



TO: T.C. Broadnax, City Manager
FROM: Danielle Larson, Manager, Tax & License
Andy Cherullo, Finance
COPY: City Council and City Clerk
SUBJECT: 6B.220 For-Hire Regulations Amendments – March 1, 2016
DATE: February 17, 2016

SUMMARY:

In October 2014, the for-hire license code was amended to include regulation of newly operating transportation network companies (TNC) in the City. At that time, the TNC license fee was established as a one-time \$15,000 fee to cover the City’s cost of administration and enforcement of the for-hire code. The code also allowed a conversion option at a later date to a per ride fee to cover continuing administrative and regulatory costs related to for-hire drivers and for-hire vehicles operating in the City. After more than a year of administering the TNC licenses staff has recommendations to improve the TNC licensing process and establish a license fee that will continue to cover the City’s administrative and regulatory costs of the for-hire code.

STRATEGIC POLICY PRIORITY:

The amendments to 6B.220 adding a new TNC license fee to cover the City’s administrative and regulatory costs of the for-hire license and no longer issuing a TNC Driver ID card or Vehicle Endorsement encourages and promotes an efficient and effective government, which is fiscally sustainable and guided by engaged residents.

BACKGROUND:

The City has regulated the for-hire industry to provide for the safe, fair and efficient operation of for-hire vehicles since 1942. When the for-hire code was amended to include TNCs, the cost to administer and regulate the TNC’s was unknown as it was a new type of transportation option. The TNC fee was established as a one-time initial fee until the cost of regulation could be determined.

The code amendments in 2014 also provided options to for-hire transportation companies to verify some of the license requirements for their affiliated drivers and vehicles themselves in lieu of the City performing these tasks. These options are intended to provide an easier and speedier licensing process for drivers and a reduction in administrative costs for the City, while still offering safe and fair operations for the public. Some of the requirements that may now be conducted by the for-hire transportation companies are criminal background checks for drivers, vehicle safety check, driver training program and driver exam.

ISSUE:

A new TNC license fee needs to be established to continue covering administrative and regulatory costs of the for-hire code. The new fee will factor in the City’s actual costs to administer and regulate the TNC affiliated drivers based on the number of drivers licensed during the previous year and the estimated number of new drivers to be licensed in the future year.

Since TNC drivers have been regulated in the City, the City has issued 1,200 TNC licenses through December 2015 at a cost of approximately \$85,000. The number of new TNC drivers in 2016 is estimated to be 125 drivers per month. The annual renewal rate of current drivers averages 25% bringing



the estimated number of TNC drivers to apply for a license in 2016 of 1,750 at an estimated cost of \$125,000.

There is one TNC currently operating in the City. The TNC is the only for-hire transportation company that verifies all of the licensing requirements prior to their affiliated drivers applying for a license with the City. After the TNC verifies that all license requirements have been met they provide an authorization letter to the driver that is submitted to the City with the driver's for-hire license application. The City then issues a business license, a For-hire Driver Identification Card and For-hire Vehicle Endorsement to the TNC driver.

After one year of administration and enforcement of the TNC licenses, the cost and time of issuing a Driver Identification Card and Vehicle Endorsement to the TNC drivers seems overly burdensome to the driver and has not proven of value to the passengers or the City. The TNC app that customers use from their mobile devices to obtain transportation services includes a picture of the driver and the vehicle and is available to customers prior to being picked up. This serves the same purpose as the Driver Identification Card and Vehicle Endorsement the City issued – to allow a passenger to know the driver and vehicle they are riding in. If a City enforcement officer needs to do a compliance check on a TNC driver they can request to see the driver's information on the TNC app. A City approved endorsement issued by the TNC will also be displayed on the vehicle.

If the City discontinues issuing the Driver Identification Card and Vehicle Endorsement to TNC drivers, the annual estimated costs would be reduced to \$65,000 in 2016 by eliminating the cost of the materials and reducing the staff time in half to administer the license application. TNC drivers will continue to submit an authorization letter from their affiliated TNC verifying that all of the for-hire licensing requirements have been met and obtain a general business license to pick up passengers in Tacoma.

The 2016 license fee for the existing TNC operating in the City will be \$135,000, which recovers \$70,000 in costs incurred by the City in 2015 and \$65,000 in estimated costs to be incurred in 2016 for administration and regulation of the for-hire code.

ALTERNATIVES:

Continue issuing TNC drivers a For-hire Driver Identification Card and For-hire Vehicle Endorsement which will require more staff time to process the license applications and a higher annual license fee for the TNC.

RECOMMENDATION:

Staff recommends that TMC 6B.220 be amended to 1) no longer issue For-hire Driver Identification cards and For-hire Vehicle Endorsements to affiliated drivers of a TNC as long as the TNC provides documentation to the City that the TNC has verified that all license requirements have been met and 2) allow the Director to establish a new annual license fee for TNC's after the initial one-time license fee is paid to cover continuing administrative and regulatory costs.



FISCAL IMPACT:

The new TNC license fee will generate revenue of \$135,000 in 2016 to the general fund.

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
TOTAL			

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
			\$135,000
TOTAL			

POTENTIAL POSITION IMPACT:

POSITION TITLE	PERMANENT/ PROJECT TEMPORARY POSITION	FTE IMPACT	POSITION END DATE
TOTAL			

This section should only be completed if a subsequent request will be made to increase or decrease the current position count.

FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$135,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? No

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED.