



Where Life is Sweet

Mayor and Members of the City Council

STAFF REPORT

For the Meeting of April 28, 2025

Title/Subject

Resolution 2367- Taxi Transit Contract

Summary and Background

Resolution 2367 will approve a new 2-year contract with Hermiston Taxi, LLC to provide two subsidized transit programs; specifically the Senior & Disabled Taxi program, and the WORC program.

HISTORY

The City of Hermiston has subsidized taxi rides throughout city limits for seniors and residents with disabilities since the 1960's. In it's simplest terms, this program allows qualifying participants to use taxis for mobility throughout the community with the public subsidizing a portion of the cost. The cost-share has always been a combination of rider-paid fares supplemented by grant funding from the State of Oregon and the City of Hermiston's General Fund.

With the passage of HB2017 in 2017, the State of Oregon implemented a 0.1% payroll tax on all workers throughout the state in order to fund public transit; with 90% of that revenue guaranteed to go back to local transit agencies. In the absence of a local transit agency in our area, that revenue goes through Umatilla County in about \$1.1M per year (as of 2019). At the time, this new revenue source was expressly prohibited from simply back-filling existing transit services, which is why the City of Hermiston chose to stand-up a new program called the West-End On-Demand Ride Cooperative (WORC). The WORC is modeled entirely off of the same system of subsidizing taxi rides, but specifically for anyone in the general public to get to or from their place of employment (as verified by paystubs).

Hermiston Taxi, LLC has had the contract to provide the Senior/Disabled and WORC programs since 2015 and 2017 respectively. Simultaneously, the taxi company has operated the only public for-hire taxi service in the community. The City has therefore had a financial interest in protecting the financial solvency of the taxi company as it's only provider for the subsidized transit services that it provides. This has taken the form of protecting the local taxi industry from competition from new service models (i.e. online ride-sharing platforms).

Societal changes toward taxi ridership/usage have been taking place to the point that by 2024, it had become evident that the City, in protecting its financial interests with regard to cost containment of the transit services, was facing direct challenges with its public safety interests in ensuring broadly available commercial transportation options.

A high-level analysis of the situation shows that under the current system:

1. Requires the taxi company to operate during many hours of the day when there is very little general taxi demand (i.e. Midnight on a Tuesday).
2. Allows riders of the subsidized system to use a taxi any time that the taxi is required to operate.
3. Results in unnecessary costs and low service quality during certain times of the day.
4. Prevents ride-sharing platforms from offering private-sector capacity during certain times of the day.

As a result, it was determined that the time had come to de-couple the transit programs from the general taxi/ride-share issue. Therefore, in January, 2025, a Request for Proposals was issued to provide the subsidized transit services. Specifically, the RFP focused on cost-containment and service reliability of the transit service while remaining agnostic of any other impacts to general taxi business. The RFP requested respondents to outline the amount/level of service that they could provide for these programs at a cost not to exceed \$415,000 per year. This necessarily meant that the request explicitly allowed for cuts to service level (hours of operation) in order to guarantee the best level of service during the actual service hours at a cost which is acceptable to the City budget.

RFP

City staff reached out to, and received legitimate interest from:

Hermiston Taxi
Uber
Mid-Columbia Bus
First Student
Kayak Public Transit

Multiple other entities made inquiries, but did not progress beyond initial discussions. Finally full formal proposals were actually received from Hermiston Taxi, and Uber.

TRANSIT COMMITTEE REVIEW

The City Council's Transit Committee reviewed the submissions from Uber and Hermiston Taxi on March 27. The committee noted that there were significant benefits and drawbacks from both proposals. Ultimately, the committee agreed that it is most prudent to proceed with awarding the contract to Hermiston Taxi while opening up the general public taxi options to allow ride-sharing companies like Uber to begin operating in the community, with the understanding that the contract would be re-advertised again in the future, and by that point some of the drawbacks of both options would be more clearly apparent.

CHANGE IN SERVICE LEVEL

This contract, effective July 1, will appear as though it is a major reduction in service level for the Senior and Disabled taxi program; however, that appearance is likely to be more on paper

than actually impactful to a meaningful number of riders. This contract will reduce the service hours from 6am to 10pm seven days per week down to 7:30am to 7:30pm Monday through Friday.

It is important to note that the City conducted user surveys annually from 2016 through 2020, to attempt to understand user habits. Generally speaking, it was apparent that the vast majority of rides take place between 10am and 4pm, with over half of those rides going to/from Wal-Mart. Therefore, cuts to service hours after 7:30pm are likely to impact a relatively small number of riders.

SERVICE LEVEL MITIGATING FACTORS

It is important to understand that there are a number of alternatives which are available during the times which service hours are being reduced; many of which didn't realistically exist just a few years ago:

- Subsidized Taxi: The Taxi Company will still be operating the WORC program 7 days per week. Therefore, customers may still be able to receive a subsidized ride during those times, they will just have to understand that the WORC program will take priority, so wait times may be significantly longer.
- Un-Subsidized Taxi or Ride-Share: Assuming that changes to the Taxi Code are approved to allow for Ride-Shares, then customers will always have the option of calling a taxi, or ordering a ride-share; those would just be at market rate and not taxpayer subsidized.
- Grocery Delivery: There has been an extreme proliferation in grocery delivery services since the COVID-19 pandemic. Given that a majority of the Senior/Disabled taxi rides are to the grocery store, many current transit program riders may easily be able to transition to simply receiving groceries on the weekend or outside of program hours through a delivery service at a comparable out of pocket price to the subsidized taxi service. A basic test conducted by city staff showed that the delivery fee for groceries within city limits is very comparable to the \$6 round-trip out of pocket cost to the customer to take a taxi to get groceries.

It is worth noting that a single round-trip to Wal-Mart on the Senior/Disabled Taxi program currently costs the taxpayers \$19. Therefore, it is likely cost-effective to consider running some promotional programming to incentivize riders to use grocery delivery.

Tie-In to Council Goals

Transportation: Improve Mobility and Transportation

Fiscal Information

| | |
|-------------------------|-----------|
| State Taxpayer Funding: | \$334,000 |
| Rider Fares: | \$72,000 |
| City General Fund: | \$9,000 |
| Total Contract Cost: | \$415,000 |

Alternatives and Recommendation

Alternatives

1. Approve resolution 2367
2. Reject resolution 2367

Recommended Action/Motion

Motion to approve Resolution 2367

Submitted By:

Mark Morgan