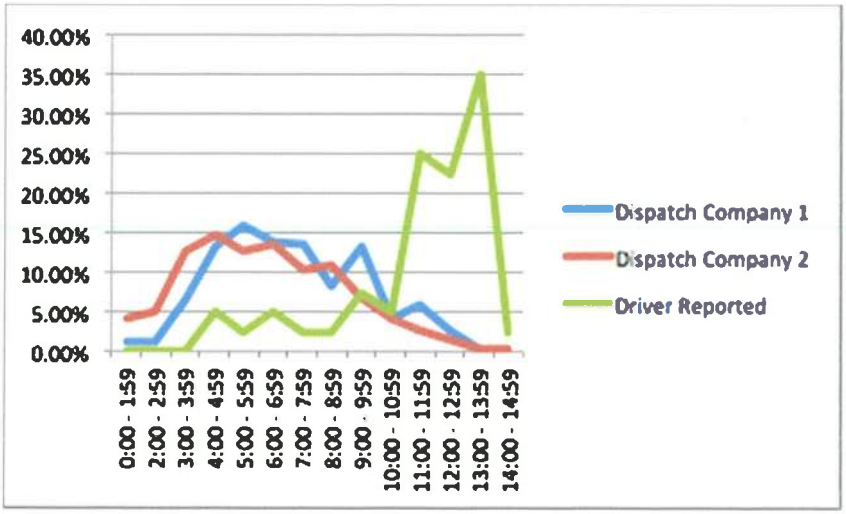
Project Steps

- Identify baseline earnings for differing driver types (current take home pay after costs)
- Measure change in production costs - effect of changes in cost on income
- Identify associated impacts that will also influence take home earnings
- Identify best method of applying (increase) to fares, includes tests of standardized fares

3

Driver Profiles

Hours worked Dispatch / Street



4

Baseline earnings

(Full Time Dispatch Driver)

Metric	Source / Description	Totals
Annual Vehicle Income	Equivalent Annual Farebox Income FT Dispatch	$48,500.00
Annual Vehicle Costs	Equivalent Annual Costs FT Dispatch	$19,700.00
Rounded Take Home wage	Annual Equivalent Wage: Farebox income - Annual Costs	$28,800.00
Equivalent Hourly Rate		$16.50

(Full Time Street Driver)

Metric	Source / Description	Totals
Annual Vehicle Income	Equivalent Annual Farebox Income FT Street	$49,227.97
Annual Vehicle Costs	Equivalent Annual Costs FT Street	$22,616.35
Rounded Take Home wage	Annual Equivalent Wage: Farebox income - Annual Costs	$26,611.62
Equivalent Hourly Rate		$8.86

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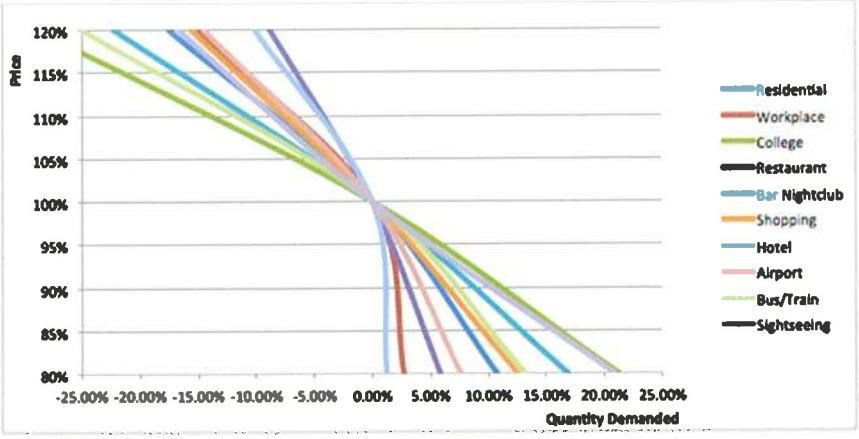
Measure change in operating costs

	Measurement base	Proportional change / 12 months
FUEL COSTS		
Fuel	$ / Gallon regular gasoline	0.156%
VEH/INFRAST		
Vehicle Purchase Cost	Weighted vehicle cost depreciated over 6 years	0.472%
Vehicle Finance (Interest)	Mission Fed CU / CPI-U	-0.264%
Vehicle parts and servicing	Driver costs / CPI-U vehicle repair	-0.205%
Insurance Costs	CPI-U	0.469%
EARNINGS		
Wages	0.5 x OES Transportation + 0.5 x CPI-U	0.558%
	Total change in costs	**1.187%**

6

Associated factors that influence earnings

Price Elasticity of Demand



7

Arguments for/against standardization

- Variety of fares lead to confusion amongst passengers - feelings of being ripped off and creates complaints
- Opportunity to obtain lower fare reduced / non-existent in stand or hail markets
- Some agreement between larger companies choosing quasi standard fare based on airport rates but applied in city
- Passengers in some communities and locations may have difficulty in affording higher fares
- Ability to compete on fare may result in competitive advantage to lower priced suppliers
- Subtle but significant difference between discounting and a defined low fare

8

Scenario Tests
Impacts: Standardization at Mode

Base trip income +/- change in demand				
Driver Type	Impact on driver	Baseline	Scenario	Difference
Dispatch Driver Mode	No Change			
Dispatch Driver Median	Decrease in income	$32,412.25	$30,518.34	$1,893.91
Street Driver Mode	No Change			
Street Driver Median	Decrease in income	$24,612.04	$22,895.92	$1,716.12
Street Driver Maximum	Decrease in income	$26,611.62	$25,638.86	$972.76

9

Impacts: Standardization at Median

Base trip income +/- change in demand				
	Impact on driver	Baseline	Scenario	Difference
Dispatch Driver Mode	Increase in income	$28,823.36	$29,332.58	$509.22
Dispatch Driver Median	No Change			
Street Driver Mode	Increase in income	$21,360.87	$21,822.96	$462.09
Street Driver Median	No Change			
Street Driver Maximum	Decrease in income	$26,611.62	$25,530.63	$1,080.99

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Impacts: Standardization at Maximum

Base trip income +/- change in demand				
	Impact on driver	Baseline	Scenario	Difference
Dispatch Driver Mode	Increase in income	$28,823.36	$29,575.39	$752.03
Dispatch Driver Median	Increase in income	$32,520.49	$32,788.84	$268.35
Street Driver Mode	Increase in income	$21,360.87	$22,043.42	$682.55
Street Driver Median	Increase in income	$24,710.09	$24,953.66	$243.57
Street Driver Maximum	No Change	$0.00	$0.00	$0.00

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Update to fare - options

- No change to current fare structure,
- Standardization at Mode, Median or Maximum Fare
- Standardization at Airport rate (2014)
- Standardization at Production Cost Rate

12

Standardization Impacts

Scenario	Impact on Public	Extent of Impact	Impact on Trade	Extent of Impact	PDN Cost?
MODE	Fare Reduction 5/17 Increase in demand	Fare level across fleet: -1.04%	Income reduction 5/17 companies	Average loss of income across fleet: -1.84%	NO
MEDIAN	Fare Reduction 2/17 Fare Increase 12/17 Overall decrease in demand	Fare level across fleet: +5%	Income reduction 2/17 Income increased 12/17	Average gain in income across fleet: +2.1%	YES
MAXIMUM	Fare Increase:15/17 Overall decrease in demand	Fare level across fleet: +9.9%	Income increase 15/17	Average gain in income across fleet: +5.7%	YES
Production RATE	Fare Reduction 5/17 Slight increase 12/17	Fare level across fleet:-+0.52%	Income reduction 5/17 Income increased 12/17	Average gain in income across fleet: +1.4%	YES

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Mode, Median and Maximum Fare Recommended Production Cost Fare

Radio Service as eg:	Flag Drop	Drop %	Mile Rate	Waiting time (hour)
Yellow	$2.80	1/10	$3.00	$24.00
Link	$3.00	1/16	$3.20	$26.00
Chase	$3.10	1/11	$3.30	$27.00

Recommended	Flag Drop	Drop %	Mile Rate	Waiting time (hour)
Production Cost	$3.00	1/10	$3.20	$26.00

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Conclusions

- Adopt an IPI Taxi Cost Index to measure annual change in production costs. Reviews to be undertaken on an annual basis.
- Adopt a standardized fare that results in an increase in mean earnings in line with IPI measure.
- Apply standardized fare and allow post application discounting
- Temporary cost spikes, eg: gasoline, may be accommodated by surcharge ($0.20 / trip for $0.50 variance in gas price), but onus should fall on trade to demonstrate need.
- Recommended that MTS seeks agreement with airport for the above recommended fare and update be applied to airport trips ($2 airport surcharge to be retained).

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Production Cost Application

	Measurement base	Source	Value 01/2014	Cost Proportion	Change 12 months
Fuel	Gallon	gasbuddy.com	3.680	9.380%	0.156%
Vehicle Purchase Cost	Vehicle cost / 6 yrs	KBB / Dealer by veh type	2305.200	9.880%	0.472%
Vehicle Finance (Interest)	APR Cost	Mission Fed CU / CPI-U	593.360	2.540%	-0.264%
Vehicle parts and servicing	CPI-U	CPI-U	2362.720	10.130%	-0.205%
Insurance Costs	CPI-U	CPI-U	3172.640	13.600%	0.469%
Wages	0.5 x OES Transportation + 0.5 x CPI-U	OES / CPI-U	26990.150	54.470%	0.558%
	Total change in costs				**1.187%**

CPI-U = Consumer Price Index Urban Consumers, Western Region, Bureau of Labor Statistics
OES = Occupational Employment Statistics, Bureau of Labor Statistics

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Additional Slides (for clarification if required)

Standardization Impacts

Scenario	Impact on Public	Extent of Impact	Impact on Trade	Extent of Impact	PDN Cost?
Standardization at Mode	Fare Impact: Reduction in Median and Maximum fares. Overall Demand Impact: Small increase in demand	Relatively small number of passengers experience lower fares. Potential average change in fare level across fleet: -1.04%	Income reduction in drivers in few companies	Loss of income greater in 2/17 currently charging at maximum rate Potential average loss of income across fleet: -1.84%	NO
Standardization at Median	Fare Impact: Reduction in Maximum fares, increase in mode fares. Overall Demand Impact: Decrease in demand	Large proportion of companies 12/17 increase fares with a larger proportion of passengers experiencing higher fares Potential average change in fare level across fleet: +5%	Income reduction in very few companies. Income increase in majority of companies.	Loss of income in 2/17 radio services. Higher income levels in 13/17 radio services. Potential average gain in income across fleet: +2.1%	YES
Standardization at Maximum	Fare Impact, Increase in all fares except those charged at maximum.	Largest proportion of companies increase fares. Potential average change in fare level across fleet: +9.9%	Income increase in majority of companies. No change in companies charging maximum.	Higher income for the majority of drivers. Potential average gain in income across fleet: +5.7%	YES
Standardization at Production cost rate, see below	Fare Impact: Reduction in Median and Maximum fares. Small increase at Mode rate	Small number of passengers experience lower fares, small increase in mean dispatch rate Potential average change in fare level across fleet:- +0.52%	Income increase in companies charging mode rate, decrease in all others.	Higher income for the majority of drivers. Some loss of income in median and maximum companies Potential average gain in income across fleet: +1.4%	YES

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Taxi Research Partners

June 10th, 2014

Response to San Diego State University commentary dated June 6th, 2014.

Introduction

Taxi Research Partners have undertaken a study of the taxi market in San Diego, presented in our recent report to the MTS. Our work has been carried out without bias as independent researchers and included a significant number of surveys, stakeholder interviews and data analysis. In the course of our work we encountered a wide range of views with very differing perceptions of the taxi industry, the role it plays in transportation and the issues faced by the industry.

In undertaking our analysis we have kept an open mind at all times and demonstrate what we believe to be a fair review of the facts presented to us and a detailed analysis of survey and electronic data.

In common with colleagues from San Diego State University we too believe it is important that taxi drivers are recognized for the significant work they undertake in the city. There is no benefit to us in misrepresenting the number of hours a driver works, this is the basic tenet of the SDSU letter dated June 6th and we have not done so. We also point out that, while the estimation of driver earnings is important in understanding the market, the market is influenced by many more factors that will ultimately impact on the earnings of the driver.

In setting out our response to the SDSU letter of June 6th., we have no desire to criticize the authors, nor reduce the importance of the driver to the San Diego Taxi market; but rather to respond to the individual points that have been made. Taxi Research Partners recognize and highlight the significant role that the San Diego Taxi Driver plays in the transportation services offered.

1.0 Driver Survey Methods

In their first substantive point the SDSU authors question the representative nature of the driver survey undertaken. The authors highlight reasons why the sample may be biased and cite intimidation within the industry.

While we do not have any evidence of intimidation, the SDSU authors are correct in their premise that a greater number of owner operators would skew the sample. The survey was aimed at lease drivers, although the nature of collection could not exclude responses from owner operators. As a result we identified owner / lease categories and treated responses as separate. We believe that this allowed us to avoid a biased response specific to any one driver type. It would also be a reasonable accusation that incorrect responses (where a respondent chooses to lie) would also skew the sample but this latter point is true of all surveys.

Driver surveys were undertaken using three collection methods: intercept, distribute and on-line. Surveys were then stratified to driver types, on the basis of responses provided. Drivers categories are set out in the report and this categorization ensured that we did not allocate dispatch driver earnings to street drivers, airport earnings to non-airport drivers etc. The purpose and effect of this was that the analysis did NOT misrepresent drivers of any one category. This is also important in respect of 'mode' analysis, a further comment in the SDSU letter, discussed below. The team took measures to avoid duplicative entry, where a respondent answers the survey more than once; and

variance analysis to identify where responses appeared to differ from the normal distribution of responses in each of the driver categories.

2.0 Dispatch Data

The dispatch data relates to ALL drivers within the dispatch reporting. There is no possibility of a skewed sample and Taxi Research Partners are satisfied that the datasets provided were accurate and un-manipulated. Data analyzed relates to four seasonal periods in 2013. The analysis undertook a sanity check, identifying records that appeared incorrect or incomplete, on a line-by-line basis where appropriate.

It is accurate that not all drivers work for larger 'efficient' dispatch companies, with many choosing to concentrate on street work and therefore not all drivers receive the level of income of a driver with an efficient dispatch company but this was NOT suggested. Indeed, the use of different categories of drivers ensures that the calculations on fare are NOT based on the income of drivers from an efficient taxi dispatch company alone. We agree with the SDSU assessment that more than half of San Diego drivers work outside 'efficient' dispatch companies and developed a structure that represented these drivers as well.

3.0 Calculation of hours / Mode calculation

'Mode' is one of three forms of average. Averages can relate to:

- Mean - the summation of all entries and division by numerator (the most common for of average)
- Median - the mid point entry
- Mode - the most common entry

The SDSU authors comment on the use of mode but fail to recognize that the identification of hours relates to three categories in their own right, drivers working part time, drivers working full time and drivers working extended hours, though this may simply be a misunderstanding on the part of the SDSU authors.

Our analysis identifies the peaks in responses for drivers hours for each of the three categories (P/T, F/T and E/T). These are the most common worked hours for each category and include significantly longer hours worked in the case of street drivers. The correlation between dispatch and driver reporting can be seen in Figure 14, on page 32. This method of mode analysis specifically provides for drivers working different hours and in particular recognizes the very long hours that are worked by street drivers.

The SDSU authors also suggest that we have not calculated drivers working before their first dispatch trip and after their last, although they do recognize that we have referenced this. In fact the Taxi Research Partners have included time before and after first and last dispatch. In one company the analysis is made simple in that metered trips of any kind (whether dispatch or by hail) require the meter to be 'logged on' using a swipe system. Effectively shift times (rather than dispatch times) are actually demonstrated. This is not true for all dispatch systems and we rounded up working hours on the basis that we felt a driver may choose to work a complete hour. Thus a last dispatch drop off at

12.35 would be measured as a shift ending at 1.00. It is also noted that additional trips taken beyond dispatch 'working hours' have the effect of increasing total income, not reducing it.

4.0 Irreconcilable differences between datasets

We found it very difficult to understand why this was included as a criticism of our work as it appears to reflect the views we actually stated. We agree that dispatch and self-reported hours are different, although some pattern correlations are present and need to be acknowledged.

We also agree that many drivers do work 10-12 hours per day, a fact acknowledged in our working hours categories. Indeed our use of Part Time, Full Time and Extended Hours drivers actually allows for this to be fully included and we suggest provides a more accurate review of incomes than that possible using a single 'all driver' method.

5.0 Underestimating Expenses

We do not consider that we have underestimated expenses. Indeed the comment made in respect of gasoline prices highlights a significant misunderstanding of the process of analysis on the part of the SDSU authors. The purpose of a comparison across time periods is to identify the change in prices NOT to provide a global approximation of cost.

We used recognized independent sources in identifying prices at the start of the analysis period and at its conclusion for all external prices and identified lease rates from driver responses in the driver survey. As these responses were stratified by driver type we do not consider there to be a bias in any one category. The precise nature of lease costs reflect the market for leases and no single response or stated cost may be entirely accurate for the rest of the fleet.

Costs across all driver types are tabulated in our report. It is NOT appropriate to use a mean or even a median value across the period as this fundamentally removes the ability to compare from start to finish. We feel the SDSU comment reveals a misunderstanding of the process undertaken.

6.0 Miscalculating earnings per hour

As in the previous statement we feel that the SDSU authors misunderstood / misrepresent the process of the analysis. We have NOT used a mode calculation of earnings for all drivers but rather values for different driver types. The result is NOT a single San Diego average as may be read into the criticism but a detailed review of different drivers. No single driver will earn the same amount as individual circumstances will alter, as will the numbers of trips demanded. The use of driver categories allows for a more detailed analysis of potential earnings. Moreover, as the report seeks to compare changes in the market over time, the use of one single value is both inappropriate and misleading.

We do NOT suggest an overall mean of earnings, as set out here and, we believe, in our report; but a mix of earnings reflecting different driver circumstances.

Professor James M. Cooper, Taxi Research Partners

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June 6, 2014

Dear Taxi Advisory Committee,

We regret that we cannot appear in person today, but we want to express our concern to you about the income calculations in the San Diego Taxi Fare Standardization Report draft. We believe there are serious problems with the sample, the methodology and the calculations, which make the figures in the report unrepresentative of the earnings of drivers in San Diego.

Our concerns are as follows:

1) Driver survey methods: the report explains:

> "The team considered it important that a representative sample of drivers were given the opportunity to participate across a variety of differing operating patterns. Questionnaires were therefore distributed at stand, in the SAN airport holding area, at the Sheriff's licensing facility, at the MTS training and inspection facilities. The survey was also made available on-line using a unique code system comprising stated address and recorded IP address. The unique code reduces the potential for multiple entries using the on-line system, with a similar precaution on paper responses based on name."

Giving a representative sample of drivers the opportunity to participate, is not the same as having achieved a representative sample – which the report does *not* claim to have done. In fact, we think it is unlikely that the sample is representative as we know drivers fear retaliation and would be unlikely to complete a survey that asked for their name. Also, since drivers could take the survey on line there was clearly a self-selection process, not a random sampling. We believe that owner-operators were more likely to respond to the MTS sponsored survey, and are very likely overrepresented, skewing the earnings data upward. This is of particular concern since the figures based on the survey say that they represent the experience of "lease" street drivers.

2) Dispatch data: we assume that dispatch data included *all* drivers for the dispatch, this should be verified because any selectivity would obviously skew the data. It would also be helpful to know what year the data came from – a normally included piece of information that is missing (this is particularly important since dispatch fares have dropped off dramatically recently due to Uber and other competition). We would also like to point out that while 50% of fares come from dispatch calls according to the report, this does not mean that 50% of drivers make their living from dispatch calls. As can be seen in the data itself those calls go to a more concentrated group than the street fares. Moreover, the majority of drivers certainly do not work for one of these two "efficient" dispatch companies. In fact,

this dispatch data can at its best only represent the opportunities for the most successful of the drivers.

3) Calculation of hours from dispatch reports: We believe the hours used to calculate the earnings are low by any reasonable measure. It is irregular, and unexplained, that the authors used the mode of hours and not the mean or median. We also find the assumption that workers do not work before receiving the first dispatch call or logging in very problematic. In fact, the report itself acknowledges pre-log in work as a practice on page (41), *and* includes these potential extra fares but *not* the potential extra hours in its calculations. Moreover, the yearly annual income seems to be calculated on even fewer than the 7.75 hours a day that the report claims to use for full time dispatch drivers. The calculation is made apparently using approximately 35 hours a week (either 5 days at 7 hours, or about 4.5 days at 7.75 hours).

4) Mismatch of data on hours worked: on page 31 the report state, ""the divergence between electronic and driver reported hours may appear irreconcilable." In fact, the data *is* irreconcilable. Even using the driver survey of a sample we believe to be a more protected group of drivers, probably underrepresenting lease drivers, the median hour worked appears to be close to 12, with the majority of drivers reporting either 10 or 12 hours worked per day. This figure is in line with the length of standard leases (12) and a previous report by ourselves and one by the drivers' association. This triangulation makes it a much more reliable figure.

5) Grossly underestimating expenses: The report only uses two expenses for lease drivers: gas and lease. It is unclear where the authors came up with $3.68 for gas. On page 65, they provide the price of gas over an 18-month period. Looking at these figures, there is no way to justify the use of $3.68 as the gas price for 2013/2014, which is clearly way below any derivation of a mean or median, or even a mode. The lease price is also underestimated. In the first income calculation tables on page 42, the lease for dispatch drivers is $65 a day, which would be reasonable except that it the yearly figure is for only 4.5 days a week for 50 weeks. Drivers have to pay the lease 7 days in most instances, whether they are driving or not. In the following table on page 46, for extended hours lease dispatch, the lease amount has been reduced even further with no explanation. On pages 49 and 50, the lease street driver's "vehicle and infrastructure" expense is higher at $358 a week (this is dividing the annual lease by only the 50 weeks referred to in the report, when actually they usually have to pay all 52 weeks). This amount is below the average weekly lease price for even a 12-hour lease (True North found the lease to be $2000 a month in 2011). Moreover, the lease amount for "street" drivers is *more* than that of the dispatch drivers. Anyone who knows the industry, knows that these estimates are fatally flawed, since the "efficient" dispatches charge much higher fees, and consequently the lease rates on the taxis under their purview are actually considerably higher. Finally, other acknowledged expenses were not calculated into the earnings per hour (eg cleaning and credit card on page 61). And other unacknowledged expenses like cell phone expense, required to receive dispatch calls, (and calculated in the previous MTS commissioned True North study) were left out as well.

6) Miscalculating the earnings per hour: the income per hour calculation, based on the vast data supplied by the dispatch companies, should have been figured on an individual basis and *then* the mean and the median of individual income could have been calculated. Using the overall mode of hours and the overall mean of fares to then calculate income does not give accurate data about average earnings.

The income per hour figures in this study can be considered the upper bound of what taxi drivers make; they are certainly not representative in any way. The problems with the data, including using low numbers for expenses, ignoring standard procedures for calculating average hourly earnings, and using a skewed survey sample (and possibly dispatch sample), call the study's conclusions about earnings into serious doubt.

Sincerely,

Jill Esbenshade, PhD
Associate Professor
Department of Sociology
San Diego State University

Peter Brownell, PhD
Research Director
Center on Policy Initiatives

MTS Metropolitan Transit System

AGENDA ITEM NO. B C3

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

PLEASE SUBMIT THIS COMPLETED FORM (AND YOUR WRITTEN STATEMENT) TO THE CLERK OF THE BOARD PRIOR TO DISCUSSION OF YOUR ITEM

1. INSTRUCTIONS
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(PLEASE PRINT)

DATE	9/12/14
Name	Sarah Saez
Address	4265 Fairmont Ave. Suite 180
Telephone	(774) 392-0377
Organization Represented	United Taxi Workers of San Diego
Subject of Your Remarks	Taxi Fare Study
Regarding Agenda Item No.	
Your Comments Present a Position of:	☐ SUPPORT ☒ OPPOSITION

2. TESTIMONY AT NOTICED PUBLIC HEARINGS
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3. DISCUSSION OF AGENDA ITEMS
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MTS Metropolitan Transit System

AGENDA ITEM NO. C3

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

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(PLEASE PRINT)

DATE	June 12, 2014
Name	Ian Cernelo
Address	5392 Caminito Velasquez San Diego
Telephone	2814552460
Organization Represented	United Taxi Workers
Subject of Your Remarks	on ~~Item~~ Fare Standardization Study
Regarding Agenda Item No.	C / D
Your Comments Present a Position of:	☐ SUPPORT ☑ OPPOSITION

2. TESTIMONY AT NOTICED PUBLIC HEARINGS
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Metropolitan Transit System

AGENDA ITEM NO. C3

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

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(PLEASE PRINT)

DATE	June 12, 2014		
Name	MARGO TANGOAY		
Address	229 16th Street #11G		
Telephone	[619] 231-1144		
Organization Represented	TAXICAB Lead Driver 36877 MTS TAC Driver Rep USA-AMC-Red Top-Best		
Subject of Your Remarks	① ~~Accept~~ Receive Report as is, ② Need for further dialog		
Regarding Agenda Item No.	#3		
Your Comments Present a Position of:	SUPPORT X		OPPOSITION

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Agenda Item No. C4

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2014

SUBJECT:

SOUTH BAY MAINTENANCE FACILITY UPDATE (ELLIOT HURWITZ)

RECOMMENDATION:

That the Executive Committee receive a report for information.

Budget Impact

None.

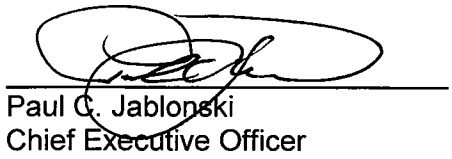
DISCUSSION:

The South Bay Maintenance Facility (SBMF) is one of the largest bus divisions of MTS. It is located in Chula Vista on Main Street. MTS has been developing this site for many years and has expanded the site to 10.6 acres. Facilities are being added to increase the capacity of this bus operating division from 180 to 250 buses. On January 25, 2013, SANDAG issued a Notice to Proceed for Whiting-Turner to begin the SBMF design-build construction project. This project is valued at approximately $30 million and consists of several basic elements.

The expansion project involves constructing a new two-story 14,000 square feet administration and operations building. This will include dispatching, driver's facilities, and administrative functions like human resources, operations management, and finance. The project also includes building a new 15-bay 48,000 square feet maintenance facility with service functions, in-ground lifts, and parts storage. The project includes a new state-of-the-art Ross and White bus wash. The new maintenance building will be LEED-certified and will have photovoltaic solar panels generating electricity.

Veolia Transportation is the MTS contract bus operator of the SBMF site and currently operates 190 buses over the southern and central regions of the MTS area from the SBMF facility.

MTS staff will provide the Executive Committee with an update on the current construction project and the latest schedule to complete the project.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

SOUTH BAY MAINTENANCE FACILITY UPDATE

EXECUTIVE COMMITTEE MEETING

FOR THE

METROPOLITAN TRANSIT SYSTEM,

JUNE 12, 2014

AGENDA ITEM NO. C4

SOUTH BAY BUS MAINTENANCE FACILITY VICINITY MAP

SOUTH BAY MAINTENANCE FACILITY DEVELOPMENT

- 1993-1996 Initial Acquisition and Development
- 2000-2010 Land Expansion and Environmental Studies/Documents
- 2010 SANDAG/MTS began Design-Build (DB) process
- January 2012 RFQ process began
- January 2013 DB Contract Awarded

SOUTH BAY FACILITY DESIGN-BUILD PROJECT

- Whiting-Turner/STV Design Build Team
  - $30 Million Base Construction Contract
  - New 14,000 SF Administration and Operations Building
  - New 48,000 SF Maintenance Building
  - New High Capacity Bus Wash
  - Remove old Administrative offices from existing 3650A building
- SANDAG/CALTROP/MTS/City of CV

SOUTH BAY FACILITY EXPANSION PROJECT BENEFITS

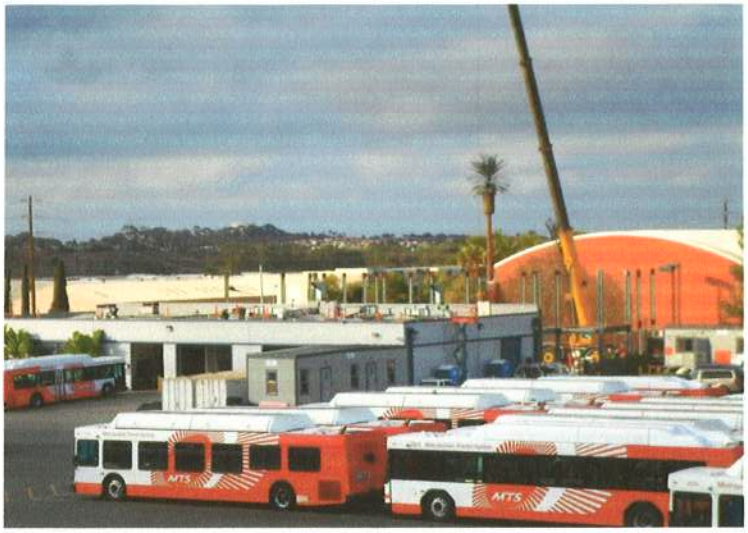
- Site Capacity Increase for Expected Services and Future Demand
  - CNG fueling stations expanded (2011)
  - Bus Parking expanded (2014)
  - Maintenance and Operations
- Accommodates future South Bay BRT new service (2016-2017)
- Service Articulated Buses
- Safer and Organized Site Functions

MTS

SOUTH BAY FACILITY
ADMINISTRATION and OPERATIONS NEW BUILDING

- Administrative and Operations Offices
  - 14,000 sq. feet Two-Story Building
- Operations Dispatching Functions
- Driver Support Areas
- Public Lobby and Lost and Found
- Built to California Green Building Code
- *Occupancy Projected July 21, 2014*

MTS



Administration Building

SOUTH BAY FACILITY NEW MAINTENANCE BUILDING

- New 48,000 sf Maintenance Building
  - Built to LEED Silver standard
  - Rooftop PV Solar Panels (100kw)
  - 14 Service Bays + 1 Chassis Steam Bay
  - Support functions (parts storage, compressed air, service fluids)
  - 6 of 15 bays with mechanical in-ground lifts
  - Mechanic facilities (tool box storage, locker rooms, training room)
  - *Occupancy Projected September 3, 2014*

MTS

New Maintenance Building Construction

MTS

SOUTH BAY FACILITY NEW BUS WASH

- New State-of-the-Art Bus Wash
- Two bus wash lanes
- Ross and White new wash system
- Capacity for 250 buses per night
- Sophisticated reclaim system to save water
- Reverse-osmosis rinse water
- *Opening projected Sept. 10, 2014*

MTS

11

Bus Wash Canopy

MTS

12

SOUTH BAY MAINTENANCE FACILITY

- *Schedule*
  - Administration/Operations - July 16
  - Maintenance - September 3
  - Bus Wash - September 10
  - Old Building wing removal - September 1
  - Site Work - complete September 30
  - Project Closeout- October

QUESTIONS?

Metropolitan Transit System

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Agenda Item No. C5

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2014

SUBJECT:

UPDATE ON DEPARTMENT OF LABOR CHALLENGE OF CALIFORNIA PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 (PAUL JABLONSKI)

RECOMMENDATION:

That the Executive Committee receive a report for information.

Budget Impact

None.

DISCUSSION:

The California Public Employees' Pension Reform Act of 2013 (PEPRA) was enacted in August 2012 and became effective on January 1, 2013. Reform measures included in the law affect all agencies that participate in the California Public Employees' Retirement System, including MTS. Provisions of the act include employee cost-sharing, compulsory reduced-retirement formulas and increased-retirement ages, limitations on pensionable compensation, antispiking provisions, limitations on postretirement employment, forfeiture of pension benefits upon conviction of certain felonies, health benefit equitability, and prohibitions on pension-funding holidays.

In the summer of 2013, the United States Department of Labor upheld challenges by transit labor unions associated with PEPRA. The State of California enacted a one-year exemption from PEPRA for transit agencies pending the outcome of litigation over the Department of Labor's decision. Staff will provide an update.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

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Agenda Item No. C6

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
EXECUTIVE COMMITTEE

June 12, 2014

SUBJECT:

BALTIMORE JUNCTION EXCESS PROPERTY POTENTIAL DEVELOPMENT (TIM ALLISON)

RECOMMENDATION:

That the Executive Committee forward a recommendation to the Board of Directors for the approval of an Exclusive Negotiating Agreement (ENA) for the long-term lease of 5159 Baltimore Drive.

Budget Impact

The lease revenue would be credited to Land Management.

DISCUSSION:

MTS acquired the property at 5159 Baltimore Drive in the City of La Mesa for a portion of the Mission Valley East Project. The property is 4.63 acres, which has a portion consisting of light rail trackage and a traction power substation. The remainder of the site which is not utilized for transit purposes, nets approximately 3.35 acres (Attachment A). The site has had several short-term tenants that needed construction laydown space or yard space. It currently has a construction field office occupied by the San Diego Association of Governments (SANDAG) Construction Engineering staff and also has various short term tenancies.

Board Policy No. 17 allows MTS to consider unsolicited development proposals provided they meet MTS's development goals and have support of the local jurisdiction.

MTS has had interest from the development community over the years, but no proposals have matured. MTS has discussed the potential uses of the site with the City of La Mesa. G8 Development, Inc., a San Diego based real estate development company, has expressed interest in long-term leasing of the site for a hotel. The developer would like to construct a 98-room Garden Inn hotel, which is a Hilton Hotels product and includes a

9,000 SF restaurant within the facility (Attachment B). City of La Mesa staff has expressed support for the proposed development. Because of the site's distance from an MTS transit station, it does not meet the criteria for a transit oriented development.

MTS had the property appraised with a date of value of October 2011. The appraiser determined that the value per square foot of land was approximately $13 per square foot. The market research indicated the site could attract between a 9% to 10% return yielding approximately $180,000 per year in ground lease revenue. This equates to approximately $.10 per square foot per monthly lease rate.

MTS staff recommends that once an ENA is executed, the property should be re-appraised at today's market value.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Site Map
B. Proposed Project

Exhibit A

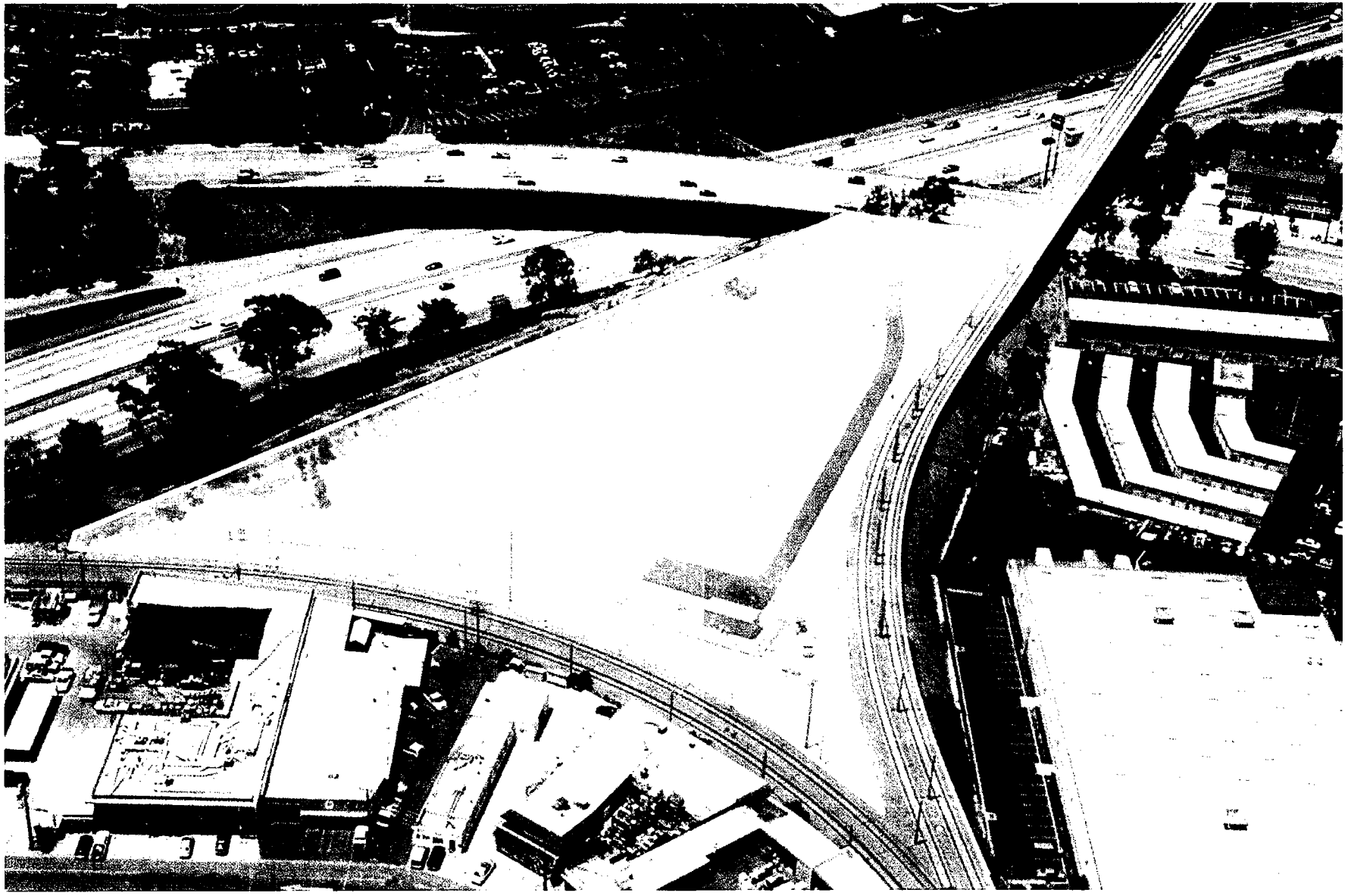


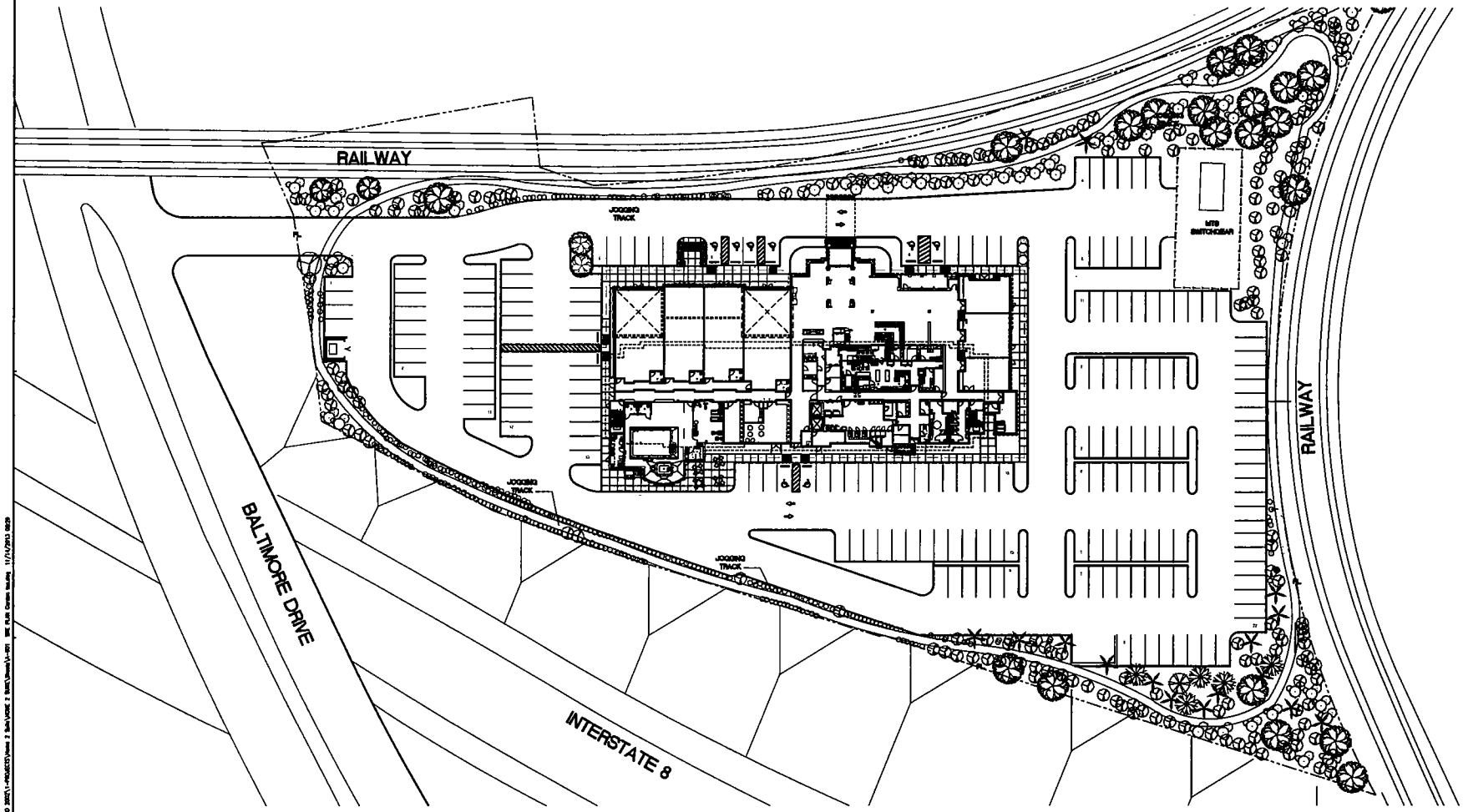
Exhibit B

SITE AREA:

- TOTAL AREA - 2.03 ACRES HOTEL AREA

PARKING REQUIREMENTS:

• TOTAL ROOMS	98	TOTAL PARKING	109
• RESTAURANT	9,000 S.F.	PARKING	84



SITE PLAN

SCALE: 1"=30'

Issue Date:

Revisions:
XXXX

Drawn By/Checked:

Consultant:

Project Number

5159 BALTIMORE DRIVE
LA MESA CA.

Hilton Garden Inn

G8 DESIGN & DEVELOPMENT

Sheet Title:
SITE PLAN
GARDEN INN

Sheet Number:
A-001

SHT NO. : - OF - SHTS

5159 Baltimore Drive

G8 Development, Inc.

Exclusive Negotiating Agreement

June 12, 2014

MTS

1

Baltimore Junction

MTS

2

Baltimore Junction

- City of La Mesa
- Approximately 3 acres developable
- Federally funded acquisition
- Up to 1 mile between trolley stations

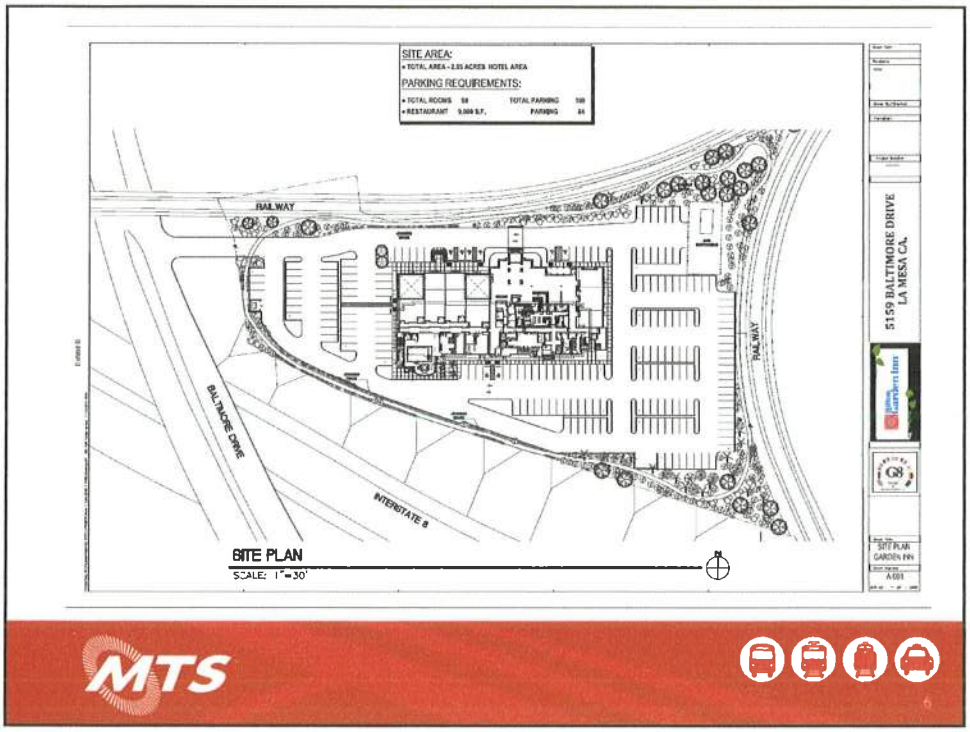
MTS

Baltimore Junction

MTS

G8 Development Proposal

- **Long term ground lease**
- **Hotel development – 98 room Garden Inn (Hilton)**
- **9,000 sf restaurant within facility**
- **MTS October 2011 appraisal**



Recommendations

- **Receive staff report**
- **Forward a recommendation to the Board to enter into an Exclusive Negotiating Agreement with G8 Development**

MTS Metropolitan Transit System

AGENDA ITEM NO. G

REQUEST TO SPEAK FORM

ORDER REQUEST RECEIVED

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(PLEASE PRINT)

DATE	June 12, 2014
Name	MARCO TANGURY
Address	229 16th Street #116
Telephone	(619) 231-1414
Organization Represented	Self
Subject of Your Remarks	1600 Pacific Highway James R Mills Bldg County Park MTS & S.D. County
Regarding Agenda Item No.	public comment
Your Comments Present a Position of:	☐ SUPPORT ☐ OPPOSITION

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Metropolitan Transit System

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DRAFT

Agenda

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

9:00 a.m.

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least two working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

		ACTION RECOMMENDED
1.	Roll Call	
2.	Approval of Minutes - May 15, 2014	Approve
3.	Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.	

Please SILENCE electronics
during the meeting

CONSENT ITEMS

6.	Policy 25 - Equal Employment Opportunity (EEO) Program for Employees and Contractors Action would update and reaffirm MTS Policy 25.	Approve
7.	Motorola Regional Transit Management System Annual Maintenance and Support Services - Contract Amendment Action would authorize the CEO to execute MTS Amendment No. G0867.15-03 with Motorola, Inc. to extend the Regional Transit Management System (RTMS) annual maintenance and support period from July 1, 2014 through June 30, 2015; and execute MTS Amendment No. G0868.9-03 with North County Transit District (NCTD) for a Funds Transfer Agreement.	Approve
8.	Weed Abatement Services - Contract Award Action would authorize the CEO to execute MTS Doc. No. L1186.0-14 with DeAngelo Brothers, Inc. for the provision of on and off track weed abatement services for a contract period of five (5) years.	Approve
9.	Investment Report - April 2014	Information
10.	Fiscal Year 2015 Capital Improvement Program Amendment Action would approve the amended FY 2015 Capital Improvement Program (CIP).	Approve
11.	Fiscal Year 2015 Transportation Development Act Claim Action would adopt Resolution Nos. 14-8, 14-9, and 14-10 approving fiscal year 2015 Transportation Development Act (TDA) Article 4.0, 4.5 and 8.0 claims respectively.	Approve
12.	Number Not Used	
13.	Compass Card Back Office Memorandum of Understanding Action would execute Addendum 21 to the Master MOU with NCTD and SANDAG to formally transfer Compass Card Back Office responsibilities to MTS and allocate cost sharing for such services.	Information
14.	2014 Mills Building Board Room Improvement Project Action would authorize the renovation of the 10th Floor Board Room through Colliers International, the Mills Building on-site property management company.	Approve

CLOSED SESSION

24.	CLOSED SESSION - CONFERENCE WITH LEGAL COUNSEL-ANTICIPATED LITIGATION Significant exposure to litigation pursuant to paragraph (2) of subdivision (d) 54956.9: Doris Bueto - MTS Claim No. TL-11-5060-13	Possible Action
	Oral Report of Final Actions Taken in Closed Session	

NOTICED PUBLIC HEARINGS

25.	Fiscal Year 2015 Budget: Public Hearing and Adoption (Mike Thompson)	Enact/ Adopt

DISCUSSION ITEMS

30.	Encanto/62nd Street Trolley Station Transit Oriented Development (Karen Landers and Tim Allison)	Approve
31.	Fixed-Route Bus Services - Contract Amendment (Bill Spraul & Larry Marinesi)	Approve
32.	Taxicab Contracts Renewal (Sharon Cooney)	Approve

REPORT ITEMS

45.	None.	
60.	Chairman's Report	Information
61.	Audit Oversight Committee Chairman's Report	Information
62.	Chief Executive Officer's Report	Information
63.	Board Member Communications	
64.	Additional Public Comments Not on the Agenda If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments.	
65.	Next Meeting Date: July 17, 2014	
66.	Adjournment	

Metropolitan Transit System

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Agenda Item No. 6

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for Executive Committee Review Date: 6-12-14

SUBJECT:

POLICY 25 – EQUAL EMPLOYMENT OPPORTUNITY (EEO) PROGRAM FOR EMPLOYEES AND CONTRACTORS

RECOMMENDATION:

That the Board of Directors update and reaffirm the San Diego Metropolitan Transit System (MTS) Policy 25, as attached.

Budget Impact

None.

DISCUSSION:

California Fair Employment and Housing Act ("FEHA") prohibits employment discrimination and harassment. FEHA recently added several new categories to its list of protected classes. Therefore, MTS Policy 25 has been updated to include the following protected categories: military and veteran status, sex, mental disability, genetic information, gender identity, gender expression, and sexual orientation.

MTS Policy 25 has also been updated to reflect that the current EEO Policy and preceding year's EEO report will be posted on the MTS Intranet.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Proposed Revisions to MTS Policy 25

Metropolitan Transit System

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San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Policies and Procedures No. 25

SUBJECT: Board Approval:
6/19/2014~~4/10/08~~

EQUAL EMPLOYMENT OPPORTUNITY PROGRAM FOR EMPLOYEES AND CONTRACTORS

PURPOSE:

To establish a policy of equal opportunity employment.

BACKGROUND:

Federal regulations require the adoption of an approved Equal Employment Opportunity (EEO) program as a condition of receipt of federal funds.

The MTS EEO Program requires the annual setting of goals and contains monitoring and reporting requirements relative to attainment of those goals. It sets forth public dissemination procedures, recruiting, selecting and hiring procedures, and grievance procedures. In addition, it incorporates an EEO Program for the employees of MTS's contractors. The program is revised annually and t~~.~~ The full plan is on file with the Clerk of the Board.

POLICY:

25.1 It is the policy of the San Diego Metropolitan Transit System~~, hereinafter "MTS," its subsidiaries~~, San Diego Transit Corporation and ~~(SDTC),~~ San Diego Trolley, Inc.~~(SDTI)~~ (collectively, "MTS"), ~~and~~ as well as its third-party contractors, to recruit, hire, train, and promote all applicants and employees in accordance with the California Fair Employment and Housing Act ("FEHA") and Title VII of the Civil Rights Act of 1964, as amended. MTS will ensure that its recruitment~~ing~~, selection~~ing~~, hiring~~,~~ and promotion~~nng~~ procedures do not adversely affect the employment of persons protected by FEHA and Title VII. Furthermore, MTS will ensure ~~and, in addition,~~ that all ~~MTS, SDTC, and SDTI~~ hiring and promotional~~ng~~ criteria, requirements~~,~~ and tests are job-related. MTS will adhere to the provisions of Executive Order 11246, the Equal Employment Opportunity Commission (EEOC) guidelines, and all other applicable standards ~~taking into~~

~~account the present size and expected growth of the three agencies and~~ consistant with California and federal laws.

25.2 It is the policy of MTS~~, SDTC, and SDTI~~ to assure that discrimination based on race, color, religious creed~~n~~, ancestry, national origin, sex, gender, age ~~(over 40 years)~~, marital status, medical condition ~~(cured or rehabilitated cancer)~~, ~~or~~ physical disability, mental disability, genetic information, gender identity, gender expression, sexual orientation, or military and veteran status ~~handicaps (including AIDS)~~ does not occur in relationships that may exist between these organizations and any employee or applicant for employment. Such relationships may be defined as, but not limited to, recruitment, hiring, promotion, compensation, benefits, terminations, transfers, layoffs, recalls, company-sponsored training, education, and social and recreational programs. Goals and timetables with specific measurement and evaluation factors will be established to help measure management's progress with remedying discrimination.

25.3 The responsibility for the implementation of the EEO Program is assigned to the Director of Human Resources and Labor Relations. All management personnel within MTS~~, SDTC, and SDTI~~ are expected to support and implement the EEO Program in performance of their job duties and responsibilities. Any employee or applicant who feels they have been discriminated against has the right to file a complaint alleging discrimination with the Director of Human Resources and Labor Relations. If the Director of Human Resources and Labor Relations is involved in the complaint, the complaint should be filed with and will be processed by the General Counsel.

25.4 In the development and implementation of their employment and promotional policies, MTS~~, SDTC, and SDTI~~ will base decisions solely on the individual's qualifications (merit) and the feasibility of any necessary job accommodations.

PROCEDURES:

An outline of basic procedures included in the Program is as follows:

Annual

- Director of Human Resources and Labor Relations will conduct utilization study to determine needs and set goals to eliminate underutilization.
- Chief Executive Officer will approve goals to correct any underrepresentation.
- Manager of Human Resources will update lists of women's and minority media, community organizations, and college minority placement offices.
- Director of Human Resources and Labor Relations will communicate EEO Program to all employees.
- Various aspects of Program will be featured from time to time in MTS publications.
- Briefings will be held with various underrepresented groups.

Reports

- At the beginning of each fiscal year, the ~~MTS Board of Directors will review an~~ EEO report for the preceding year will be posted on the MTS intranet. The report will include employment results~~, review of EEO goals,~~ and an EEO summary ~~for each organization (MTS, SDTC, and SDTI)~~.

Records

- Contractors awarded construction contracts greater than $10,000 will submit monthly Employment Utilization Reports (CC-257).
- Contractors awarded nonconstruction contracts greater than $50,000 and with 50 or more employees will submit annual Workforce Reports.
- Director of Human Resources and Labor Relations will maintain a record on each job applicant, ~~each~~ promotional opportunity, ~~employee~~ termination data, and referral of applicants (follow-up action and feedback on disposition of those recommended).

Posting/Notification

- EEO Policy will be posted on ~~appropriate office bulletin boards~~the Agency intranet and contained in employee handbook.
- All employment ads will contain "San Diego Metropolitan System is an Equal Opportunity Employer.~~-~~"
- Required federal and state posters will be displayed in employee lounge.
- All successful contractors shall be notified of their obligations under MTS's EEO Program for contractors.

POLICY.25.EEO FOR EMPLOYEES AND CONTRACTORS
~~4/10/08~~

This original policy was adopted on 10/18/84.
Policy revised on 8/13/92.
Policy revised on 10/26/95.
Policy revised on 5/27/99.
Policy revised on 2/26/04.
Policy revised on 4/10/08.
Policy revised on 6/19/14.

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 7

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for Executive Committee Review Date: 6-12-14

SUBJECT:

MOTOROLA REGIONAL TRANSIT MANAGEMENT SYSTEM ANNUAL MAINTENANCE AND SUPPORT SERVICES – CONTRACT AMENDMENT

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to:

1. execute MTS Amendment No. G0867.15-03 (in substantially the same format as Attachment A) with Motorola, Inc. (Motorola) to extend the Regional Transit Management System (RTMS) annual maintenance and support period from July 1, 2014 through June 30, 2015; and

2. execute MTS Amendment No. G0868.9-03 (in substantially the same format as Attachment B) with North County Transit District (NCTD) for a Funds Transfer Agreement.

Budget Impact

1. MTS Amendment No. G0867.15-03 with Motorola (Attachment A) will not exceed $941,700.00 and will be funded by the annual Information Technology operating budget (661-53910). The total adjusted cost of the contract, inclusive of all amendments, will not exceed $26,433,833.50.

2. MTS Amendment No. G0868.9-03, a Funds Transfer Agreement with NCTD (Attachment B), will authorize invoicing to NCTD for their cost-sharing allocation of fiscal year 2015 annual maintenance and support services in the amount of $357,852.00.

   The total net MTS cost of Amendment No. G0867.15-03 will not exceed $583,848.00, due to the NCTD cost-sharing allocation.

DISCUSSION:

Background Information

RTMS is a sophisticated vehicle-tracking and communications system that provides performance and security/safety monitoring of transit vehicles. RTMS is currently being used to support operations of San Diego Transit Corporation (SDTC) and NCTD fixed-route services. The system was selected through a competitive and negotiated procurement process and went into full operation in December 2006. As part of that contract, Motorola was required to provide pricing, maintenance, and support services for ten years for the vehicle equipment, fixed-site radio equipment, back office computer equipment, and software. Those costs were determined to be fair and reasonable.

Amendment No. 15 to Motorola Service Agreement (Attachment A)

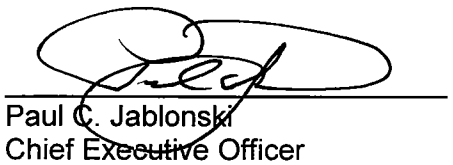
MTS Amendment No. G0867.15-03 will extend the Motorola system maintenance and support contract to cover the period from July 1, 2014 through June 30, 2015. The cost of the maintenance and support contract will be shared by MTS and NCTD as outlined in the Funds Transfer Agreement (Attachment B).

Amendment No. 9 to the NCTD Funds Transfer Agreement (Attachment B)

As part of the original contract award, MTS and NCTD executed a Funds Transfer Agreement. This cost-sharing agreement provides the ability for NCTD to reimburse MTS for NCTD related costs pertaining to services provided by Motorola. The post-warranty maintenance price was established by Motorola at contract award based on the total number of vehicle equipment units provided to each Agency plus the cost to maintain the central system components that are shared between agencies. Pricing included an annual escalation rate of 5%.

The cost allocation for each Agency is based on the number of vehicle units each Agency received for the RTMS project, plus a portion of the shared system components based on the number of vehicles each Agency intends to operate that utilizes the RTMS system in the coming year. Calculations are detailed as follows:

FY 15 Post-Warranty Maintenance Cost			**$ 941,700.00**
Vehicle Equipment Issued			
MTS	275		$ 165,837.00
NCTD	177		$ 106,738.00
Remaining Shared Balance			$ 669,125.00
FY 15 Shared Expense based on Vehicle Usage			
MTS	273	62.47%	$ 418,011.00
NCTD	164	37.53%	$ 251,114.00
TOTAL	437	100.00%	$ 669,125.00
FY 15 Total Cost (Equipment Issued plus Vehicle Usage)			
MTS			$ 583,848.00
NCTD			$ 357,852.00



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Draft MTS Amendment No. G0867.15-03
B. Draft MTS Funds Transfer Agreement No. G0868.09-03

DRAFT

June 19, 2014

MTS Doc. No. G0867.15-03

Mr. Mark Schmidl
Vice President
Motorola Solutions Sales and Services, Inc.
Motorola, Inc.
6450 Sequence Drive
San Diego, CA 92121

Dear Mr. Schmidl:

Subject: AMENDMENT NO. 15 TO MTS DOC. NO. G0867.0-03; EXERCISE OPTION YEAR OF REGIONAL TRANSIT MANAGEMENT SYSTEM

This letter will serve as formal notification that MTS has chosen to exercise Option Year 07/01/14 to 06/30/15 as detailed in Motorola's Post-Warranty Maintenance Pricing Summary (See Exhibit A).

The following table lists the current value of the contract inclusive of previous amendments.

CONTRACT VALUE

CONTRACT AMENDMENTS	AMOUNT
Initial Contract	$19,176,856.00
Amendment No. 1	$10,336.00
Amendment No. 2	$678,384.00
Amendment No. 3	$99,712.00
Amendment No. 4	$119,461.50
Amendment No. 5	$702,711.00
Amendment No. 6	$0.00
Amendment No. 7	$544,802.00
Amendment No. 8	$737,846.52
Amendment No. 9	$25,466.51
Amendment No. 10	$774,738.88
Amendment No. 11	$57,337.00
Amendment No. 12	$406,737.48
Amendment No. 13	$1,260,887.52
Amendment No. 14	$896,857.09
Amendment No. 15	***$941,700.00***
Contract Total	**$26,433,833.50**

As a result of this Amendment, the total contract price has increased by $941,700.00 from $25,492,133.50 to $26,433,833.50.

All other terms and conditions remain unchanged. If you agree with the above, please sign below and return the document marked "original" to the Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Paul C. Jablonski
Chief Executive Officer

Accepted:

_____
Mark Schmidl
Motorola Solutions Sales and Services, Inc.

Date: _____

Exhibit: A. Motorola Post Warranty Maintenance Pricing Summary

MTDB Optional Post-Warranty Maintenance Pricing Summary (per BAFO)				
	01/01/08 to 06/30/08	07/01/08 to 06/30/09	07/01/09 to 06/30/10	07/01/10 to 06/30/11
Vehicle Subscriber Support			$ -	$ -
Metro Transit (based on 275 units)	$61,875	$ 123,750.00	$ 129,937.50	$ 136,434.38
North County Tranist(based on 177 units)	$39,825	$79,650	$ 83,632.50	$ 87,814.13
Dispatch and Radio Network Support	$63,830	$127,660	$ 134,043.00	$ 140,745.15
Orbital Software Support	$185,825.50	$ 371,651.00	$ 390,233.55	$ 409,745.23
Maintenance Totals	$ 351,355.50	$ 702,711.00	$ 737,846.55	$ 774,738.88

10 Year Maintenance per BAFO assumes the indicated number of subscribers and original infrastructure. Additional equipment will affect this matrix pricing per the add amount from the BAFO.

07/01/11 to 06/30/12	07/01/12 to 06/30/13	07/01/13 to 06/30/14	07/01/14 to 06/30/15	07/01/15 to 06/30/16
$ -	$ -	$ -	$ -	$ -
$ 143,256.09	$ 150,418.90	$ 157,939.84	$ 165,836.84	$ 174,128.68
$ 92,204.83	$ 96,815.07	$ 101,655.83	$ 106,738.62	$ 112,075.55
$ 147,782.41	$ 155,171.53	$ 162,930.10	$ 171,076.61	$ 179,630.44
$ 430,232.49	$ 451,744.11	$ 474,331.32	$ 498,047.88	$ 522,950.28
$ 813,475.82	$ 854,149.61	$ 896,857.09	$ 941,699.95	$ 988,784.96

DRAFT

June 19, 2014 MTS Doc. No. G0868.9-03

Mr. Matthew Tucker
Executive Director
North County Transit District
810 Mission Avenue
Oceanside, CA 92054

Dear Mr. Tucker:

Subject: AMENDMENT NO. 9 TO MTS DOC. NO. G0868.0-03 - FUNDS TRANSFER AGREEMENT

The Metropolitan Transit System (MTS) and North County Transit District (NCTD) hereby agree to amend the Funds Transfer Agreement for Regional Transit Management System (MTS Doc. No. G0868.0-03) per the following:

NCTD agrees to reimburse MTS for an amount not to exceed $357,852.00 for costs pertaining to services provided by Motorola, Inc. (Motorola) under Amendment No. 15 (MTS Doc No. G0867.15-03).

Detail
On behalf of NCTD, MTS executed an amendment to the Motorola contract for continued maintenance services of the Regional Transit Management System. The amendment includes services and/or equipment for both NCTD and MTS, as noted in the attached amendment letter to Motorola. Listed below is an abbreviated table identifying those specific elements and costs pertaining to NCTD.

Amendment	***Change Order***	***Cost***
MTS Doc. No. G0867.14-03	*Service Agreement for July 1, 2013 – June 30, 2014*	*$345,359.00*
	Original Contract	***$7,260,730.00***
	Amendment 1	***$ 137,901.00***
	Amendment 2	***$ 122,857.50***
	Funds Transfer Agreement - Amendment 3	***$279,431.00***
	Funds Transfer Agreement - Amendment 4	***$274,553.00***
	Funds Transfer Agreement – Amendment 5	***$296,580.00***
	Funds Transfer Agreement – Amendment 6	***$158,384.00***
	Funds Transfer Agreement – Amendment 7	***$485,446.00***
	Funds Transfer Agreement – Amendment 8	***$345,359.00***
	Funds Transfer Agreement – Amendment 9	***$357,852.00***
	Adjusted Contract Amount	***$9,719,093.50***

The total cost of the Motorola Service Agreement for the period of July 1, 2014 through June 30, 2015 is $941,700.00 with NCTD's cost share of $357,852.00 and MTS's cost share of $583,848.00.

As a result of this Amendment, NCTD's total obligation under the Funds Transfer Agreement will increase by $357,852.00 from to $9,361,241.50 to $9,719,093.50.

DRAFT

All other conditions remain unchanged and in effect. If you agree with the above, please sign below and return the document marked "original" to Contracts Specialist at MTS. The other copy is for your records.

Sincerely,

Paul C. Jablonski
Chief Executive Officer

Accepted:

_____
Matthew Tucker
Executive Director

Date: _____

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 8

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for Executive Committee Review Date: 6-12-14

SUBJECT:

WEED ABATEMENT SERVICES - CONTRACT AWARD

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1186.0-14 (in substantially the same format as Attachment A) with DeAngelo Brothers, Inc. for the provision of on and off track weed abatement services for a contract period of five (5) years.

Budget Impact

The value of this agreement will not exceed $362,862.50. The total amount of $362,862.50 will be funded from the respective fiscal years' MTS Maintenance of Way annual operating budget account 371-53710. The annual expenses are as follows:

Fiscal Year 2015	= $70,525.00
Fiscal Year 2016	= $70,525.00
Fiscal Year 2017	= $71,987.50
Fiscal Year 2018	= $73,775.00
Fiscal Year 2019	= $76,050.00
Grand Total	**= $362,862.50**

DISCUSSION:

Weed abatement services are needed by MTS's Maintenance of Wayside (MOW) in order for staff to safely access and maintain the Trolley track system. Furthermore, California Public Resource Code 4291-4299 requires at least 100 feet of "defensible

space" for wild fire protection. The proposed weed abatement services will prevent the growth of unwanted vegetation within 150 feet of MTS Trolley wayside.
MTS Policy No. 52, governing the procurement of goods and services, requires a formal competitive process for procurements exceeding $100,000.

An Invitation for Bid (IFB) was issued on March 3, 2014. Three (3) responsive and responsible bids were received on the due date of April 30, 2014. The bidders were DeAngelo Brothers Inc., Quality Sprayers and TruGreen, LP.

After conducting a price analysis, staff determined that the pricing presented by DeAngelo Brothers, Inc. was fair and reasonable and was the lowest bid relative to their competitors.

GRAND TOTAL		Quality Sprayers	TruGreen Limited Partnership	DeAngelo Brothers Inc.
Description		Total	Total	Total
1	Year One (1) Total:	$ 106,550.00	$ 88,608.00	$ 70,525.00
2	Year Two (2) Total:	$ 106,550.00	$ 88,608.00	$ 70,525.00
3	Year Three (3) Total:	$ 106,550.00	$ 91,258.00	$ 71,987.50
4	Year Four (4) Total:	$ 106,550.00	$ 93,999.00	$ 73,775.00
5	Year Five (5) Total:	$ 106,550.00	$ 93,999.00	$ 76,050.00
	GRAND TOTAL	**$ 532,750.00**	**$ 456,472.00**	**$ 362,862.50**

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment A: Draft MTS Doc. No. L1186.0-14

ATTACHMENT A
(DRAFT)

L1186.0-14
CONTRACT NUMBER
FILE/PO NUMBER(S)

STANDARD SERVICES AGREEMENT
FOR
WEED BATEMENT SERVICES

THIS AGREEMENT is entered into this _____ day of _____ 2014, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following, hereinafter referred to as "Contractor":

Name: DeAngelo Brothers, Inc.

Address: 1459 South Cucamonga Ave.
Ontario, CA 91761

Form of Business: Corporation
(Corporation, partnership, sole proprietor, etc.)

Telephone: (909) 786-4860

Authorized person to sign contracts: TK Scrivner (Name) General Manager (Title)

The attached Standard Conditions are part of this Agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Weed abatement services, as specified in the Scope of Work (attached as Exhibit A), DeAngelo Brothers, Inc. Bid dated April 30, 2014 (attached as Exhibit B), and in accordance with the Standard Conditions Services Agreement, including the Standard Conditions Services (attached as Exhibit C), and the Federal Requirements (attached as Exhibits D). Contract in effect from July 1, 2014 thru June 30, 2019.

Total contract will be in the amount of **$362,862.50**.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
$ 362,862.50	371-53710	FY 15-19

By: _____
Chief Financial Officer — Date

(___ total pages, each bearing contract number)

SA-SERVICES REVISED (REV 6-13)
DATE

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
(619) 231-1466 • FAX (619) 234-3407

Agenda Item No. 9

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

JUNE 19, 2014

Draft for
Executive Committee
Review Date: 6-12-14

SUBJECT:

INVESTMENT REPORT – APRIL 2014

RECOMMENDATION:

That the Board of Directors receive a report for information.

Budget Impact

None.

DISCUSSION:

Attachment A comprises a report of MTS investments as of April 30, 2014. The combined total of all investments has decreased from $194.0 million to $187.2 million in the current month. This $6.8 million decrease is attributable to expenditures of $4.2 million for acquisition of capital assets, $450,000 for the six month RTMS maintenance agreement, $220,000 for an additional MTS payroll, as well as normal timing differences in other payments and receipts.

The first column provides details about investments restricted for capital improvement projects and debt service, which are related to the 1995 lease and leaseback transactions. The funds restricted for debt service are structured investments with fixed returns that will not vary with market fluctuations if held to maturity. These investments are held in trust and will not be liquidated in advance of the scheduled maturities.

The second column, unrestricted investments, reports the working capital for MTS operations allowing payments for employee payroll and vendors' goods and services.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Investment Report for April 2014

San Diego Metropolitan Transit System
Investment Report
April 30, 2014

	Restricted	Unrestricted	Total	Average rate of return
Cash and Cash Equivalents				
JP Morgan Chase - concentration account	-	14,075,681	14,075,681	0.00%
Total Cash and Cash Equivalents	-	14,075,681	14,075,681	
Cash - Restricted for Capital Support				
US Bank - retention trust account	8,651,807	-	8,651,807	N/A *
San Diego County Investment Pool Proposition 1B TSGP grant funds	4,440,256	718,402	5,158,658	
Total Cash - Restricted for Capital Support	13,092,063	718,402	13,810,465	
Investments - Working Capital				
Local Agency Investment Fund (LAIF)	18,155,040	23,061,230	41,216,270	0.233%
Total Investments - Working Capital	18,155,040	23,061,230	41,216,270	
Investments - Restricted for Debt Service				
US Bank - Treasury Strips - market value (Par value $39,474,000)	39,396,669	-	39,396,669	
Rabobank - Payment Undertaking Agreement	78,692,891	-	78,692,891	7.69%
Total Investments Restricted for Debt Service	118,089,560	-	118,089,560	
Total cash and investments	**$ 149,336,663**	**$ 37,855,313**	**$ 187,191,976**	

N/A* - Per trust agreements, interest earned on retention account is allocated to trust beneficiary (contractor)

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466 FAX 619.234.3407

Agenda Item No. 10

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for Executive Committee Review Date: 6-12-14

SUBJECT:

FISCAL YEAR 2015 CAPITAL IMPROVEMENT PROGRAM AMENDMENT

RECOMMENDATION:

That the MTS Board of Directors approve the amended FY 2015 Capital Improvement Program (CIP).

Budget Impact

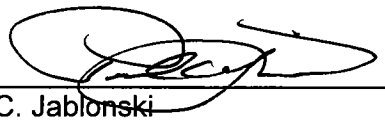
This action would decrease the FY 2015 CIP budget from $104,067,000 to $103,967,000, a decrease of $100,000.

DISCUSSION:

When the FY 2015 CIP was approved by the MTS Board of Directors in March, the CIP assumed no capital funding would be included in the operating budget. During the budget development process, the Board recommended shifting $600,000 of capital funding to the operating budget as a replacement for lost Federal Job Access Reverse Commute funding. This Federal Section 5316 funding was discontinued with the passage of Moving Ahead for Progress in the 21st Century (MAP-21) reauthorization legislation. MAP-21 increased Section 5307 funding to offset the Section 5316 reductions. However, the Section 5307 funding increase at MTS funded the CIP and not the operating budget.

Additionally, since the FY 2015 CIP was approved by the MTS Board of Directors, MTS has received additional funding that was not included in the original plan. MTS received an additional $500,000 of leasing revenue for San Diego and Arizona Eastern's desert line.

The staff recommendation for the net funding reduction of $100,000 is to reduce the allocation for the Bus Replacement project from $23,579,000 to $23,479,000. This funding would be replaced in a subsequent year's CIP.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Fiscal Year 2015 Funding Sources
B. Fiscal Year 2015 Capital Improvement Projects List

San Diego Metropolitan Transit System
FY 2015 Funding Sources ($000s)

Funding Description	Approved FY15	Adjustments	Proposed FY15
Federal FY14 - 5307 Funding Estimate	$ 40,975		$ 40,975
Federal FY14 - 5337 Funding Estimate	22,055		22,055
Federal FY14 - 5339 Funding Estimate	3,522		3,522
Transportation Development Act (TDA)	48,928		48,928
Proposition 1B	37,076		37,076
Proposition 1B - Security	2,779		2,779
California State Transit Assistance (STA)	14,400		14,400
Other (Transfers, 5311, SD&AE)	984	500	1,484
Total Available Funding	**$ 170,720**	**$ 500**	**$ 171,220**
Preventive Maintenance - Federal 5307	$ (23,945)		$ (23,945)
Preventive Maintenance - Federal 5337	(22,055)		(22,055)
Preventive Maintenance - FY15 TDA Match	(11,500)		(11,500)
ADA Preventive Maintenance - Federal 5307	(4,097)		(4,097)
ADA Preventive Maintenance - FY15 TDA Match	(4,097)		(4,097)
SANDAG Planning Study - Federal 5307	(767)		(767)
SANDAG Planning Study - FT14 TDA Match	(192)		(192)
Operations Usage	-	(600)	(600)
Total Preventative Maintenance/SANDAG Planning	**$ (66,653)**	**$ (600)**	**$ (67,253)**
Available Funding for FY 15 Capital Program	**$ 104,067**	**$ (100)**	**$ 103,967**

San Diego Metropolitan Transit System
Capital Improvement Program - Funded Projects
Fiscal Year 2015

Project Description	Funding Thru FY 2014	FY 2015 Funded	FY 2015 Unfunded	FY 2016	FY 2017	FY 2018	FY 2019	Budget FY15 - FY19
Bus Replacement	44,095	23,479	-	29,000	26,377	23,299	23,218	125,373
LRV Procurement	144,325	15,317	-	-	-	-	-	15,317
SD100 Replacement	-	9,000	18,000	27,000	27,000	27,000	27,000	135,000
Orange and Blue Line Platforms	-	7,946	-	-	-	-	-	7,946
Orange and Blue Line Traction Power Substations (TPSS)	-	7,326	-	-	-	-	-	7,326
RTMS Expansion	3,939	5,942	-	-	-	-	-	5,942
Blue Line Station Rehab	-	4,439	-	-	-	-	-	4,439
Green Line Communication System Upgrade	-	4,170	-	-	-	-	-	4,170
Main Line Drainage (Hill Street)	3,394	3,000	-	-	-	-	-	3,000
Para-Transit Vehicles	8,686	2,781	-	-	2,623	2,701	2,782	10,887
OCS Insulator/Catch Cable Replacement	1,841	2,485	-	1,603	-	-	-	4,088
Orange Line Signal System Interface Upgrade	12,231	2,431	-	-	-	-	-	2,431
Substation DC Feeder Breaker Replacement (Implementation)	-	1,700	-	2,300	2,300	-	-	6,300
Orange and Blue Line Communications System	-	1,510	-	-	-	-	-	1,510
Network Switches and Comm Cabinets Upgrade	-	1,500	-	-	-	-	-	1,500
Fashion Valley Second Elevator	150	1,010	-	-	-	-	-	1,010
SD100 Buffer/Coupler Overhaul	1,133	1,000	-	2,212	-	-	-	3,212
Grade Crossing Replacements	-	980	-	1,000	1,000	1,000	1,000	4,980
System-wide CCTV	-	787	-	1,098	-	-	-	1,885
Behavior Recognition System (BRS)	-	667	-	500	500	-	-	1,667
Network Infrastructure	1,240	554	-	50	25	25	200	854
Orange and Blue Line Project Management	-	538	-	-	-	-	-	538
Design & Upgrades (Rio Vista/Morena Wall Buttress)	-	500	-	1,000	-	-	-	1,500
Wireless Infrastructure	400	414	-	414	-	-	-	828
Orange & Green Line Print Verification / Event recorders	850	368	-	256				624
Green Line Entry Monument Signs	-	300	-	-	-	-	-	300
Misc. Capital	1,250	250	-	-	-	-	-	250
Cubic Maintenance Server Replacement	-	250	-	-	-	-	-	250
SDSU Fire System Design & Installation	-	250	-	-	-	-	-	250
El Cajon & 8th Street Bridge Abutment Repairs (Design)	-	250	-	-	-	-	-	250
Crossing Diamond at Broadway	-	250	-	-	-	-	-	250
Enterprise Data Warehouse	-	202	-	-	-	-	-	202
Kronos Upgrade Project	-	201	-	-	-	-	-	201
Compass Card Back Office	-	200	-	-	-	-	-	200
LRV Fall Protection	-	200	-	-	-	-	-	200
Rail Lubricators	-	185	-	-	-	-	-	185
SharePoint Intranet	-	161	-	-	-	-	-	161
SD8 Brake Tooling	-	160	-	-	-	-	-	160
MCS Campo Rural Bus Parking Lot and Fencing	-	144	-	-	-	-	-	144
IAD Bus Wash Replacement	450	125	-	-	-	-	-	125
SDMTS Website Redesign	-	110	-	-	-	-	-	110
CPD Perimeter Fence Replacement	-	100	-	-	-	-	-	100
Station CCTV Upgrade	1,050	100	-	-	-	-	-	100
IAD Dispatch and Crew Room Upgrades	-	95	-	-	-	-	-	95
Trolley Station Cleaning Equipment	150	85	-	-	-	-	-	85
Cyber Security Project	75	75	-	-	-	-	-	75

San Diego Metropolitan Transit System
Capital Improvement Program - Funded Projects
Fiscal Year 2015

Project Description	Funding Thru FY 2014	FY 2015 Funded	FY 2015 Unfunded	FY 2016	FY 2017	FY 2018	FY 2019	Budget FY15 - FY19
Compressor Replacement	-	62	-	-	-	-	-	62
Building "C" AC unit & SDSU AC Upgrade (Design)	-	60	-	-	-	-	-	60
S70 (SD7) Reverse Seating	-	60	-	-	-	-	-	60
ADA and Rural Radio Replacement	420	50	-	-	-	-	-	50
S70 Center Truck Axle Bearing Tooling/Training	-	50	-	-	-	-	-	50
Baltimore Power Switch Replacement	-	46	-					46
Wood Chipper	-	44	-	-	-	-	-	44
Scissor Lift	-	42	-	-	-	-	-	42
Electric Utility Vehicle	-	17	-	-	-	-	-	17
C Yard Track Expansion	-	-	4,693	-	-	-	-	4,693
Orange Line Parking Lots	-	-	500	-	-	-	-	500
Compass Card - CPOS Replacements	-	-	400	-	-	-	-	400
Euclid Crossing Equipment	-	-	362	-	-	-	-	362
Transit Service Trucks	-	-	250	250	250	-	250	1,000
Signal Case Fencing	-	-	35	-	-	-	-	35
Copier Replacement	-	-	20	20	20	20	20	100
Transit Facility	-	-	-	10,000	20,000	15,000	5,000	50,000
Bus Shelter	2,270	-	-	2,300	2,300	-	-	4,600
Replace S70 (3000) Bode ADA Ramps w/ IFE	-	-	-	1,540	-	-	-	1,540
University Crossing Design & Equipment	-	-	-	350	-	-	-	350
IAD/KMD Tire Shop Canopy	-	-	-	280	-	-	-	280
IAD/KMD Yard Camera Replacement	-	-	-	250	-	-	-	250
IAD Gas Detection System Replacement	-	-	-	125	-	-	-	125
Building C Shop Door Hinge Replacement	-	-	-	100	-	-	-	100
Replace Wiggins Forklift	-	-	-	100	-	-	-	100
CPD Roof Replacement	-	-	-	50	-	-	-	50
Compass Card - NexFare upgrade	-	-	-	-	-	10,000	-	10,000
SBMF Fuel Tank and Service Lanes Upgrade	-	-	-	-	200	1,200	-	1,400
LRV Remote Diagnostic System (128 LRVs)	-	-	-	-	3,840		-	3,840
SD8 Brake Overhaul	-	-	-	-	1,300	1,300		2,600
SD7 Truck Overhaul	-	-	-	-	-	-	2,750	2,750
								-
Project Totals	**$ 227,949**	**$ 103,967**	**$ 24,260**	**$ 81,798**	**$ 87,735**	**$ 81,545**	**$ 62,220**	**$ 441,524**

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
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Agenda Item No. 11

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for
Executive Committee
Review Date: 6-12-14

SUBJECT:

FISCAL YEAR 2015 TRANSPORTATION DEVELOPMENT ACT CLAIM

RECOMMENDATION:

That the MTS Board of Directors adopt Resolution Nos. 14-8 (Attachment A), 14-9 (Attachment B), and 14-10 (Attachment C) approving fiscal year 2015 Transportation Development Act (TDA) Article 4.0, 4.5 and 8.0 claims respectively.

Budget Impact

The FY 2015 TDA claims would result in the approval of $86,358,868 in TDA funds for MTS to be utilized in the FY 2015 operating and capital budgets.

DISCUSSION:

The TDA provides one-quarter percent of the state sales tax for operating and capital support of public transportation systems and non-motorized transportation projects. The San Diego Association of Governments (SANDAG), as the designated Regional Transportation Planning Agency, is responsible for the allocation of TDA funds to the region's cities, the County and transit operators. At the February 28, 2014 meeting, the SANDAG Board of Directors approved the San Diego County Auditor's regional transportation estimate of $131,153,547 for the FY 2015 TDA apportionment.

A Master Memorandum of Understanding (MOU) exists between SANDAG, MTS and the North County Transit District (NCTD) with respect to the functions and responsibilities transferred to SANDAG as a result of Senate Bill 1703 (Peace, 2003). Pursuant to the MOU, both transit agencies transfer TDA funding to SANDAG annually to pay for the administrative and planning functions that transferred to SANDAG as a result of the consolidation. The MOU is updated as circumstances change. For FY 2015, $1,686,060 in funding will remain with SANDAG for MTS's portion of transferred administrative and planning functions.

TDA allocations are authorized under four separate articles of the law. Article 4 funds are used to provide general public transit services. Article 4.5 funds are designated for community transit services and, pursuant to SANDAG Board Policy

No. 027, are allocated within the San Diego region to support paratransit services required by the Americans with Disabilities Act (ADA). Article 8 funds support specialized services, such as express bus and ferry services.

A total of $86,358,868 is estimated to be allocated to MTS for fiscal year 2015. This includes $81,548,729 in TDA Article 4.0 claims, $48,817,652 of which will fund operating activities, and the remaining $32,731,077 will fund the capital improvement program. $4,320,225 in Article 4.5 claims will fund the MTS Access/CTS Paratransit services, and $489,914 in Article 8.0 claims will fund the ferry/commuter express services.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachments: A. Resolution No. 14-8
B. Resolution No. 14-9
C. Resolution No. 14-10

San Diego Metropolitan Transit System
Authorizing Resolution

Resolution Number 14-8

Resolution Approving Fiscal Year 2015 Transportation Development Act, Article 4.0

WHEREAS, effective August 10, 2000, the San Diego Metropolitan Transit System (MTS) area consolidated Transportation Development Act (TDA) claim process provides that MTS will be responsible for submitting a single claim for each article of the TDA for all MTS operators; and

WHEREAS, consistent with the intent of consolidating all transit funding for MTS-area operators, the San Diego Association of Governments (SANDAG) approved the MTS FY 2015 TDA claim; and

WHEREAS, MTS and SANDAG Boards must approve any alternate use of said balances differing from that for which they were originally claimed; and

WHEREAS, MTS and SANDAG staffs have analyzed this amendment and found it to be warranted pursuant to Section 6659 of Title 21 of the California Code of Regulations (CCR);

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED that the MTS Board of Directors does hereby approve the FY 2015 TDA Article 4.0 MTS TDA claim of $81,548,729; $48,817,652 of the 4.0 TDA claim will be used for operating activities, and the remaining $32,731,077 will be used to fund capital.

PASSED AND ADOPTED by the Board of Directors this _____day of _____, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

_____
Chairperson
San Diego Metropolitan Transit System

Filed by:

_____
Clerk of the Board
San Diego Metropolitan Transit System

Approved as to form:

_____
Office of the General Counsel
San Diego Metropolitan Transit System

San Diego Metropolitan Transit System
Authorizing Resolution

Resolution Number 14-9

Resolution Approving Fiscal Year 2015 Transportation Development Act, Article 4.5

WHEREAS, effective August 10, 2000, the San Diego Metropolitan Transit System (MTS) area consolidated Transportation Development Act (TDA) claim process provides that MTS will be responsible for submitting a single claim for each article of the TDA for all MTS operators; and

WHEREAS, consistent with the intent of consolidating all transit funding for MTS-area operators, the San Diego Association of Governments (SANDAG) approved the MTS FY 2015 TDA claim; and

WHEREAS, MTS and SANDAG Boards must approve any alternate use of said balances differing from that for which they were originally claimed; and

WHEREAS, MTS and SANDAG staffs have analyzed this amendment and found it to be warranted pursuant to Section 6659 of Title 21 of the California Code of Regulations (CCR);

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board of Directors does hereby approve the FY 2015 TDA Article 4.5 MTS TDA claim of $4,320,225. The allocation will be used to fund the MTS Access/CTS Paratransit services.

PASSED AND ADOPTED by the Board of Directors this _____day of _____, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

_____
Chairperson
San Diego Metropolitan Transit System

Filed by:

_____
Clerk of the Board
San Diego Metropolitan Transit System

Approved as to form:

_____
Office of the General Counsel
San Diego Metropolitan Transit System

San Diego Metropolitan Transit System
Authorizing Resolution

Resolution Number 14-10

Resolution Approving Fiscal Year 2015 Transportation Development Act, Article 8.0

WHEREAS, effective August 10, 2000, the San Diego Metropolitan Transit System (MTS) area consolidated Transportation Development Act (TDA) claim process provides that MTS will be responsible for submitting a single claim for each article of the TDA for all MTS operators; and

WHEREAS, consistent with the intent of consolidating all transit funding for MTS-area operators, the San Diego Association of Governments (SANDAG) approved the MTS FY 2015 TDA claim; and

WHEREAS, MTS and SANDAG Boards must approve any alternate use of said balances differing from that for which they were originally claimed; and

WHEREAS, MTS and SANDAG staffs have analyzed this amendment and found it to be warranted pursuant to Section 6659 of Title 21 of the California Code of Regulations (CCR);

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that the MTS Board of Directors does hereby approve the FY 2015 TDA Article 8.0 MTS TDA claim of $489,914. The allocation will be used to fund the ferry/commuter express services.

PASSED AND ADOPTED by the Board of Directors this _____day of _____, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

_____
Chairperson
San Diego Metropolitan Transit System

Filed by:

_____
Clerk of the Board
San Diego Metropolitan Transit System

Approved as to form:

_____
Office of the General Counsel
San Diego Metropolitan Transit System

Metropolitan Transit System

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Agenda Item No. 12

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for
Executive Committee
Review Date: 6-12-14

This number not used.

Metropolitan Transit System

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Agenda Item No. 13

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

JUNE 19, 2014

Draft for
Executive Committee
Review Date: 6-12-14

SUBJECT:

COMPASS CARD BACK OFFICE MEMORANDUM OF UNDERSTANDING

RECOMMENDATION:

That the Board of Directors authorize the CEO to execute a Compass Card Back Office Memorandum of Understanding with NCTD and SANDAG (MTS Doc. No. G0930.21-04).

Budget Impact

None, as this administration function shifts from SANDAG to MTS. Costs for these functions are already included in the MTS budget. NCTD will fund the portion of services attributable to NCTD operations.

DISCUSSION:

In 2013, SANDAG agreed to transfer responsibility of the region's smart card fare collection system, the Compass Card Program, to MTS.

The first phase occurred in July 2013, when approximately ten (10) call center and administrative staff moved from SANDAG to administer the following aspects of the Compass Card Program:

1. Customer Service
2. Card Fulfillment and Distribution
3. Contract Management
4. Revenue Distribution

As part of the second and final phase of the transition, the following functions will be transferred to MTS by July 1, 2014:

1. Program Management
2. Server & Network Management
3. Outlet Support & Service

4. Application Support – Includes fare changes, promotional programs, configuration changes and software enhancements.

5. System Support Contracts – Includes maintenance support for Cubic Software, Oracle, Hummingbird and third party operating systems.

The attached Memorandum of Understanding details the transition timelines and agencies' responsibilities, SANDAG post-transition support, agency expense budget allocation, and revenue distribution formulas for the Compass Card Program.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Addendum Number 21 to the Master Memorandum of Understanding Between SANDAG, NCTD and MTS Concerning the Compass Card Program

ADDENDUM NUMBER 21
TO MASTER MEMORANDUM OF UNDERSTANDING BETWEEN SAN DIEGO ASSOCIATION OF GOVERNMENTS, NORTH SAN DIEGO COUNTY TRANSIT DEVELOPMENT BOARD, AND SAN DIEGO METROPOLITAN TRANSIT SYSTEM CONCERNING THE COMPASS CARD PROGRAM

SANDAG AGREEMENT NO. 5000710

This Addendum Number 21 to Master Memorandum of Understanding Between San Diego Association of Governments, North San Diego County Transit Development Board and San Diego Metropolitan Transit System Concerning the Compass Card Program ("Addendum") is made and entered into this _____ day of _____, 2014, by the San Diego Association of Governments ("SANDAG"), the North County Transit District, existing and operating pursuant to Public Utilities Code sections 125000 et seq., formerly the North San Diego County Transit Development Board ("NCTD") and the San Diego Metropolitan Transit System ("MTS"), existing and operating pursuant to Public Utilities Code sections 120000 et seq., individually referred to as "Party" and collectively referred to as the "Parties."

RECITALS

WHEREAS, the Parties described their functions and responsibilities in the Master Memorandum of Understanding, which defines the functions and responsibilities for the three agencies dated April 23, 2004 ("Master MOU"); and

WHEREAS, the Parties have jointly agreed to transition the responsibilities of the Compass Card program from SANDAG to MTS in two phases, as outlined herein; and

WHEREAS, the Parties previously entered into a series of Interim Compass Card MOUs (MTS Doc. Nos. G1248.0-09 through G1248.3-09, SANDAG Contract No. 5001230) to allocate the costs of Compass Card Back-Office functions; and

WHEREAS, this Addendum shall supersede and replace the Interim Compass Card MOUs.

AGREEMENT

NOW THEREFORE, in consideration of the mutual promises set forth herein, the Parties agree as follows:

A. THE PARTIES AGREE TO TRANSITION THE COMPASS CARD PROGRAM TO MTS AS FOLLOWS:

1. **Transition Timeline:**

   a. The following functions related to the Compass Card program shall transition from SANDAG to MTS no later than July 1, 2013 thus, beginning in fiscal year 2014 under the direction and supervision of MTS:

      i. Customer Service

ii. Card fulfillment and distribution

iii. Contract Management including:

(1) Employers, groups, and institutions

(2) Outlets

(3) Program Suppliers – Compass Cards, etc.

iv. Finance including:

(1) Inventory Control

(2) Invoicing and Collections

(3) Reconciliation

(4) Revenue Distribution pursuant to the Revenue Allocation Formulas set forth in Attachment A.

v. Marketing and Public Communication for the Compass Card program will be relieved from SANDAG, and MTS and NCTD shall be responsible for marketing and public communications requirements on an as needed basis outside of this agreement.

b. The following functions related to the Compass Card program shall transition from SANDAG to MTS no later than July 1, 2014; thus beginning in fiscal year 2015 under the direction and supervision of MTS. In the event transition of these functions from SANDAG is not feasible, operators will notify SANDAG of need for continued assistance by April 1, 2014.

i. Program Management

ii. Server and Network Management

iii. Outlet Technical Support and Service

iv. Application Support including:

(1) Fare Changes or Promotional Programs

(2) Configuration Changes to support changes in employees, buses, routes, etc.

(3) Periodic Enhancements to Software

v. Contracts to Support Systems including:

(1) Cubic Software Maintenance Support

(2) 3rd Party Software Maintenance Support:

(a) Oracle

(b) Hummingbird

(c) Operating Systems

(3) Server and Network Equipment Warranties

2. **Transition Activities and Budget.**

a. Fiscal Year 2014 Transitional Activities

Beginning no later than July 1, 2013, MTS shall assume responsibility for Customer Service and Card distribution and fulfillment. To that end, SANDAG shall terminate employment with existing staff listed in Attachment B and MTS shall issue employment offer letters to ensure continuity of service. SANDAG shall complete the following transitional activities:

i. Assign or terminate contracts listed in Attachment C with the intent of MTS either accepting assignments or initiating new contracts for those contracts that do not have assignment clauses.

ii. Transfer equipment related to Compass Card customer service or fulfillment on or before July 1, 2013 including:

(1) Two (2) Ticket Office Terminals (TOTs)

(2) One (1) Card Printer

iii. Transfer Auxiliary Support Systems on or before July 1, 2013 to include:

(1) Card Inventory System (CIS)

(2) Non-Account Registered Card Database

iv. Transfer remaining stock of Compass Cards, MTS Access Books, College Stickers, and other fare collection ticket stock or media on or before July 1, 2013.

v. Transfer any outstanding fare revenue held in trust by SANDAG to MTS and NCTD including any fees collected for new cards or replacement cards on or before 60 days from close of fiscal year 2013.

vi. Transfer any unused program expense funds to MTS and NCTD on or before 90 days after the close of fiscal year 2014.

vii. Transfer any and all marketing material created for the program to MTS on or before July 1, 2013.

viii. MTS has prepared an estimated draft budget as detailed in Attachment D-1 for a Net Operating Subsidy amount projected at $915,302. MTS and NCTD agree to fund these activities through the end of fiscal year 2014 at a 75% and 25% ratio respectively. MTS' share is projected to be $686,477 and NCTD's share is projected to be $228,826.

As part of the transition of Customer Service to MTS from SANDAG, a portion of the restructuring / remodeling costs incurred are to be shared appropriately between MTS and NCTD. As detailed in Attachment D-2, of the total remodeling costs, $83,475.97 pertains to the Compass Card Customer Service function. MTS and NCTD agree to fund these activities at a 75% and 25% ratio. MTS' share is $62,606.98 and NCTD's share is 20,868.99.

Future fiscal year Compass Card Program expenses will also be subject to a 75% (MTS) and 25% (NCTD) funding ratio. Fiscal year 2015 projected expenses are also included in Attachment D-1.

b. Fiscal Year 2014 SANDAG Compass Card Program Expenses

i. It is agreed that SANDAG will continue to support the Compass Card program through fiscal year 2014 including the following functions. In the event transition of these functions from SANDAG is not feasible, operators will notify SANDAG of need for continued assistance by April 1, 2014.

(1) Program Management

(2) Server and Network Management

(3) Outlet Support and Service

(4) Application Support including:

(a) Fare Changes or Promotional Programs

(b) Configuration Changes to support changes in employees, buses, routes, etc.

(c) Periodic Enhancements to Software

(5) Contracts to Support Systems including:

(a) Cubic Software Maintenance Support

(b) 3rd Party Software Maintenance Support:

- Oracle

- Hummingbird
- Operating Systems

(c) Server and Network Equipment Warranties

ii. SANDAG has prepared a draft budget for the above services as detailed in Attachment E for an amount not to exceed $779,157, which has been included in Attachment D-1 as part of the comprehensive FY 2014 budget. MTS and NCTD agree to fund these activities through the end of fiscal year 2014 at a 75% and 25% ratio respectively. MTS share shall be $584,368 and NCTD share shall be $194,789.

iii. Prior to September 1, 2014, SANDAG will replace the fare collection system debit / credit software and hardware which are critical components for the credit card processing for the fare collection system. This upgrade will cost approximately $200,000 and will be shared 75% MTS and 25% NCTD.

iv. MTS and NCTD agree to pay SANDAG on a monthly basis.

c. Fiscal Year 2015 Transition Activities

i. SANDAG shall transfer the remaining Compass Card program functions to MTS on or before July 1, 2014. To that end, SANDAG shall transition the following elements to the responsibility of MTS and NCTD:

(1) System Support Contracts

SANDAG shall assign or terminate support contracts as detailed in Attachment C with the intent of MTS accepting assignments or initiating new contracts for those contracts that do not have assignment clauses.

(2) Back Office Equipment

SANDAG shall transfer ownership of back office servers, networking equipment, software licenses, specialized equipment or tools, and backup systems and media on or before July 1, 2014.

c. Post Fiscal Year 2015 SANDAG Support

In order to ensure continuity of service and ongoing support, and to provide a method for MTS and NCTD to utilize personnel or SANDAG services after Compass Card transition to MTS in fiscal year 2015, the parties agree to reimburse SANDAG separately for actual expenses incurred resulting from support requested of SANDAG. If MTS and NCTD mutually agree that SANDAG support is necessary as related to the Compass Card Program, the parties shall

reimburse SANDAG through the expense allocation set forth in this agreement. This MOU will stay enforce for such future needs by the transit operators. The projected SANDAG technical support for fiscal year 2015 is 100 hours for the Principal Technology Program Manager and 200 hours for the Senior Information Systems Analyst.

d. MTS and NCTD Share of Program Expenses

i. Program Expense Funding Ratios. MTS and NCTD agree to fund agreed-upon Compass Card Program activities beginning in fiscal year 2014 at a 75% and 25% ratio respectively.

The budget for 2014 and the estimated budget for fiscal year 2015 is set forth in Section A(2)(a)(viii) and Attachment D-1. For each fiscal year thereafter, the budget shall be established by MTS during its normal budget development process. On or before March 15 of each year (for fiscal year beginning on July 1), MTS will provide NCTD with the next fiscal year's budget for Compass Card Program Expenses for approval by NCTD. In the event NCTD disputes the budget as established, the parties will meet and confer according to the alternate dispute resolution procedures set forth in Section F(4). In the event a new budget is not agreed upon before July 1 in a given year, NCTD shall reimburse MTS at the previous year's budget share. Once a new budget is agreed upon, it shall apply retroactively to July 1. To the extent that MTS seeks a mid-year adjustment to the Program Expense budget in order to achieve the mutually agreed upon program objectives, the parties shall meet and confer to consider such an adjustment. All such adjustments shall be in writing.

ii. Quarterly Billing. MTS will bill NCTD quarterly for its share of the expenses incurred to carry out the transferred responsibilities.

iii. Program Management Decisions. All Compass Card program management business process decisions shall require joint input from MTS and NCTD. Any unilateral decisions shall be paid for separately. The allocation of and responsibility of ordering the Compass Card and paper inventory costs, as well as the fees collected for them are detailed in Attachment F.

iv. Long-Term Fare Strategy Planning. As the Compass Card transition takes place, MTS, in partnership with NCTD, will begin the investigation on the long-term fare technology strategy for the region. This analysis will include the status of all current technology infrastructure, including all existing equipment and software. MTS will provide a go-forward fare technology strategy, both current infrastructure and potential other solutions, and will provide NCTD with the results for regional implementation. Any future costs for equipment and/or software updates to the existing system, including but not limited to the back office infrastructure, will be shared by MTS (75%) and NCTD (25%) as set forth above. Notwithstanding the agreed upon 75%/25% ratio for the ongoing operating costs related to the existing system, this ratio does not apply to

the funding of a *new* fare collection system (whether a material augmentation of the existing system or new fare technology solution). The funding split for a new fare collection system will be separately negotiated by MTS and NCTD at the time the new system is identified and a joint procurement process established.

B. SANDAG AGREES:

SANDAG Indemnification. Neither MTS nor NCTD nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this Addendum. It is understood and agreed that, pursuant to Government Code Section 895.4, SANDAG shall fully defend, indemnify and save harmless MTS and NCTD, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by SANDAG under or in connection with any work, authority or jurisdiction delegated to SANDAG under this Addendum.

C. MTS AGREES:

MTS Indemnification. Neither SANDAG nor NCTD nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this Addendum. It is understood and agreed that, pursuant to Government Code Section 895.4, MTS shall fully defend, indemnify and save harmless SANDAG and NCTD, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by MTS under or in connection with any work, authority or jurisdiction delegated to MTS under this Addendum.

D. NCTD AGREES:

NCTD Indemnification. Neither SANDAG nor MTS nor any officer thereof is responsible for any damage or liability occurring by reason of anything done or omitted to be done by NCTD under or in connection with any work, authority or jurisdiction delegated to NCTD under this Addendum. It is understood and agreed that, pursuant to Government Code Section 895.4, NCTD shall fully defend, indemnify and save harmless SANDAG and MTS, all officers and employees from all claims, suits or actions of every name, kind and description brought for or on account of injury (as defined in Government Code Section 810.8) occurring by reason of anything done or omitted to be done by NCTD under or in connection with any work, authority or jurisdiction delegated to NCTD under this Addendum.

E. MTS AND NCTD MUTUALLY AGREE:

1. Selection of Key Personnel: MTS and NCTD shall both have input and mutually agree, which agreement shall not be unreasonably withheld, upon key personnel involved with the Compass Card Program. The following positions shall be considered key personnel:

   a) Fare Technology Manager

   b) Compass Card Customer Service Manager

c) Systems Administrator

d) Computer Support Specialist

2. Selection of Key Vendor Contracts: MTS and NCTD shall both have input and mutually agree, which agreement shall not be unreasonably withheld, upon the key vendor contracts provided under this agreement. A list of current key vendor contracts is included in Attachment C.

3. Critical Technology Decisions: All Compass Card Program critical technology decisions require mutually agreement by MTS and NCTD, which agreement shall not be unreasonably withheld, prior to implementing deviation from the current technology.

4. Service Level Agreements. The following services provided under this agreement shall contain performance service level agreements mutually agreed upon by MTS and NCTD, which agreement shall not be unreasonably withheld, and which shall be in place by July 1, 2016:

a. Customer service call center

b. Card fulfillment

c. Card inventory

d. Program management issue resolution

e. Server and network reliability

f. TVM, TOT, and CPOS reliability

2. Asset Life-cycle Management. Program equipment and assets shall be maintained properly according to manufacturer and industry standards, and managed to prepare for asset replacement promptly by the end of the estimated life of the asset to maintain state of good repair of all Compass Card program equipment.

3. System Configuration. All configuration changes to system network, equipment, and software require mutual agreement by MTS and NCTD, which agreement shall not be unreasonably withheld, prior to implementing deviation from current configuration.

4. System Operations and Maintenance. The Compass Card system shall be operated and maintained in a manner to provide both agencies the equivalent benefit.

F. SANDAG, MTS AND NCTD MUTUALLY AGREE:

1. Notice. Any correspondence required or permitted under this Addendum may be personally served on the other party, by the party giving notice by personal service or first class USPS mail to any of the following addresses:

For SANDAG
401 B Street, Suite 800
San Diego, CA 92101
Attn: Executive Director

For MTS
1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
Attn: Chief Executive Officer

For NCTD
810 Mission Avenue
Oceanside, CA 92054
Attn: Executive Director

2. Term and Termination. This Addendum shall operate in perpetuity unless amended in writing or until a Party to this Addendum gives 360 days written notice of its desire to withdraw from the Addendum ("Termination"). To the extent the responsibilities and obligations set forth in this Addendum cannot be unwound and transferred to each individual party within the ninety (90) day termination deadline, the parties agree to diligently pursue termination and unwinding of the responsibilities and obligations set forth herein so that the transfer of responsibilities can take place as soon as practicable, without unreasonable adverse impact on the public transit service obligations of either MTS or NCTD.

3. Force Majeure. Should any Party be unable to perform any obligation required of it under this Addendum, other than the payment of money, because of any cause beyond its control (including, but not limited to war, insurrection, riot, civil commotion, shortages, strike, lockout, fire, earthquake, calamity, windstorm, flood, material shortages, failure of any suppliers, freight handlers, transportation vendors or like activities, any other force majeure), then such Party's performance of any such obligation shall be suspended for such period as the Party is unable to perform such obligation.

4. Disputes, Laws, Venue and Attorneys' Fees. Any dispute, controversy, or claim arising out of or related to this Addendum or any claimed breach thereof, shall be resolved in accordance with the provisions of this Section.

   a. Informal Meet and Confer by Staff. SANDAG, MTS and NCTD staff, as applicable, shall meet and confer and shall attempt in good faith to reach agreement on any disputed matter. The meet and confer process shall be repeated, if necessary, until agreement is reached or for a period of 30 days, whichever occurs first.

   b. Agency Executive Meet and Confer. If staff is unable to resolve the dispute, the SANDAG Executive Director, MTS Chief Executive Officer and NCTD Executive Director, as applicable, shall meet and confer in an attempt to resolve the issue. If the parties are unable to reach agreement after the meet and confer process, that party may terminate this MOU in accordance with Section F(2) and pursue all legal remedies available under state law.

   c. Laws, Venue and Attorneys' Fees. This Addendum shall be interpreted in accordance with the laws of the State of California. Following mediation, if any action is brought to interpret or enforce any term of this Addendum, the action shall be brought in a state or federal court situated in the County of San Diego, State of

California. In the event of any such litigation between the Parties, the prevailing party shall be entitled to recover all reasonable costs incurred, including reasonable attorneys' fees, as determined by the court.

5. Heirs and Assigns. All terms, conditions and provisions hereof shall inure to and shall bind each of the Parties hereto, and each of their respective heirs, executors, administrators, and assigns.

6. Assignment. No Party may assign its rights and obligations under this Addendum without the prior written consent of the other Parties. This cause shall not be construed to prohibit MTS and NCTD from assignment of any rights and obligations subsequent to transfer of Compass Card program functions from SANDAG to MTS and NCTD.

7. Independent Entities. For purposes of this Addendum, the relationship of the Parties is that of independent entities and not as agents of each other or as joint venturers or partners. The Parties shall maintain sole and exclusive control over their personnel, agents, consultants and operations.

8. Modifications. No modifications of the terms of this Addendum shall be valid unless made in writing and signed by the Parties hereto, and no oral understanding or agreement not incorporated herein shall be binding on any of the Parties hereto.

9. Third Parties. Nothing in the provisions of this Addendum is intended to create duties or obligations to or rights to third parties under this Addendum or effect the legal liability of the Parties to third parties.

10. Waiver. A Party's failure to insist in any one or more instances upon another Party's performance of any terms or conditions of this Addendum shall not be construed as a waiver or relinquishment of that Party's right to such performance or to future performance of such terms or conditions.

11. Superseded Agreements. The Parties agree that this Addendum supersedes and replaces the prior Interim Compass Card MOUs(MTS Doc. Nos. G1248.0-09 through G1248.3-09, SANDAG Contract No. 5001230).

12. Timeline of Transfer of Responsibilities. The Parties acknowledge that at the time of execution of this Addendum, some of the transition activities outlined herein have already taken place. Execution of this Addendum is intended to document and approve of the transition activities that have already taken place, and approve of the terms and conditions going forward.

13. Execution in Counterparts. This Addendum may be executed in any number of identical counterparts, each of which shall be deemed to be the original, and all of which together shall be deemed to be one and the same instrument when each Party has signed one such counterpart and that a facsimile copy of the executed counterparts shall have the same force and effect as an original.

[SIGNATURES ON FOLLOWING PAGE]

IN WITNESS HEREOF, the Parties have caused this Addendum to be executed as of the date above set forth.

NORTH COUNTY TRANSIT DISTRICT	SAN DIEGO ASSOCIATION OF GOVERNMENTS
By: _____ Matthew O. Tucker Executive Director By: _____ Ryan Bailey Chief Financial Officer APPROVED AS TO FORM: By: _____ Lori Winfree General Counsel	By: _____ Gary Gallegos Executive Director APPROVED AS TO FORM: By: _____ John Kirk Office of the General Counsel
SAN DIEGO METROPOLITAN TRANSIT SYSTEM By: _____ Paul C. Jablonski Chief Executive Officer APPROVED AS TO FORM: By: _____ Karen Landers General Counsel	

ATTACHMENTS:

Attachment A – Revenue Allocation Formulas
Attachment B – List of SANDAG Existing Compass Card Staff
Attachment C – List of SANDAG Key Vendor Contracts
Attachment D-1 – FY 2014 Program Expense Budget; Estimated FY 15 Program Expense Budget
Attachment D-2 – SANDAG Budget for Restructuring / Remodeling Costs
Attachment E – SANDAG FY 14 Budget for Compass Card Program Expenses During Transition
Attachment F – Ordering Responsibility and Cost/Revenue Allocation of Compass Card Inventory

Metropolitan Transit System

1255 Imperial Avenue, Suite 1000
San Diego, CA 92101-7490
619.231.1466, FAX: 619.234.3407

Agenda Item No. 14

MEETING OF THE SAN DIEGO METROPOLITAN TRANSIT SYSTEM
BOARD OF DIRECTORS

June 19, 2014

Draft for
Executive Committee
Review Date: 6-12-14

SUBJECT:

2014 MILLS BUILDING BOARD ROOM IMPROVEMENT PROJECT

RECOMMENDATION:

That the Board of Directors authorize the renovation of the 10TH Floor Board Room through Colliers International, the Mills Building on-site property management company.

Budget Impact

The total cost of the Board Room improvement project will not exceed $122,000. Funding will be through the FY15 CIP 11200 (Miscellaneous Capital).

DISCUSSION:

Background

The MTS headquarters is located in the Mills Building at 1255 Imperial Avenue, San Diego, CA 92101. The Mills Building opened in 1991 and is owned by the SDRBA, a joint powers authority comprised of MTS and the County of San Diego. Under a series of financing leases, MTS occupies the 9th and 10th floors and has the right to lease out retail space on the 1st floor. The County of San Diego occupies the 2nd through 8th floors of the building. MTS and the County of San Diego jointly fund building expenses using various cost-sharing formulas.

SDRBA contracts with Colliers International to manage the Mills Building, which includes overseeing all construction projects on the property, providing security, and maintaining janitorial and maintenance staff. Under the SDRBA and Colliers International property management contract, additional tenant-related projects may be assigned to Colliers for project management on a case-by-case basis.

Proposed Board Room Renovation:

The Board Room's audio/visual equipment was installed in 1991 and requires significant upgrades to remain functional and reliable.

Display System

Provide and install two (2) 80" LED displays on opposite walls of the Board Room. In addition, up to two (2) 48" displays will be installed for additional viewing toward the rear of the room. The displays will be integrated with a laptop connection at the Presenter's station via network transmitters and receivers. The 80" displays will be mounted on flat wall-mount brackets, while the 48" displays will be mounted on articulated wall-mounted brackets. All displays will be controlled via a Crestron control system. A network receiver will be installed in the adjacent conference room to allow the audience to view proceedings from the Board Room while in the conference room.

Audio System

The audio system and DSP units will be replaced with a new audio processor and DSP units, integrated and programmed for the existing speakers and microphones. The new DSP units will be programmed in a mix/minus setup for the microphones and speakers at the lectern. Upon replacing the units in the existing AV rack, the cabling/wiring in the rack will be redone and properly dressed, labeled and laced. Two new wireless hand-held microphones will be provided for audience and Americans with Disabilities Act Compliance.

Control System

The existing AMX control system will be replaced with a new Creston control system that will include two (2) 7" wired touch panels for user control. One of the touch panels will replace the existing Panja button panel in the dais and the other touch panel will reside in the rear of the room at the IT station.

Construction

The contractor will install new carpet, paint, acoustic wall panels, window coverings and applicable electrical and cabling.

Colliers International has proven an effective project manager in the Mills Building and we wish to rely on its expertise to manage this project. Assigning this work to Colliers International also ensures that the work will be completed in accordance with the requirements of the SDRBA and building engineer. Pursuant to the terms of the SDRBA and Colliers International property management contract, three bids have been obtained from reputable companies and estimated project cost is $122,000. MTS is required to pay building invoices for this project within 15 days. Today's action would allow the CEO to authorize Colliers International to proceed with the Board Room Improvement Project.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, Sharon.Cooney@sdmts.com

Attachment: A. Amendment No. 2 to Property Management Agreement

MTS Doc. No. G1233.2-09

AMENDMENT NO. 2
TO
PROPERTY MANAGEMENT AGREEMENT FOR THE JAMES R. MILLS BUILDING

This Amendment No. 2 to the Property Management Agreement is made and entered into as of this 5th day of December 5, 2013, , by and between the San Diego Regional Building Authority, a joint exercise of powers agency (the "JPA"), and Colliers International Real Estate Management Services (CA), Inc. ("Property Manager").

RECITALS

A. Pursuant to the Property Management Agreement (MTS Doc. No. G1233.0-09), Property Manager acts as an independent manager of the ten-story office building known as the James R. Mills Building ("Mills Building").

B. On or before December 31, 2011, Property Manager changed its name to Colliers International Real Estate Management Services (CA), Inc.

C. The original term of the Property Management Agreement expires on December 31, 2013. The JPA desires to exercise its first 5-year option, extending the term of the agreement through December 31, 2018.

D. In order to accommodate additional business and operational needs, MTS and County may periodically need to make minor tenant improvements to a portion of the Mills Building.

E. The JPA wishes to authorize Property Manager to oversee these improvements as part of the Property Management Agreement, with the Project costs paid for by the requesting tenant, in accordance with the terms and conditions stated in this Amendment No. 2.

AGREEMENT

The JPA and Property Manager hereby agree as follows:

1. Extension of Term. Pursuant to Section 2.2 of the Property Management Agreement, the JPA hereby exercise its first option, extending the term of the agreement through December 31, 2018.

2. Repairs/Tenant Improvement Projects. The parties hereby revise the last sentence of Section 3.1(h) Repairs, to read:

> Upon written request of the applicable Space Lease tenant, and written consent of the non-requesting tenant, Property Manager may contract for or supervise the construction of tenant improvements or alternations made pursuant to Space Leases, subject to the terms and condition of Amendment No. 2 (MTS Doc. No G12332-09). Any request and corresponding consent may be accomplished through the Space Lease tenant's authorized representative. Any request made pursuant to this section shall include a statement by the requesting Space Lease tenant agreeing to submit payment to the SDRBA within 15 days of invoicing. Prior to commencing any work according to this provision, Property Manager shall confirm to County and MTS that sufficient Operating Funds exist to accommodate any cash flow needs for Mills Building operations

and other projects. In the event Property Manager determines cash flow may be impacted by the requested special project, prior to commencing any work, the requesting Space Lease tenant shall deposit sufficient funds with the SDRBA to resolve any cash flow concerns.

Any tenant improvement work supervised and contracted for by Property Manager pursuant to the last sentence of Section 3.1(h) shall be subject to the following additional requirements:

a. For all work performed by an independent contractor pursuant to Section 3.1. (l) of the Property Management Agreement, Property Manager shall obtain a minimum of three bids for the work.

b. Property Manager shall provide for the payment of prevailing wages, indemnification and insurance for all work performed as part of tenant improvement projects. The terms and conditions for any contract related to the work described in this Amendment No. 2 shall be reviewed and approved by counsel for the requesting party (MTS or County).

c. Property Manager shall be compensated pursuant to Section 4.1(c) of the Property Management Agreement for the work described in Section 1(a) above.

d. Because these projects are for the benefit of each individual Space Tenant, the requesting tenant shall pay all costs associated with tenant improvement projects authorized by this Amendment No. 2 as follows:

i. Property Manager is authorized to pay all expenses related to requested tenant improvement projects from the Mills Building Operating Account pursuant to Section 3.1(a) of the Property Management Agreement;

ii. Property Manager, on behalf of the JPA, shall invoice the applicable tenant directly for such expenses, including a copy of the invoice paid and the check copy;

iii. The applicable tenant shall submit payment for such expenses within fifteen (15) days of invoicing, payable to the "James R. Mills Building".

3. All other terms and conditions of the Property Management Agreement shall remain the same.

IN WITNESS WHEREOF, the JPA and Property Manager have executed this Amendment No. 2 on the date first written above.

SAN DIEGO REGIONAL BUILDING AUTHORITY

BY: _____
April F. Heinze, P.E.
SDRBA Executive Officer and
County of San Diego Director of General Services

BY: _____
Paul C. Jablonski
Chief Executive Officer
San Diego Metropolitan Transit System

MTS Doc. No. G1233.2-09

COLLIERS INTERNATIONAL REAL ESTATE MANAGEMENT SERVICES (CA), INC

BY: _____
J. Eric Johnson
Regional Managing Director

APPROVED AS TO FORM:

BY: _____
Karen Landers, General Counsel
San Diego Metropolitan Transit System