



CITY OF LONG BEACH

H-3

DEPARTMENT OF FINANCIAL MANAGEMENT

333 West Ocean Blvd • Long Beach, California 90802

August 14, 2007

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive the supporting documentation into the record, conclude the hearing; find and determine that the rate proposed is just, reasonable and nondiscriminatory, and not in violation of the Long Beach Municipal Code or any provision of law; and authorize the City Manager to amend the permit with Long Beach Yellow Cab Cooperative, Inc., to authorize and establish new rates for taxicab service at \$2.45 per flag drop, \$2.45 per mile, and \$26.53 per hour waiting time. (Citywide)

DISCUSSION

The Long Beach Municipal Code (LBMC) section 5.80.140 requires a hearing be held before the City Council prior to the authorization of any rate or fare for taxicab service. The LBMC also requires that the City Council make the determination that the rate is just, reasonable and nondiscriminatory, and not in violation of the provisions of the LBMC or any other provision of law. Attached for your review is the request of Long Beach Yellow Cab Cooperative, Inc. (Long Beach Yellow Cab), for a rate increase. The results of the City staff analysis are provided in the Proposed 2007 Taxicab Rate Increase table located on page two. Taxicab rates were last changed in 2005 and prior to that 2001 and 1996. Since the rate increase of August 2005, the Consumer Price Index for Los Angeles-Riverside-Orange County has increased by 8.2 percent. The cost of operating a taxicab in the Los Angeles-Long Beach area has also increased 11.1 percent between January 2004 and June 2006. The increase proposed by Long Beach Yellow Cab is approximately 11 percent, but varies slightly depending on the distance of the trip.

City staff contacted neighboring jurisdictions and found that they had recently increased taxicab service rates during the last half of calendar year 2006. Although other costs of operating a taxicab have increased (see attached request from Long Beach Yellow Cab), record gasoline prices are the driving factors in the rate increases of surrounding jurisdictions. The Orange County Taxicab Administration Program (OCTAP), which establishes rates for most Orange County cities, recently raised its rates on August 27, 2006. Additionally, the City of Los Angeles also approved a rate increase effective December 25, 2006, San Francisco raised its rates on November 1, 2006, and Manhattan Beach raised its rates in August 2006.

The proposal by Long Beach Yellow Cab is the same rate that was approved by the City of Los Angeles. Because many cities automatically honor the City of Los Angeles meter rate, this is the rate currently in use throughout the Los Angeles basin.

Both current and proposed Long Beach rates are compared to other California cities in the following table. The cost of a 2-mile trip (shopping trip), a 5-mile trip (trip to Long Beach Airport), and a 20-mile trip (trip to Los Angeles or Orange County airports) has been computed and compared.

**Proposed 2007 Taxicab Rate Increase
 ANALYSIS & COMPARISON**

City	Flag Drop Fare	Flag Drop Distance	Add'l Fare First Mile	Add'l Fare Per Mile	Hourly Wait-Time Fare	Last Change	Cost of 2-mile Trip	Cost of 5-mile Trip	Cost of 20-mile Trip
Long Beach - Proposed	\$2.45	1/7 mile	\$0.35	\$2.45	\$26.53	2005	\$7.00	\$14.35	\$51.10
Long Beach - Current	\$2.20	1/11 mile	\$0.20	\$2.20	\$24.00	2001	\$6.40	\$13.00	\$46.00
Long Beach % Increase	11.3%		25%	11.3%	10.5%		9.4%	10.4%	11.1%
Los Angeles - Current	\$2.45	1/07 mile	0.35	\$2.45	\$26.63	2006	\$7.00	\$14.35	\$51.10
Los Angeles - Previous	\$2.20	1/11 mile	\$0.20	\$2.20	\$24.00	2001	\$6.40	\$13.00	\$46.00
Orange County - Current	\$2.65	1/5 mile	\$0.50	\$2.50	\$28.80	2006	\$7.15	\$14.65	\$52.15
Orange County - Previous	\$2.40	1/6 mile	\$0.40	\$2.40	\$26.00	2003	\$6.80	\$14.00	\$50.00
San Francisco - Current	\$3.10	1/5 mile	\$0.45	\$2.25	\$27.00	2006	\$7.15	\$13.90	\$47.65
San Francisco - Previous	\$2.85	1/5 mile	\$0.45	\$2.25	\$27.00		\$6.90	\$13.65	\$47.40
San Diego (average)	Each taxicab company sets its own rates.								
San Jose Area	\$2.50	1.0 mile	\$2.50	\$2.50	\$25.00	2004	\$5.00	\$12.50	\$50.00
Manhattan Beach	\$2.65	1/11 mile	\$0.2227	\$2.45	\$26.53	2006	\$7.32	\$14.67	\$51.42

This matter was reviewed by Deputy City Attorney Cristyl Meyers on July 06, 2007 and Budget Management Officer David Wodyski on July 06, 2007.

TIMING CONSIDERATIONS

City Council action on this matter is not time critical.

FISCAL IMPACT

There is no fiscal impact associated with this item.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,


 MICHAEL A. KILLEBREW
 DIRECTOR OF FINANCIAL MANAGEMENT

APPROVED:


 ANTHONY W. BATTS
 CITY MANAGER



May 14, 2007

Mr. Gerald R. Miller
City Manager
C/O Financial Management & Business License Department
333 West Ocean Boulevard
Long Beach, California 90802

Re: Long Beach Yellow Cab: Request for Taxicab Rate Increase

Dear Mr. Miller:

On behalf of Long Beach Yellow Cab Cooperative, Inc., I am requesting City approval of an increase in the taxicab meter rates that we currently charge in Long Beach.

As set forth on the following pages, Long Beach Yellow Cab's justification for this request is that the cost of operating our business has risen considerably since the last rate increase was implemented in 2005. In addition to other costs, we have seen record gasoline prices, and this is having a dramatic negative impact on the livelihoods of our drivers.

The rate that we propose to charge our customers is the same as the rate that was approved by the City of Los Angeles. This rate has been in effect since December 25, 2006. That rate is as follows:

Flag Drop:	\$ 2.45 (first 1/7 of first mile)
Each Additional Mile:	\$ 2.45 (\$.35 each additional 1/7 mile)
Waiting Time, Per Hour:	\$ 26.53 (\$.35 each 47.5 seconds)

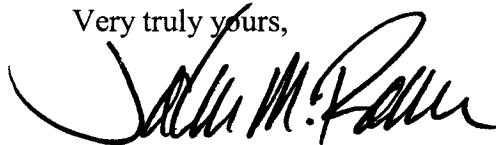
In addition to Los Angeles, these rates have been approved by the city councils of Carson and Hermosa Beach, Huntington Park and South Gate, as well as by Los Angeles County. Because many cities automatically honor the City of Los Angeles meter rate, this is the rate currently in use almost throughout the Los Angeles basin. We have waited to seek approval in Long Beach, but given the record gas prices, we cannot hold off any longer.

We hope that you will respond favorably to our request, so that our drivers can experience relief from the high costs that have driven their incomes gradually lower.

Mr. Gerald R. Miller
May 14, 2007
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Please let us know what the next steps are in the review and approval process. Otherwise, if you have any questions, regarding this matter, please feel free to contact me at your convenience.

Very truly yours,

A handwritten signature in black ink, appearing to read "John M. Rouse". The signature is fluid and cursive, with a large initial "J" and "R".

JOHN M. ROUSE
President
Long Beach Yellow Cab Cooperative, Inc.

Cc: Richard Bartlett
Business Services Officer

CURRENT RATES

Since 2005, the rate that we have charged passengers in Long Beach is as follows:

Flag Drop:	\$ 2.20 (first 1/11 of first mile)
Each Additional Mile:	\$ 2.20 (\$.20 each additional 1/11 mile)
Waiting Time, Per Hour:	\$ 24.00 (\$.20 each 30 seconds)

COST COMPONENTS OF OPERATING A TAXICAB

The following analysis of the costs of operating a taxicab are based on the City of Los Angeles Department of Transportation (LADOT) Taxicab Cost Index. We have attached a copy of LADOT's Transportation Committee Report dated August 3, 2006. This index provides a reasonable, but rough, approximation of the costs of operating a taxicab business.

FUEL

According to LADOT, fuel accounts for approximately 13% of the cost of operating a taxicab. To measure the change in fuel costs, we look at the Consumer Price Index (CPI) for Gasoline (All Types) – Los Angeles – Riverside – Orange Counties.

REPAIRS AND MAINTENANCE

Like fuel, the Taxicab Cost Index assumes that repairs and maintenance account for approximately 13% of a taxicab's operating costs. To measure the change in this component, we look at the CPI – Motor Vehicle Maintenance – US City Average.

INSURANCE

The index assumes that insurance costs make up about 6% of the operating costs for a taxicab. Changes can be seen by looking at the CPI – Motor Vehicle Insurance – US City Average.

VEHICLES

The capital costs associated with purchasing vehicles comprise about 5% of the costs of operating a taxicab. Changes in this component can be measured by looking at CPI – Used Cars and Trucks – City Size A.

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DISPATCHING COSTS

Dispatching costs make up about 6% of the operating costs of a taxicab. Changes in this component are measured by looking at the CPI – All Items – Los Angeles – Riverside – Orange Counties.

OTHER EXPENSES

Miscellaneous expenses make up about 2% of the operating costs of a taxicab. Changes in this component are measured by looking at the CPI – All Items – Los Angeles – Riverside – Orange Counties.

DRIVER INCOME

Driver income should comprise about 55% of the operating costs of a taxicab. To examine where driver incomes should be when measured against inflation, the Taxicab Cost Index compares the corresponding increase in manufacturing wages in the local market. Therefore, changes in the Driver Returns component are measured by looking at the U.S. Department of Labor's Index of Average Hourly Earnings – Manufacturing – Los Angeles – Long Beach.

This does not mean that driver incomes have risen by the amount of the index. It means that, to keep pace with their counterparts in the manufacturing sector, driver incomes should have risen by the amount of the index.

TAXICAB COST INDEX

I refer you to pages 5 through 8 of the LADOT's Transportation Committee Report dated August 3, 2006. In the committee report it explains that the Taxicab Cost Index rose by 11.10% between January 2004 through June 2006. This increase was the primary justification for requesting an increase in taxicab rates in Los Angeles and we base our request to the City of Long Beach on the same analysis.

It is important to note that the rate approved by the City of Los Angeles assumes an average price per gallon of unleaded gas at \$3.20. Today, drivers pay considerably more than this, and most experts agree that the price of gas will continue to rise in the coming months.

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PROPOSED NEW RATES

As stated above, Long Beach Yellow Cab proposes to charge the same rates in Long Beach as those approved by the City of Los Angeles. Those rates are as follows:

Flag Drop:	\$ 2.45 (first 1/7 of first mile)
Each Additional Mile:	\$ 2.45 (\$.35 each additional 1/7 mile)
Waiting Time, Per Hour:	\$ 26.53 (\$.35 each 47.5 seconds)

The flag drop is proposed to be increased by \$0.25, an increase of 11.4%.

The per mile rate is proposed to be increased by \$0.25, or 11.4%. The waiting time rate is proposed to be increase by \$2.53 per hour, an increase of 10.54%.

Due to the current level of gasoline prices and other inflationary factors suffered by our drivers, we respectfully ask that the City act on this request as soon as possible. Our drivers need a rate increase at this time.

COMPARISON TO OTHER JURISDICTIONS

Also as shown in the LADOT's Transportation Committee Report, the proposed new rates will leave Long Beach taxicab rates lower than those of San Jose, San Diego, Palm Springs and Orange County. Furthermore, several area cities, including Torrance, Redondo Beach, Manhattan Beach, and Hermosa Beach tie their taxicab rates to that of Los Angeles. As soon as The City of Long Beach gives its final approval to the new rates they will be equal to the above named Southland city taxicab rates.

I look forward to answering any of your questions. Please feel free to contact me at your convenience.