

THIS PRINT COVERS CALENDAR ITEM NO. : 15

**SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY**

DIVISION: Taxis and Accessible Services

BRIEF DESCRIPTION:

Requesting the Board to amend Transportation Code, Division II, Article 1100, Sections 1102, 1106, 1109, and 1113 to specify the manner in which a medallion holder may operate, or arrange for the operation of, a taxi medallion.

SUMMARY:

- Leasing of taxi medallions is a relatively new business model that has spread rapidly in San Francisco over the past ten years among taxi medallion holders.
- The rapid increase in medallion leases has been an ongoing regulatory concern for San Francisco's taxi regulators since at least 2007.
- Medallion leasing has created an industry of medallion brokers, whose operation is now illegal, who perform all of the functions of a color scheme without permits or regulatory oversight, and who take profits out of the industry to the detriment of taxi drivers and the public.
- The best practices study being conducted by Hara Associates (Hara Report) recommends the elimination of medallion brokers in order to create greater accountability in the taxi system.
- Taxi Services staff recommends adopting the Hara Report recommendations for taxi medallion leasing restrictions.

ENCLOSURES:

1. SFMTA Board Resolution
2. Amendments to Transportation Code Article 1100

APPROVALS:

DATE

DIRECTOR _____

10/9/13

SECRETARY _____

10/9/13

ASSIGNED SFMTAB CALENDAR DATE: October 15, 2013

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PURPOSE

Requesting the Board to amend Transportation Code, Division II, Article 1100, Sections 1102, 1106, 1109, and 1113 to specify the manner in which a medallion holder may operate, or arrange for the operation of, a taxi medallion.

GOAL

- Goal 1: Create a safer transportation experience for everyone.
 - Objective 1.1: Improve security for transportation system users.
 - Objective 1.2: Improve workplace safety and security.
 - Objective 1.3: Improve the safety of the transportation system.

- Goal 2: Make transit, walking, bicycling, taxi, ridesharing and carsharing the most attractive and preferred means of travel.
 - Objective 2.1: Improve customer service & communications.

- Goal 3: Improve the environment and quality of life in San Francisco.
 - Objective 3.2: Increase the transportation system’s positive impact to the economy.

DESCRIPTION

This item requests the Board to amend the Transportation Code to prohibit the operation of a taxi medallion by any party other than the medallion holder or a taxi company (color scheme). As discussed in further detail below, the practice of leasing a medallion to be operated by a third party other than a taxi company has led to various long-standing regulatory problems that the proposed legislation is intended to address.

Medallion Leasing in the Context of San Francisco Taxicabs

The phenomenon of leasing taxi medallions is a comparatively new one that has expanded rapidly in San Francisco over the past ten years.

A medallion can be operated by a taxi company, a model which in San Francisco is referred to as “*gas and gates*” operation, where drivers come to the company property on a daily basis and are assigned a vehicle for a per-shift gate fee. In a gas and gates system the color scheme management is responsible for all aspects of the operation of the medallion: acquisition and repair of the vehicle, procurement of all insurance, and scheduling of and collecting payments from drivers.

“*Affiliate leasing*”, by contrast, is a form of operation that allows the medallion holder or lease holder to operate independently of a company. In this model the only connection between the

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operator and the taxi company is the paint color and dispatch service, and sometimes the use of the company cashiering services for paratransit and credit card payments made to the affiliate lease drivers. An “affiliate lease” has the following features:

1. Operation: the medallion is operated independently of a taxi color scheme except for the right to use the company name, paint colors and dispatch service.
2. Vehicle: The vehicle and all insurance are acquired and maintained by the owner-operator medallion holder, or by a driver or an illegal broker who leases the medallion from the medallion holder.
3. Drivers: The medallion holder or leaseholder may or may not drive shifts in the vehicle. All other drivers are hired and scheduled by the medallion holder or leaseholder.
4. Payments:
 - a. Lease payment to medallion holder: If the medallion holder is leasing out the medallion to non-medallion holding driver or to an illegal medallion broker, then the medallion holder will receive a monthly lease payment from the leaseholder. The market rate for that lease payment has gone up approximately 25% over the past few years.
 - b. Affiliation fee to color scheme: Whether it is the medallion holder or a leaseholder who is actually operating the medallion, there is a monthly fee due to the color scheme of choice for the right to use the company colors and dispatch system. Regulations require all medallions to be affiliated with a color scheme. Some affiliation fees come with some included services provided by the color scheme, such as insurance.

The History of Medallion Leasing

Until the 1970s, San Francisco taxi drivers were commonly employees of taxi companies. In 1978 the voters passed Proposition K (Prop K), which prohibited medallion ownership by companies and provided that only individual taxi drivers, not taxi companies, were allowed to hold taxi medallions. After Prop K passed, individual medallion owners leased their medallions to taxi companies. Companies, in turn, retained drivers as independent contractors. Instead of splitting the meter revenues with driver-employees, the companies got their “gas and gates” payment up front from each driver for each shift in return for the use of the taxi vehicle.

In 1988, as part of the Board of Supervisors’ adoption of Article 16 of the Police Code as a comprehensive body of for-hire vehicle regulations administered by the Police Commission, leasing of medallions was expressly authorized:

Provided that a taxicab permit is operated in compliance with all other applicable statutes, laws, rules and regulations, a taxicab permittee may operate his or her permit by authorizing another to drive or operate pursuant to said permit under any otherwise lawful lease, employment, or other agreement. A true and correct copy of such lease, employment, or other agreement shall be filed by the permit holder with the Chief of Police within 10 days of the execution of that agreement. San Francisco Police Code Section 1124.

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Medallion holders could take advantage of that provision if they wanted to operate the taxicab independently of a company. Regulations required all medallions to be affiliated with a color scheme and that every taxicab have a radio to receive dispatch requests. Therefore, medallion holders were required to at least “affiliate” with a company to the extent of being able to use a company’s trade dress and dispatch service, and the “affiliate lease” came into being. The advantages of an affiliate lease for a medallion holder is the independence of being able to control what car one drives and how it is maintained, who is also allowed to drive that vehicle, and what hours and days one chooses to work.

The Police Code provision not only authorized an owner to operate his or her medallion pursuant to an affiliate lease, it also authorized leasing of medallions to non-medallion holding drivers who wanted the same operational independence from taxi companies, or to any other third party who would “operate” the medallion by handling all the business arrangements for the medallion holder.

These non-driver third parties came to be called medallion “managers” or “brokers”. A driver/broker/leaseholder pays the medallion holder a monthly lease fee.¹ The driver/broker/lease holder is also responsible for acquisition and repair of the vehicle, procurement of insurance, payment of the affiliation fee to the color scheme, scheduling other drivers and charging gate fees.

On October 1, 2003, the Controller’s Office issued a report to the Board of Supervisors on the state of affiliate leasing in the industry. Based on anecdotal information provided by the industry, the Controller estimated that there were fewer than 300 out of 7,800 San Francisco taxi drivers who were part of an affiliate leasing arrangement, and recommended that the Taxi Commission conduct a survey to find out the actual numbers of affected drivers. SFMTA Taxi Services staff has not encountered any record of such survey in its review of the historical files of the Taxi Commission. Because of “the lack of any claim of wrongdoing or coercion to require drivers to agree to long-term leases” the Controller’s study ultimately concluded that no regulation of leasing was called for at that time.

The Controller’s conclusions were supported at that time by Taxi Commission, who reported to the Land Use Committee of the Board of Supervisors that whether to enter into a medallion lease is a driver’s choice, allowing more freedom to choose preferred shifts and fellow drivers with whom they want to share a vehicle, and that the market was efficiently determining lease fees.

The Rise of Medallion Brokers

By the time the Taxi Commission was created by in 1998, there was already concern about the practice of leasing one or more medallions to third party “brokers”. Accordingly, the newly formed Commission adopted administrative regulations that were aimed at eliminating medallion brokers

¹ For at least the past five years this monthly payment to a medallion holder by a leaseholder has been at least double what the medallion holder could receive from the taxi companies for gas and gates operation. Currently the monthly payment is reported to be between \$5,000 and \$6,000 per month, as compared to the going rate of \$2,000 to \$3,000 for gas and gates medallion operation.

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by limiting medallion leasing to three “layers”: from medallion holder to color scheme to driver. The Taxi Commission regulations also prohibited a driver from leasing a medallion from anyone other than a medallion holder or a color scheme. Taxi Commission Rules, Section 4.C. By 2007, it was estimated that 30 percent of the fleet was operated pursuant to an affiliate lease, and the Taxi Commission staff reported “[m]ajor problems” in affiliate “layered” leasing arrangements. A staff memorandum to the Commission’s Rules Subcommittee, dated September 20, 2007, stated that:

Reports abound that medallion holders are leasing to ‘managers’ or ‘brokers’ who then lease to still other individuals who are then leasing to drivers. In other cases, color schemes lease to these managers, who then maintain a roster of drivers.

With multiple lease levels, the regulatory power of the [Taxi] Commission dwindles. Some of the drivers who are involved with these leases end up paying very high gate fees, sometimes in excess of \$125. In other cases, regular ‘gas and gates’ drivers are required by these ‘managers’ or ‘brokers’ to provide monies for worker’s compensation, liability insurance, vehicle maintenance, and other expenses which are usually borne by the medallion holder or his color scheme (and which may already be borne by them, resulting in unnecessary double fees and possible illegal insurance ‘brokering’.) The drivers at the end of the lease line end up bearing the economic burden for the other individuals ‘affiliated’ with a single medallion.

In addition taxi companies are able to absolve themselves of responsibility for managing these permits by claiming lack of control. This further weakens the Commission’s regulatory power over issues of importance such as worker’s compensation.

The memorandum then recommended amendments to the Taxi Commission’s regulations to entirely outlaw any form of long-term medallion lease, and to confine all medallion operation to the gas and gates model.

In 2009, as one of its final acts before turning over regulatory jurisdiction to the SFMTA, the Taxi Commission recommended that the SFMTA adopt legislation that would not have completely prohibited medallion leasing, but would have prohibited medallion brokering by limiting the parties to any lease to the medallion holder, the color scheme, and a driver who actually drives the vehicle.

The same conditions reported in 2007 to Taxi Commission staff continued to be reported to SFMTA staff about the operation of illegal brokers after the SFMTA assumed jurisdiction of the taxi industry in March, 2009. In 2010, SFMTA Taxi Services attempted to collect data on the extent of affiliate leasing from companies and raised the issue of leasing regulations with the Taxi Advisory Council. The results of the survey were based on the companies’ self-reported data, but it indicated that a large portion of the fleet, perhaps half, was being operated pursuant to affiliate leases.

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As part of the SFMTA's early efforts to control medallion brokers, in 2011 Taxi Services successfully advocated legislation at the Board of Supervisors making the brokering of a medallion a misdemeanor. Transportation Code Section 7.3.5(b). However, because it requires substantial investigative resources to acquire adequate evidence to sustain a criminal conviction, as well as the cooperation of the District Attorney's Office to prosecute, the criminalization of medallion brokering did not turn out to be an effective regulatory tool.

Regulatory Issues Related to Medallion Leases

Taxi Services staff has spent considerable time researching the medallion leasing issue, and has discussed with the industry over a period of years the question of whether the SFMTA should ban all forms of leasing and require all taxis to be operated under the gas and gates model. Staff's analysis identified the following considerations:

- Some driver/leaseholders are extremely good operators, and leasing provides a different form of operation that is more independent and that, when done correctly, results in a driver taking more pride and more responsibility in the operation of the vehicle.
- On the other hand, leasing means loss of control over the number of hours driven on a shift, which reportedly can be as long as, or even more than, 24 hours. It also makes it difficult to be sure of the identity of the driver, because the vehicle and the driver permit can easily be loaned out by irresponsible operators. To the extent that drivers are being overcharged, they are more likely to be reckless on the road to try to make a decent return on their costs during a shift. It becomes more difficult for the SFMTA to communicate information relevant to these drivers, or receive information from them, because they are rarely on company property. All of these concerns have direct implications on public safety.
- Medallion holders are frequently reported to be using the waybills provided to them by their lease drivers or the medallion broker to falsify documentation of full-time driving, which is required to maintain their medallion permit.
- Some companies have advocated that "pre-K" medallions, those issued prior to June, 1978, be allowed to continue to be leased because there is no full-time driving requirement associated with that class of medallion. However, as can be seen above, the regulatory concerns are much greater than just whether the medallion holder is meeting his or her driving requirement.
- Staff considered following a regulatory practice in Boston to establish an authorized uniform lease document for all leases, and to maintain a registry and some supervision of leases in the industry. This idea had some merit, but was ultimately rejected because it would require additional bureaucracy and regulations, and because it would inject the SFMTA into the business relationships of private parties.

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- The opportunity to make double or more in monthly lease fees and the lack of any cap on those lease rates has driven up the cost of operating gas and gates medallions by companies. In order to survive, a color scheme must raise its payments to medallion holders to try to tempt them away from the affiliate lease system and other color schemes. Because all other company revenues are capped by regulation (meter rates and gate fees) the economic pressures are making it unsustainable for a color scheme to operate gas and gates medallions.
- The Hara Report notes that illegal medallion brokers represent a breakdown in the systems for accountability in the taxi industry. It recommends that medallion holders be prohibited from allowing third party agents to operate their medallion. Instead, the Hara Report recommends that a medallion holder should only be allowed to operate the medallion himself or herself, or to lease it to a taxi company to be operated as a “gas and gates” medallion.

Accordingly, staff recommends that the SFMTA prohibit all form of leasing of medallions by individual medallion holders or companies directly to drivers on any long-term basis, and that it limit medallion operation to one of two forms: either gas and gates operation by a company on a per-shift basis, or by a medallion holder who personally performs all of the operations that would otherwise be performed by a color scheme: vehicle acquisition and maintenance, procurement of insurance, and recruitment, scheduling drivers, and collecting payments from drivers.

In order to make the distinction clear, the legislation requires all medallion holders who wish to operate their own medallion to file an operation plan in a form to be determined by the SFMTA, so that the operational model of each medallion is on record. The form to be developed by the SFMTA must be provided to all medallion holders by November 15, 2013, and will be designed to collect information such as which drivers will work with that medallion and on what schedule, where the vehicle will be serviced and washed, how insurance will be procured, and any other operational information that serves a legitimate regulatory purpose. The legislation also makes clear that the owner-operator medallion holder who elects to provide all the service usually provided by a color scheme will be held to the same standards of accountability as a color scheme to the extent that those standards are applicable to an individual operator. For example, the owner-operator medallion holders are expressly required to issue receipts to drivers, communicate information provided by the SFMTA to their drivers, maintain driver rosters, report collisions, and charge gate fees that do not exceed the gate fees posted for that shift at the color scheme with which they are affiliated. The medallion holder who elects to be an owner-operator will also be required to fulfill his or her full-time driving requirement in the vehicle in which their medallion is operated. This ensures that the medallion holder has a personal stake in the quality and mechanical condition of the vehicle.

The proposed legislation contains a grandfather provision for written leases with drivers that were entered into prior to October 1, 2013, and for which the vehicle was purchased prior to October 1, 2013. This provision would potentially allow the lease of a medallion to continue for the lifetime of the vehicle—up to three years. The reason for this exception is that many leaseholder drivers have entered into these leases in good faith assuming that the lease was acceptable under the regulations,

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and many have made substantial investments in acquiring vehicles and insurance and paying lease fees. This provision is intended to provide a rational economic transition period for those drivers who find themselves in this situation.

Town Hall Outreach

The issue of appropriate regulations governing affiliate leases has been discussed at various Taxi Town Hall meetings and before the Taxi Advisory Council since 2010. Variations on this specific leasing prohibition have been considered for about a year, and discussed most recently on September 10, 2013 and at a taxi company workshop held on October 1, 2013. The staff recommendations reflect those discussions, as well as continuing input from stakeholders.

The proposal has generally been well received, except by lease drivers who hold and operate these medallion leases. But even among those lease drivers, leases have recently become less popular. Between the competitive pressures on taxi drivers from the new class of Transportation Network Companies recently created by the California Public Utilities Commission, and the substantial increase in lease rates over the past few years, the operation of a taxi medallion as an affiliate lease by an independent driver is becoming economically unviable.

The City Attorney has reviewed this report.

ALTERNATIVES CONSIDERED

As discussed above, many alternative actions were considered in the process of developing these recommendations. The suggestions and information received from multiple sources are reflected in this report, along with the policy rationale for the staff recommendation.

FUNDING IMPACT

None.

OTHER APPROVALS RECEIVED OR STILL REQUIRED

None.

RECOMMENDATION

Staff recommends that Board amend Transportation Code, Division II, Article 1100, Sections 1102, 1106, 1109, and 1113 to specify the manner in which a medallion holder may operate, or arrange for the operation of, a taxi medallion.

SAN FRANCISCO
MUNICIPAL TRANSPORTATION AGENCY
BOARD OF DIRECTORS

RESOLUTION No. _____

WHEREAS, Affiliate leasing of taxi medallion is a relatively new business model that has spread rapidly in San Francisco over the past ten years among taxi medallion holders; and,

WHEREAS, The rapid increase in affiliate leases and the proliferation of illegal medallion brokers has been an ongoing regulatory concern for San Francisco's taxi regulators since at least 2007; and

WHEREAS, The best practices study being conducted by Hara Associates (Hara Report) recommends the elimination of medallion brokers in order to create greater accountability in the taxi system; and

WHEREAS, Taxi Services staff recommends adopting the Hara Report recommendations for taxi medallion leasing restrictions; now, therefore, be it

RESOLVED, That the San Francisco Municipal Transportation Agency Board of Directors amends Transportation Code, Division II, Article 1100, Sections 1102, 1106, 1109, and 1113 to specify the manner in which a medallion holder may operate, or arrange for the operation of, a taxi medallion.

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of October 15, 2013.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency

FILE NO.

RESOLUTION NO.

[Medallion Leases]

Resolution amending Sections 1102, 1105, 1106, 1109, and 1113 to specify the manner in which a Medallion Holder may operate, or arrange for the operation of, the Medallion.

NOTE: Additions are single-underline Times New Roman; deletions are ~~strike-through Times New Roman~~.

The Municipal Transportation Agency Board of Directors of the City and County of San Francisco enacts the following regulations:

Section 1. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1102, to read as follows:

SEC. 1102. DEFINITIONS

For purposes of this Article the following words and phrases shall have the meanings set forth below:

* * * *

(s) **"Gas and Gates Medallion"** shall mean a Medallion that is operated by a Color Scheme that owns and maintains the Taxi or Ramp Taxi vehicle, purchases insurance for the vehicle, hires and schedules the Drivers of the vehicle, collects the gate fees daily, issues receipts to the Drivers, and makes regular payments to the Medallion Holder or to the SFMTA in consideration for the use of the Medallion, or a Medallion that is operated by the Medallion Holder who owns and maintains the vehicle, purchases insurance for the vehicle, hires and schedules the Drivers of the vehicle, collects the gate fees daily, and issues receipts to the Drivers.

(t) **"Gate Fee"** shall mean any monetary fee or other charge or consideration, or any combination thereof, paid by a Driver who is not a Taxi or Ramp Taxi Medallion Holder for the privilege of driving a Taxi or Ramp Taxi for a daily shift ~~any period of time~~, and for receipt of

all services provided in connection with such privilege, whether said fee, charge or consideration is set orally or in writing, and regardless of the terms of payment.

* * * *

(x) **"Lease"** shall mean an otherwise lawful written agreement between a Color Scheme and a Medallion Holder that, for consideration, authorizes the temporary operation of a Taxi or Ramp Taxi Medallion by a ~~Driver of Color Scheme other than the Taxi or Ramp Taxi Medallion Holder~~ in accordance with Section 1109(e)(1).

(y) **"Lease Fee"** shall mean any monetary fee or other charge or consideration, or any combination thereof, charged by or paid to a Taxi or Ramp Taxi Medallion Holder for the privilege of operating that Medallion, pursuant to Section 1109(e), ~~during a particular shift~~, or for any period of time.

* * * *

Section 2. Article 1100 of Division II of the Transportation Code is hereby amended by amending Sections 1105 and 1106, to read as follows:

SEC. 1105. GENERAL PERMIT CONDITIONS.

(a) Conditions Applicable to All Permits.

(1) Permits Required. No person, business, firm, partnership, association or corporation shall drive, or operate or cause to be operated any Motor Vehicle For Hire within the City, nor shall any person, business, firm, partnership, association or corporation operate any Dispatch Service or Color Scheme, without a permit issued by the SFMTA authorizing such driving or operation in accordance with this Article.

(2) Permits Held By Businesses; Taxi Medallions Held by Individuals.

(A) Any permit issued to a business pursuant to this Article shall be registered in the name of and with contact information for at least one natural person who complies with all permit requirements except those that by their nature can have no application to a natural person.

(B) No Taxi or Ramp Taxi Medallion shall be issued except to a natural person and in no case to any business, firm, partnership, association or corporation, and no Medallion shall be issued to, or in the name of, more than one person.

(3) Permits a Privilege. Permits granted pursuant to this Article constitute a privilege and are not the property of the Permit Holder.

(4) Permits Not Transferable. Except as expressly provided in this Article or in permit conditions, no permit issued pursuant to this Article shall be transferable or assignable, either expressly or by operation of law.

(5) Duration of Permits.

(A) Unless earlier revoked or suspended, all permits shall expire one year following their issuance or renewal, or on another date as specified by the SFMTA.

(B) As a condition of renewal, a Permit Holder must pay the applicable Renewal Fee, meet the eligibility requirements required for new applicants listed in Section 1104, and may be required to sign a statement under penalty of perjury affirming eligibility for the permit; provided, however, that nay holder of an Electric Vehicle Taxi Medallion that was approved prior to December 6, 2011 may renew the permit for use in a battery switch vehicle without paying a Renewal Fee.

(6) Compliance with Laws and Regulations. Every Permit Holder shall comply with, and shall ensure that their affiliated vehicles, employees, Permit Holders, lessees, Dispatch Service and Color Scheme shall comply with the provisions of this Article, the San Francisco Charter and Municipal Code, the California Vehicle Code, California Worker's Compensation laws, the Americans with Disabilities Act, and all regulations adopted by the Oakland and San Francisco International Airports, San Francisco Department of Public Health, and any other governmental jurisdictions through which the Permit Holders traverse.

(7) Cooperation with Lawful Orders. Every Permit Holder shall cooperate with and obey any lawful request or order of a Parking Control Officer, peace officer or the Director,

including, but not limited to, providing upon request the Permit Holder's name, the permit number, official identification, and any documents required by this Article to be in the Permit Holder's possession. All Permit Holders shall respond to routine SFMTA or Police Department inquiries within 24 hours, and shall immediately respond to any SFMTA or Police Department emergency request.

(8) Cooperation with Regulatory Agencies; False Statements. Every Permit Holder shall at all times, fully cooperate with a Parking Control Officer, Peace Officer or the Director, or his or her designee, on all matters relating to regulatory compliance at all times, including but not limited to timely compliance with requests for the inspection of records. Permit Holders shall not hinder, delay the production of, or withhold information or records, or knowingly make false or misleading statements to a peace officer or to the SFMTA or withhold information on any matter relating to regulatory compliance. No Permit Holder shall make any false claim or false request for payment or approval to the SFMTA, its contractors or employees.

(9) Continuous Operation Requirement; Temporary Suspension; Revocation.

(A) With the exception of Non-Standard Vehicle Permit Holders and Medallion Holders who obtained their Medallion prior to June 6, 1978, all Permit Holders shall operate or arrange for the operation of their permit on each day of the year, or other dates or times during which the permit conditions require operation of the permit. Non-Standard Vehicle Permit operation shall be in accordance with the times and dates of required operation specified in the permit.

(B) Permit Holders may temporarily suspend permit operations only with the prior written approval of the SFMTA. SFMTA approval is not required in the case of bona fide emergencies, natural disasters or other similar major events beyond the control of the Permit Holder.

(C) Upon written request the SFMTA may grant permission to suspend a permit for good cause shown for a period not to exceed 90 days in a 12 month period. The SFMTA may, in its sole and absolute discretion, allow another Permit Holder to operate the permit during the period of temporary suspension if the other Permit Holder is qualified and such operation would be in the public interest. This subparagraph (C) does not suspend the application of the Full-Time Driving requirement.

(D) If a permit is not operated for a period of 15 calendar days in violation of applicable permit conditions, the SFMTA shall notify the Permit Holder that the permit will be revoked if operation of the permit is not resumed within five calendar days of the notice. If permit operation is not resumed within five days of the notice, as determined by the Permit Holder's substantial compliance with all permit conditions, then SFMTA may immediately revoke the permit.

(E) This subsection (9) does not require any Permit Holder to drive continuously.

(10) Gifts and Gratuities. No Permit Holder or agent of a Permit Holder may accept or solicit gifts and/or gratuities or anything of value from any Driver, other than Gate Fees, Lease Fees, payments for goods actually received, or other payments authorized by this Article. A Permit Holder or agent of a Permit Holder shall issue a receipt for any payment received from a Driver.

~~(11) Lease of Taxi and Ramp Taxi Medallions. Reserved.~~

(11) Participation in Paratransit Program. Each Color Scheme, Dispatch Service, Medallion Holder and Driver must participate in and shall at all times operate subject to and in compliance with the regulations of the SFMTA's Paratransit Program.

(12) Shift Change at Color Scheme Required for Gas and Gates Vehicles; Unattended Vehicles. All Permit Holders shall ensure that taxi vehicles operated pursuant to a Gas and Gates Medallion that they operate begin and end all shifts at the Color Scheme's place of business, except with the prior written approval of the SFMTA. When a vehicle is not

being operated for hire, the Permit Holder shall either leave the vehicle at the Color Scheme's place of business or make a written request for SFMTA approval of an alternative location that is off the public street and sidewalk. No Taxi vehicle may be left unattended on a public street for more than four hours.

(1314) Current Address Required; Emergency Contact Notification. All Permit Holders shall keep contact information current with the SFMTA. All Medallion Holders and Drivers shall keep contact information current with their Color Schemes. Every natural person who holds a permit from the SFMTA pursuant to this Article shall give written notice to the SFMTA within ten days of any change of residence address, and shall accept mail at the address provided to the SFMTA. Color Scheme and Dispatch Service changes of address are subject to the prior written approval of the SFMTA. No Permit Holder may use a post office box as a current address.

(1415) Service of Process. All Permit Holders agree to accept service of process, official notices, and correspondence ("service of process") from the SFMTA as a condition of retaining a permit. Color Schemes must accept service of process from the SFMTA on behalf of any Permit Holder affiliated with that Color Scheme.

(1516) Payments Due. No permit shall be issued or renewed until the applicant has paid all fines, fees, taxes, liens, judgments or other debts owing to the City.

(1617) Response Time Goals. All Permit Holders shall make best efforts to comply with Response Time Goals at all times.

(1718) Operation by Driver Permit Holders. No Permit Holder shall knowingly allow the use of a Taxi or Ramp Taxi vehicle as a motor vehicle for hire by any person who does not hold a Driver Permit and California driver's license.

(1819) Retaliation. No Permit Holder shall retaliate against another individual or entity for the exercise of any right provided by this Article.

* * * *

SEC. 1106. CONDITIONS APPLICABLE TO COLOR SCHEME PERMITS.

* * * *

(l) Spare Vehicles.

(1) A spare vehicle may operate with a Medallion borrowed from a Taxi or Ramp Taxi. Spare vehicles shall only be used to replace temporarily disabled Taxi or Ramp Taxi vehicles. During any time a spare vehicle is operating, the Taxi or Ramp Taxi it is replacing shall be available for inspection by the SFMTA.

(2) During any time a spare vehicle is in operation as a Motor Vehicle For Hire, the Taxi or Ramp Taxi it is replacing shall be available for inspection by the SFMTA.

(3) Color Schemes with which one or more Ramp Taxis are affiliated shall maintain at least one Ramp Taxi spare vehicle for every three spare non-Ramp Taxi vehicles. If three or fewer Ramp Taxi Medallions are affiliated with a Color Scheme, only one Ramp Taxi Medallion may be used in a spare Taxi vehicle at any time. For each additional three Ramp Taxi Medallions, or any fraction thereof, affiliated with a Color Scheme, an additional Ramp Taxi Medallion may be used in a spare Taxi.

(4) Each Color Scheme shall be issued a series of "spare numbers" at the ratio of one spare number for every five vehicles operating at that Color Scheme.

(5) All spare vehicles shall be kept at the Color Scheme's place of business or other location approved by SFMTA when not in actual use with a Medallion.

(6) Once a vehicle is designated as a spare, it may not be re-introduced to the fleet except by approval of the SFMTA. All spare vehicles must be owned by the Color Scheme and shall be registered and insured as required by all applicable law.

(7) Color Schemes may not operate or allow another entity or individual to drive or operate lease a spare vehicle, ~~whether on a per shift, weekly, monthly, or other basis,~~ unless such vehicle is using a Medallion which is not in use in any other vehicle. Any Color Scheme found

to be violating this Section shall be deemed to be operating a vehicle without a permit. Each day of unauthorized operation under this Section shall be a separate offense.

* * * *

(p) Color Scheme Obligations Related To Drivers.

(1) Each Color Scheme shall ensure that every Driver starts and ends each shift at the Color Scheme's principal place of business, except with the prior written approval of the SFMTA.

(2) Each Color Scheme shall ensure that every affiliated Driver holds a valid A-Card.

(3) A Color Scheme shall not charge an applicant for a Driver Permit for the statement of affiliation required by Section 1103(c)(1)(F).

(4) A Color Scheme shall issue receipts for any payments ~~payment~~ received from any Driver ~~for fuel, Gate Fees, Lease Fees or other payments~~. A Color Scheme shall accept payment of Gate Fees by credit or debit card, and shall impose no charge or fee on Drivers who pay their Gate Fees by credit or debit card.

(5) Medical Certification of Drivers. Every Color Scheme shall ensure that all affiliated Drivers undergo any medical examination required by the SFMTA in accordance with SFMTA requirements.

(6) A Color Scheme shall offer cashiering services, through a third-party merchant account holder that conforms to PCI DSS standards, to any Driver for credit and debit card transactions collected by that Driver as payment of taxi fare while that Driver was driving a vehicle affiliated with that Color Scheme. A Color Scheme may charge a Driver a fee for the cashiering service, which shall not exceed 3.5 percent of the total amount of the credit or debit card transactions presented to the Color Scheme. A Color Scheme must require its third-party merchant account holder to deposit the proceeds of the Driver's credit and debit card transactions, minus the fee of up to 3.5 percent, in an account of the Driver's choice

within one business day. A Color Scheme may not require a Driver to use its merchant account holder, and may impose no charge for credit and debit cashing services in addition to the 3.5 percent fee on Drivers who choose to use the Color Scheme's third-party merchant account holder to cash credit and debit card payments.

(7) Each Color Scheme shall inform every Driver operating a Gas and Gates Medallion of the applicable state and federal laws governing maximum driving hours for the operators of a commercial passenger-carrying vehicles, and must inform every Driver of his or her obligation to comply with such laws.

* * * *

Section 3. Article 1100 of Division II of the Transportation Code is hereby amended by amending Section 1109, to read as follows:

SEC. 1109. CONDITIONS APPLICABLE TO TAXI AND RAMP TAXI MEDALLIONS.

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(d) **Corporate Medallion Holders.**

(1) **Permits Void in Event of Transfer or Sale of Permit Holder.** Any Medallion held by a Permit Holder that is not a natural person shall be deemed null and void and revoked if any of the following circumstances has occurred since the issuance of the Medallion:

(A) If the Medallion Holder is or was sold or transferred at any time after June 6, 1978. For the purposes of this Section, a sale or transfer occurs upon a cumulative sale or transfer of either 10 percent or more of the stock or other ownership of the Medallion Holder, or 10 percent of the Permit Holder's assets since June 6, 1978, unless such sale or transfer has the prior written approval of the SFMTA.

(B) If the management or control of the Permit Holder is or has been transferred for consideration since the issuance of the permit;

(C) If the Medallion Holder's rights to receive income derived from the a Lease lease of a permit or an agreement authorized by Section 1109(e) (2) is assigned, transferred or sold.

(e) Medallion Operation.

(1) A Medallion Holder may arrange for the continuous operation of the Medallion in compliance with Section 1105(a)(9) only as follows:

(A) By entering into a Lease with a Color Scheme under which the Color Scheme will operate the Medallion as a Gas and Gates Medallion.

(B) By operating the Medallion himself or herself as a Gas and Gates Medallion. A Medallion Holder who elects to operate the Medallion pursuant to this Section 1109(e)(1)(B) must comply with the following:

(i) The Medallion Holder must file an operation plan with the SFMTA in a form to be determined by the SFMTA. The SFMTA shall make a form of operation plan available to Medallion Holders no later than November 15, 2013.

(ii) The Medallion Holder is prohibited from charging any Gate Fee other than the Gate Fee posted for that shift by the Color Scheme with which the Medallion is affiliated, and is prohibited from charging Drivers any amounts other than a Gate Fee.

(iii) The Medallion Holder is responsible for compliance with all requirements imposed upon Color Scheme permit holders by Section 1106, subsections (i), (j), (k), (n), (o)(1), (o)(3), (p)(2), (p)(4), (p)(5), (p)(7), (q) and (t).

(iv) The Medallion Holder must fulfill the Full-Time Driving requirement in the vehicle in which the Medallion is being operated, except to the extent that the operation in a different vehicle has been authorized in advance, in writing, by the SFMTA.

(2) Notwithstanding Section 1109(e)(1), a Medallion may be operated under a written agreement between a Medallion Holder and a Driver if the agreement was executed prior to October 1, 2013 and the vehicle operated under the Medallion was purchased before October 1, 2013;

provided, however, that the Medallion Holder must file an operation plan subject to the review and approval of the SFMTA no later than February 1, 2014 in a form to be determined by the SFMTA, the operation plan must demonstrate that the Medallion Holder will meet the Full-Time Driving requirement, if applicable, during the lease term, and the Medallion may be operated pursuant to the agreement only until the vehicle assigned to the Medallion is replaced with another vehicle.

Section 4. Article 1100 of Division II of the Transportation Code is hereby amended by amending Sections 1113 and 1114, to read as follows:

SEC. 1113. TAXI AND RAMP TAXI EQUIPMENT REQUIREMENTS.

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(p) ~~Vehicle Title. The principal vehicle authorized for the operation of a Taxi or Ramp Taxi-Medallion may be registered only in the name of the Medallion Holder, or Color Scheme, and/or a Driver holding a valid lease for the vehicle that meets the requirements of this Article. If the vehicle is registered to the Driver, the registration must also include the name of the Medallion Holder or Color Scheme.~~

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APPROVED AS TO FORM:
DENNIS J. HERRERA, City Attorney

By: _____
Mariam M. Morley
Deputy City Attorney

I certify that the foregoing resolution was adopted by the San Francisco Municipal Transportation Agency Board of Directors at its meeting of October 15, 2013.

Secretary to the Board of Directors
San Francisco Municipal Transportation Agency