



DATE: May 12, 2016
TO: SF Taxi Industry
FROM: Kate Toran *Kate Toran*
Director of Taxis and Accessible Services
SUBJECT: 8000 Series Medallion Program

This letter is to inform you of the status of the 8000 Series Medallion Program.

Background:

On September 4, 2012, the SFMTA Board of Directors approved the issuance of 150 – 200 new full-time taxi medallions (the “8000 Series” medallions). The program was considered temporary, to be renewed at SFMTA’s discretion, and the medallions were offered to Color Schemes with the highest level of dispatch service. The issuance of these medallions was for the primary purpose of augmenting the number of taxis in operation in an effort to improve taxi service, particularly dispatch response time, in the City.

At that time, taxi service was considered unreliable, and there were not enough taxis to meet demand during peak times. Additionally, the 8000 series medallions ensured more gas and gate shifts for drivers, and helped to support the taxi companies economically, as at that time, gas and gate medallions derived more revenue for the companies than affiliate leases.

In fall 2012, 150 of the 8000 series medallions were phased into service at ten companies for a three-year term. Companies with the best dispatch response rates were allowed to enter into use agreements to operate the medallions. The number of 8000 medallions at each qualifying color scheme was determined based on objective criteria including service and performance, capability and readiness, infrastructure and overall compliance. At the time, there were a lot of complaints from the companies that were not determined eligible to enter into use agreements that the process was unfair.

8000 Series Medallion Distribution, 2012

Color Scheme	# of 8000 Series
Arrow Checker	10
Comfort	1
Citywide	9
Fog City	2
Flywheel	32
Green Cab	2
Luxor Cab	41
National	6
Town Taxi	5
Yellow	42
Total	150

The original monthly use fee for the 8000 series was \$2,000, which was reduced to \$1,000 starting January 2014. At the September 16, 2014 SFMTA Board meeting, MTAB ratified the use fee reduction for the remaining term of the budget cycle - until June 30, 2016. Staff indicated at that meeting that SFMTA would revisit the issue of whether the fee should revert back to its initial \$2,000, or whether the temporary reduction should become permanent, indicating that the decision would be based on the economic conditions of the taxi industry at that time.

Throughout 2014 and 2015, five color schemes surrendered the 8000 series medallions in operation at their fleets. In May/June 2014, 40 of the 8000 series medallions that were surrendered back to SFMTA were re-purposed as Single Operator Permits (“S” permits) by the Director of Transportation, and 36 were issued as “S” permits.

There are currently 38 of the 8000 series medallions in operation.

8000 Series Medallion Distribution, 2016

Color Scheme	# of 8000 Series
Citywide	2
Comfort	1
Flywheel Taxi	32
Fog City	2
Green Cab	1
Total	38

Options:

- 1. Phase out the 8000 series program.** Discontinue the program with some lead time for color schemes currently operating 8000 series medallions.
- 2. Continue the 8000 series program with no changes.** Allow the program to continue for another three years with the same program rules and with the same distribution system that was used at the outset of the program.
- 3. Continue a strictly limited 8000 series program with updated rules and distribution.** Allow the program to continue for another three-year term with updated program rules and distribution system.

Outreach:

Staff solicited extensive in-put from taxi industry members from November 2015 – March 2016 at two color scheme management meetings, four Taxi Task Force meetings and one Taxi Town Hall meeting. Taxi industry members provided lively and sometimes heated feedback about the 8000 series program.

As is the case with most taxi-related programs and policies, there is no clear industry consensus. Many color schemes and medallion holders think that the program should be phased out, while others express strong support for the program and emphasize the importance of economic stability for color schemes that ultimately benefits medallion holders in the form of higher monthly lease payments than would otherwise be feasible.

Additionally, approximately 140 medallion holders signed a letter of protest expressing concern that the continuation of the 8000 series program would devalue their medallions and would divert drivers from their vehicles.

Recommendation:

Continue a strictly limited 8000 series program with updated rules and distribution system: allow the program to continue for another three-year term with updated program rules and distribution system.

Based on review and balancing of the in-put received, I recommend that a limited 8000 series medallion program be continued for a three-year term with updated program rules. Economic stability of color schemes is important for the overall health of the taxi industry, and medallion holders have a valid concern about the need to maintain medallion value. Therefore, I recommend that the program continue, but in a strictly limited manner.

No more than 100 of the 8000 series medallions will be issued, which represents approximately 5% of the total number of medallions, and no more than 15% of a color scheme's fleet can be 8000 series medallions. If the demand for 8000 series medallions is higher than the amount available, the percentage may be adjusted downward. The limited number of 8000 medallions will not negatively impact the transferable medallion program. It will provide a certain amount of stability to color schemes that will in turn benefit medallion holders.

The 8000 series will only be offered to color schemes in good standing with the SFMTA. We vetted the possibility of "S" permit holders being allowed the option of converting the "S" permit to an 8000 series at the end of the "S" permit term. After soliciting extensive in-put on this proposal, we have decided not to move forward with it. The "S" permit program was established for a specific set of policy reasons that are no longer applicable, the permit holders have received the benefit of a free permit for four years, and allowing the conversion of "S" permits to 8000 series would increase the number of permits in the 8000 series program contrary to the goal of keeping the numbers limited so as not to impact the transferable medallion program.

Color schemes must be in good standing with the SFMTA to be eligible to enter into a use agreement to operate an 8000 series medallion. Good standing is defined as follows:

- No outstanding fines or fees owed to the SFMTA;
- Fewer than 3 substantiated complaints on average per medallion per month;
- Affiliated with an e-hail app that meets the criteria set by the Director of Transportation;
- Integrated with SFMTA's Electronic Taxi Access System;
- In full compliance with SF Paratransit rules;
- Has not had two or more sustained citations for any of the following violations in the last three years --

- failure to cooperate with a regulatory entity
- retaliation against a permit holder
- operating without liability insurance;
- Failure rate of vehicle inspections performed by Ground Transportation Unit (GTU) does not exceed 5% for the most recent annual or semi-annual inspection.

If there is not enough demand, not all 8000 series medallions need be issued, but we think it prudent to retain the ability to flex the fleet if needed. In the past, taxi service suffered from under-supply. Although that is not likely in the current market, we don't want to lose flexibility if the market changes.

The monthly use fee would be set at \$750. This is the fee amount included in SFMTA's FY17-FY18 two-year budget, which is currently in the midst of the approval process. The lowered amount acknowledges the continued decline in the economic conditions. Some industry stakeholders requested that there be no monthly use fee or that it be lowered to \$500. We reviewed these requests and decided that \$750 is the right amount in light of our goals of maintaining and potentially increasing service levels to the public, and helping taxi companies earn additional income that can be re-invested into the company to improve technology and performance.

To ensure that benefits from this program flow to medallion holders, I vetted the option of setting a minimum medallion lease fee payment that color schemes would be required to pay working gas/gates medallion holders. But given the current instability of lease rates paid by color schemes to gas/gate medallion holders, it is not feasible to establish a set gas/gates lease requirement that would be enforceable. Color schemes have an incentive to provide a reasonable payment to gas/gates medallion holders to maintain the overall health of their business. Therefore, it is in the color scheme's interest to ensure that working gas/gates medallion holders share the economic benefit of the program.

The Director of Transportation concurs with the policy approach and no action by the SFMTA Board is required.

Distribution System

Starting May 16, 2016, SFMTA will begin accepting applications for 8000 series medallions from color schemes on a form to be provided by SFMTA. The application period will close on June 1, 2016. SFMTA will review and investigate each applicant to determine eligibility based on good standing criteria and allowable percentage.

SFMTA anticipates entering into use agreements with eligible color schemes by the start of the new fiscal year, July 1, 2016.

To request an application form or if you have any questions, please call Paige Standfield at 415.701.4400.