

FISCAL NOTE FOR NON-CAPITAL PROJECTS

Department:	Contact Person/Phone:	CBO Analyst/Phone:
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Legislation Title:

AN ORDINANCE relating to companies and drivers of a new type of for-hire vehicle in order to create a pilot program for transportation network companies and affiliated drivers and vehicles: establishing minimum operating requirements for transportation network companies and affiliated drivers; imposing vehicle inspections; imposing a zero tolerance drug use policy for affiliated drivers; imposing minimum insurance requirements for transportation network companies and affiliated vehicles; requiring rate transparency for transportation network companies; and establishing licensing fees; raising the maximum number of taxicab licenses issued by the City; revising terminology; adding new sections and amending various Sections of Chapter 6.310 of the Seattle Municipal Code.

Summary of the Legislation:

This legislation provides for the regulation of Transportation Network Companies (TNCs) and modification of certain regulations relating to for-hire vehicles and taxis.

Background:

TNCs like Uber, Lyft, and Sidecar, represent that they are facilitating peer-to-peer sharing of passenger vehicles and hence not subject to regulation by the City. However, the City Council finds that the TNCs and the drivers who operate on their systems are engaged in the transportation of persons for compensation and therefore do fall within the regulatory authority granted the City by Article 11, Section 11 of the Washington State Constitution and RCW 46.72.160.

Because the TNC business model involves dispatching traditional for-hire drivers and vehicles as well as non-professional casual drivers, regulating them raises a number of policy questions. Cities are more familiar with regulating traditional for-hire modes of transportation such as taxis and models for that, both good and bad, abound. As these companies have begun operations within the last year and a half, there are not yet good models of regulation for peer-to-peer services. It would be easier to ban them, as several cities have already done, than to find a regulatory framework that allows them to function while protecting other interests of the City. However, the Council sees value in the transportation services these companies provide and would like to encourage them. These new entrants to the market have the potential to disrupt existing for-hire services that the Council also views as important to the public. The Council would therefore like to strike a balance between the new and existing services. To that end, this

Ordinance would establish a pilot period of approximately two years during which the growth of the TNCs would be limited to allow existing for-hire services to adapt to their operation.

The specific limits under consideration are as follows:

- Require that anyone driving for a TNC be either a for-hire licensed driver driving a for-hire licensed vehicle OR a for-hire licensed driver with an endorsement to drive his or her own vehicle for a TNC;
- Require that TNCs ensure that any driver on their system has full casualty and property insurance that covers commercial activity while they are active on the system;
- Require that the unique vehicle used by the endorsed license holder meet certain safety standards; and
- Require the TNCs to report information from their systems deemed necessary or convenient to allow enforcement of regulations.

In addition to establishing regulations for TNCs, this Ordinance also makes changes to the regulations on existing for-hires to provide them more flexibility in the market. Specific changes include:

- Allow flat-rate vehicles limited access to street hails;
- Allow both flat-rate vehicle and taxis to work for TNCs while operating in their traditional capacities;
- Allow county-only for-hires to pick up fares in the city if they are operating under a standing written agreement;
- Allow WAT license owners to cease driving after five years to be consistent with other for-hires.

In response to a market demand study that found insufficient supply of for-hire services during certain peak periods, this legislation also increases the number of new taxi licenses by 150 over two years.

Please check one of the following:

This legislation does not have any financial implications.

(Please skip to "Other Implications" section at the end of the document and answer questions a-h. Earlier sections that are left blank should be deleted. Please delete the instructions provided in parentheses at the end of each question.)

This legislation has financial implications.

(If the legislation has direct fiscal impacts (e.g., appropriations, revenue, positions), fill out the relevant sections below. If the financial implications are indirect or longer-term, describe them in narrative in the "Other Implications" Section. Please delete the instructions provided in parentheses at the end of each title and question.)

Appropriations:

(This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation please provide details in the Appropriation Notes section below. If the appropriation is not supported by revenue/reimbursements, please confirm that there is available fund balance to cover this appropriation in the note section.)

Fund Name and Number	Department	Budget Control Level*	2013 Appropriation	2014 Anticipated Appropriation
Finance and Administrative Services Fund (50300)	Finance and Administrative Services	Revenue and Consumer Protection	n/a	\$617,548
TOTAL				\$617,548

*See budget book to obtain the appropriate Budget Control Level for your department.

Appropriations Notes:

	For Hire/Taxi Cab			TNC			Total Appropriated Budget Needed	Total Revenue Req'mt Budget
	Budget (3FTE - Licenses and Standards)	Revenue Req'mt	Notes on Difference	Budget (3.0FTEs)	Revenue Req'mt	Notes on Difference		
Positions	302,358			267,190			569,548	569,548
Vehicles One time (2, for For Hire only)		60,000	Using existing Fleets budget				-	60,000
Vehicles On going (annual)		13,400	Using existing Fleets budget				-	13,400
Space One time setup		50,000	Using existing CTRI budget		50,000	Using existing CTRI budget	-	100,000
Space on going (annual)		30,000	Using existing Facilities budget		30,000	Using existing facilities budget	-	60,000
Employee Setup (computer etc)	12,000			12,000			24,000	24,000
Misc office	12,000			12,000			24,000	24,000
Department Overhead		7,800	Using existing ABS budget		7,800	Using existing ABS budget	-	15,600
Other							-	-
Total	326,358	161,200	-	291,190	87,800	-	617,548	866,548

Anticipated Revenue/Reimbursement Resulting from this Legislation:

(This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.)

Fund Name and Number	Department	Revenue Source	2013 Revenue	2014 Revenue
Finance and Administrative Services Fund (50300)	Finance and Administrative Services	Licenses & fees	n/a	\$866,544
TOTAL				\$866,544

Revenue/Reimbursement Notes:

TNC Additional Revenue Assumed	
75 New Taxicab Licenses (75 x \$600)	\$ 45,000
300 TNC Driver/Vehicle Permits (300 x \$50)	\$ 15,000
3 TNC Companies (3 x \$50,000)	\$ 150,000
Total	\$ 210,000

Total Regular Positions Created, Modified, or Abrogated through this Legislation, Including FTE Impact:

(This table should only reflect the actual number of positions affected by this legislation. In the event that positions have been, or will be, created as a result of other legislation, please provide details in the Notes section below the table.)

Position Title and Department	Position # for Existing Positions	Fund Name & #	PT/FT	2013 Positions	2013 FTE	2014 Positions*	2014 FTE*
Licenses and Standards Inspectors, Finance and Administrative Services		Finance and Administrative Services Fund (50300)	FT			3.0	3.0
TOTAL						3.0	3.0

* 2014 positions and FTE are total 2014 position changes resulting from this legislation, not incremental changes. Therefore, under 2014, please be sure to include any continuing positions from 2013.

Position Notes:

SUMMARY. Additional staff will be required to implement the new ordinance regulating the Transportation Network Company (TNC) industry in Seattle. The estimated staff needs are as follows:

- 1.0 FTE Licenses and Standards Inspector
- 1.0 FTE Research and Evaluation Assistant
- 1.0 Administrative Specialist II

If King County Licensing declines to issue TNC driver permits, an additional 1.0 FTE Administrative Specialist II will be required to perform this activity. Ongoing IT and audit support will be needed to build a web-based tool to collect operating data submitted by the licensed TNCs; to analyze the data to monitor compliance with the new ordinance; and to verify that TNCs are properly reporting their annual gross revenue for purposes of paying their annual fee (\$50,000 or 0.35% of annual gross revenue, whichever is greater).

DISCUSSION. The assumptions about the size and composition of the TNC industry and the specific duties of the new staff positions are described below.

Seattle TNC Industry- Size and Composition. These estimates are little more than educated guesses since the TNC industry will not release *any* data about their operations.

- Companies. It is estimated that the existing unlicensed Seattle TNC industry is comprised of three large companies (Uber-x, Lyft and Sidecar) and fewer than 10 small companies.
- Drivers and Vehicles. Altogether, it is estimated that there are presently about 200 active affiliated TNC drivers and vehicles. This estimate may no longer be accurate, as it is dated.
- Projection. It is likely that demand for Permits will exceed the 300 drivers allowed for by this proposed law.
- Inspections. TNCs must provide a certificate of inspection for the vehicle – inspections will not be done by City Inspectors.

Duties of the New Staff Positions. These duties are based upon the requirements set out in the most recent DRAFT ordinance.

- Licenses and Standards Inspector. The inspector will work random shifts conducting street enforcement, investigating passenger complaints and spot checking compliance with vehicle safety standards. It is expected that many current taxicab and for-hire vehicle drivers and limousine chauffeurs will migrate to this industry and soliciting trips on the street will become a significant problem requiring undercover investigations. The inspector will check to verify evidence of insurance. The inspector will also assist administering the issuing of 300 driver permits by lottery, RFP, or other device according to law.
- Research and Evaluation Assistant. This position will gather and analyze (audit) operating data from licensed TNCs to verify compliance with ordinance requirements (e.g., TCN Permit holders are limited to working 16 hours per week, TCN must pay 0.35% of gross revenue as an annual license fee, dispatch and billing data required to investigate passenger complaints about service or fares, etc.)
- Administrative Specialist II. The license specialist will collect and review insurance policies and vehicle registrations for vehicles used by TNC drivers, as well as purchased by the TNC, to verify compliance with vehicle insurance requirements (e.g., coverage limits, carrier rating, restrictions on coverage – including business use of vehicle). Issue

summary license suspensions of TNC driver permits for cancelled or expired insurance.

Do positions sunset in the future?

No

Spending/Cash Flow:

(This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.)

Fund Name & #	Department	Budget Control Level*	2013 Expenditures	2014 Anticipated Expenditures
Finance and Administrative Services Fund (50300)	Finance and Administrative Services	Revenue and Consumer Protection		\$617,548
TOTAL				\$617,548

* See budget book to obtain the appropriate Budget Control Level for your department.

Spending/Cash Flow Notes:

Other Implications:

a) **Does the legislation have indirect financial implications, or long-term implications?**

Probably not.

b) **What is the financial cost of not implementing the legislation?**

None.

c) **Does this legislation affect any departments besides the originating department?**

(If so, please list the affected department(s), the nature of the impact (financial, operational, etc), and indicate which staff members in the other department(s) are aware of the proposed legislation.)

Yes, the Department of Finance and Administration.

d) **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** (Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

None.

e) **Is a public hearing required for this legislation?**

(If yes, what public hearing(s) have been held to date, and/or what public hearing(s) are planned for the future?)

No.

f) **Is publication of notice with *The Daily Journal of Commerce* and/or *The Seattle***

Times required for this legislation?

(For example, legislation related to sale of surplus property, condemnation, or certain capital projects with private partners may require publication of notice. If you aren't sure, please check with your lawyer. If publication of notice is required, describe any steps taken to comply with that requirement.)

No.

g) Does this legislation affect a piece of property?

(If yes, and if a map or other visual representation of the property is not already included as an exhibit or attachment to the legislation itself, then you must include a map and/or other visual representation of the property and its location as an attachment to the fiscal note. Place a note on the map attached to the fiscal note that indicates the map is intended for illustrative or informational purposes only and is not intended to modify anything in the legislation.)

No.

h) Other Issues:

List attachments to the fiscal note below: