Memorandum

MIAMI-DADE COUNTY

Date: November 9, 2010

GO
Agenda Item No.
7A

To: Honorable Chairman Carlos Gimenez
and Members, Government Operations Committee

From: George M. Burgess
County Manager

Subject: Supplemental report regarding credit card requirements in taxicabs

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The attached report provides supplemental information as requested by the Government Operations Committee at its October 12, 2010 meeting.

Attachment

Assistant County Manager

Memorandum

MIAMI-DADE COUNTY

Date: NOV 03 2010

To: Honorable Carlos A. Gimenez, Chairman
and Members, Government Operations Committee

From: George M. Burgess
County Manager

Subject: Credit card requirements in taxicabs

This report is provided at the request of Commissioner Carlos Gimenez at the Government Operations Committee on October 12, 2010 in connection with the discussion of an ordinance addressing taxicab issues, sponsored by Commissioner Martinez. Information was requested regarding credit card payment processing systems currently being utilized within the taxicab industry and, in those jurisdictions that require the acceptance of credit cards in taxicabs, which system is most prevalent.

A comparison of jurisdictions is attached (Attachment A). Based on responses to a survey conducted by the Consumer Services Department (CSD), the data shows that of those jurisdictions reporting that credit cards are required only Ottawa, Canada has a passenger fee. Boston, Dallas, Chicago, Detroit, New Orleans, New York, Philadelphia and San Diego, all jurisdictions with over 1,000 taxicabs that require credit cards, do not allow a passenger fee. A fee of up to 5% is generally deducted from driver receipts by the credit card processer. Of those jurisdictions where credit cards are accepted but not required, Las Vegas and Louisville have a passenger fee. Although Houston prohibits passenger fees, a fee is charged in certain cabs at the airport. In some cases, including Broward County, the taxicab company pays the processing fees.

In addition to in-vehicle systems that are becoming prevalent, some airports have kiosks installed in their terminals that allow a passenger to purchase a voucher in advance that is then turned over to the driver who redeems the voucher later. This system provides a credit card alternative, but not a point-of-service solution.

In 2008, the CSD hosted a technology exhibition to showcase systems available to the taxi industry, including safe and reliable credit card processing alternatives. The exhibition, which was held in the lobby of the Stephen P. Clark Center, presented industry representatives and the public an opportunity to see the equipment and interact with company representatives.

In 2007, the CSD, in an effort to evaluate a passenger fee model of credit card acceptance, authorized a limited demonstration program in a limited number of taxicabs operated by TaxiPass. At the conclusion of the trip if the passenger pays by credit card TaxiPass adds a 10% passenger fee to the credit card charge. The program initially had little participation. It was extended in 2008 and there are presently 100 such taxicabs in operation. The program has continued under the condition of future compliance with whatever technology standard the County may establish.

In 2009, Central Taxi Service installed in all 220 of their vehicles a credit card processing system where the passenger is not charged. A fee is deducted from the amount paid to the driver. It has been suggested that this system has not been readily accepted by the drivers operating the vehicles, and there have been reports that the equipment has been sabotaged or otherwise made inoperable. This appears to be typical of initial reactions in other markets. A representative of Central Taxi Service has indicated that drivers are beginning to realize the financial benefits of the system and are growing more receptive to it.

In New York City where all taxicabs have been required to accept credit cards since 2007, there was well publicized driver resistance to a 5% driver processing fee. Credit card acceptance in New York is now credited with increasing overall ridership and revenue. The percent of trips paid by credit cards has increased from four percent (4%) in 2007, to 28% in 2009, up to 38% in 2010. Once used for longer trips, credit cards are now being substituted for cash on shorter trips. Driver tips have increased from 10% to 22% of the fare, on average.

The CSD's taxicab advisory group has discussed the issue of credit cards on several occasions. At its April 27, 2010 meeting, they supported the medallion holder, not the passenger or the driver, paying the processing fees in exchange for allowing medallion holders to have full transferability of their medallions. At its October 26, 2010 meeting, the majority of the group supported requiring all taxicabs to have credit card processing equipment and one uniform flat rate, not to exceed $3.00 per trip, to be added to the fare.

The option to pay by credit card in all taxicabs is desirable and necessary to meet passenger demand. The ordinance amendment currently under consideration initially impacts only the ten (10) medallions that will be issued through the proposed auction and lottery process. Medallions that are currently held in an individual person's name that convert to a corporation will also be required to install a credit card system.

The following concerns and observations are noted:

- Ten (10) states[1], including Florida, have laws prohibiting credit card surcharges. Section 501.0117 of the Florida Statutes (Attachment B) states that a seller or lessor may not impose a surcharge on the buyer or lessee for electing to use a credit card in lieu of payment by cash, check, or similar means. A surcharge is any additional amount imposed at the time of a sale or lease transaction that increases the charge to the buyer or lessee for the privilege of using a credit card to make payment. Discounts for cash payments are allowed. Section 215.322 of the Florida Statutes (Attachment C) provides an exception that local government is authorized to accept payment by credit card and "to surcharge the person who uses a credit card ... an amount sufficient to pay the service fee charges by the financial institution, vending service company, or credit card company for such services."

- If a passenger fee for the use of a credit card is authorized by the Board, the fee should be regulated as part of the fare and be uniform throughout the County. Chapter 31 of the Code defines taxicab fares or rates as the charges paid by passengers for the transportation services provided, and provides that the Board shall establish all such rates by resolution. A lack of uniformity could result in taxicabs using different systems, unless the fee is mandated for all credit card transactions.

- Passengers need advance notice of the existence of a fee and the fee amount by way of clear and conspicuous signage prior to entering the taxicab and prior to the start of the trip.

- The ordinance sponsored by Commissioner Martinez requiring credit card technology in certain taxicabs does not permit the imposition of a passenger fee and requires specific information to be

[1] California, Colorado, Connecticut, Florida, Kansas, Maine, Massachusetts, Oklahoma, New York, and Texas.

provided on printed receipts. If the Board authorizes a passenger fee, in addition to the information required in the proposed ordinance, the fee should be clearly reflected on the receipt.

- The hardware used by various companies to provide the point-of-service credit card solution in taxicabs is similar. Configuring a system to include or exclude fees is generally a matter of programming.

Several articles are also attached for your information. Please do not hesitate to contact me or CSD Director Cathy Grimes Peel if you have any questions or need additional information regarding this matter.

c: Robert A. Cuevas, Jr., County Attorney
Alex Muñoz, Assistant County Manager
Cathy Grimes Peel, Director, Consumer Services Department
Charles Anderson, Commission Auditor

City	Credit Card Required in Cabs***	Number of Cabs in Cities Where Credit Card Required	Passenger Fee Charged	State law Prohibiting Credit Card Surcharges
Anchorage, AK	No	-	No	No
Atlanta, GA	At Airport	-	No	No
Austin, TX	No	-	No	Yes
Boston, MA	**Yes**	**1,825***	**No**	**Yes**
Broward County, FL	No	-	No	Yes
Charlotte-Mecklenburg Co., NC	No	-	No	No
Chicago, IL	**Yes**	**6,650**	**No**	**No**
Dallas, TX	**Yes**	**2,022***	**No**	**Yes**
Denver CO	No	-	No	Yes
Detroit, MI	**Yes**	**1,308***	**No**	**No**
Fairfax, VA	No	-	No	No
Houston, TX	**Yes**	**2,270**	**No****	**Yes**
Las Vegas, NV	No	-	$3.00	No
Little Rock, AR	No	-	No	No
Los Angeles, CA	No	-	No	Yes
Louisville, KY	No	-	$3.00	No
New Orleans, LA	**Yes**	**1,608***	**No**	**No**
New York City, NY	**Yes**	**13,150***	**No**	**Yes**
Newark, NJ	At Airport	-	No***	No
Ottawa, Canada	**Yes**	**1,185**	**$1.50**	**UNK**
Philadelphia, PA	**Yes**	**1,600**	**No**	**No**
Phoenix, AZ	At Airport	800*	No	No
Salt Lake City, UT	**Yes**	**268**	**No**	**No**
San Diego, CA	**Yes**	**1,058**	**No**	**Yes**
San Francisco, CA	No	-	No	Yes
Seattle, WA	**Yes**	**910**	**No**	**No**
St. Louis, MO	**Yes**	**944***	**No**	**No**
Washington, DC	No	-	No	No

* 2008 Data
** Except certain cabs equipped with CabRide operating at the airport
*** Requires equipment in the vehicle

501.0117

Credit cards; transactions in which seller or lessor prohibited from imposing surcharge; penalty.

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(1) A seller or lessor in a sales or lease transaction may not impose a surcharge on the buyer or lessee for electing to use a credit card in lieu of payment by cash, check, or similar means, if the seller or lessor accepts payment by credit card. A surcharge is any additional amount imposed at the time of a sale or lease transaction by the seller or lessor that increases the charge to the buyer or lessee for the privilege of using a credit card to make payment. Charges imposed pursuant to approved state or federal tariffs are not considered to be a surcharge, and charges made under such tariffs are exempt from this section. A convenience fee imposed upon a student or family paying tuition, fees, or other student account charges by credit card to a William L. Boyd, IV, Florida resident access grant eligible institution, as defined in s. 1009.89, is not considered to be a surcharge and is exempt from this section if the amount of the convenience fee does not exceed the total cost charged by the credit card company to the institution. The term "credit card" includes those cards for which unpaid balances are payable on demand. This section does not apply to the offering of a discount for the purpose of inducing payment by cash, check, or other means not involving the use of a credit card, if the discount is offered to all prospective customers.

(2) A person who violates the provisions of subsection (1) is guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 or s. 775.083.

History.

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ss. 1, 2, ch. 87-43; s. 3, ch. 2010-219.

215.322

Acceptance of credit cards, charge cards, debit cards, or electronic funds transfers by state agencies, units of local government, and the judicial branch.

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(1) It is the intent of the Legislature to encourage state agencies, the judicial branch, and units of local government to make their goods, services, and information more convenient to the public through the acceptance of payments by credit cards, charge cards, debit cards, or other means of electronic funds transfers to the maximum extent practicable when the benefits to the participating agency and the public substantiate the cost of accepting these types of payments.

(2) A state agency as defined in s. 216.011, or the judicial branch, may accept credit cards, charge cards, debit cards, or electronic funds transfers in payment for goods and services with the prior approval of the Chief Financial Officer. If the Internet or other related electronic methods are to be used as the collection medium, the Agency for Enterprise Information Technology shall review and recommend to the Chief Financial Officer whether to approve the request with regard to the process or procedure to be used.

(3) The Chief Financial Officer shall adopt rules governing the establishment and acceptance of credit cards, charge cards, debit cards, or electronic funds transfers by state agencies or the judicial branch, including, but not limited to, the following:

(a) Use of a standardized contract between the financial institution or other appropriate intermediaries and the agency or judicial branch which shall be developed by the Chief Financial Officer or approval by the Chief Financial Officer of a substitute agreement.

(b) Procedures that permit an agency or officer accepting payment by credit card, charge card, debit card, or electronic funds transfer to impose a convenience fee upon the person making the payment. However, the total amount of such convenience fees may not exceed the total cost to the state agency. A convenience fee is not refundable to the payor. However, this section does not permit the imposition of surcharges on any other credit card purchase in violation of s. 501.0117.

(c) All service fees payable pursuant to this section shall be invoiced and paid by state warrant or such other manner that is satisfactory to the Chief Financial Officer in accordance with the time periods specified in s. 215.422, if practicable.

(d) Submission of information to the Chief Financial Officer concerning the acceptance of credit cards, charge cards, debit cards, or electronic funds transfers by all state agencies or the judicial branch.

(e) A methodology for agencies to use when completing the cost-benefit analysis referred to in

subsection (1). The methodology must consider all quantifiable cost reductions, other benefits to the agency, and the potential impact on general revenue. The methodology must also consider nonquantifiable benefits such as the convenience to individuals and businesses that would benefit from the ability to pay for state goods and services through the use of credit cards, charge cards, debit cards, or electronic funds transfers.

(4) The Chief Financial Officer may establish contracts with one or more financial institutions, credit card companies, or other entities that may lawfully provide such services, in a manner consistent with chapter 287, for processing credit card, charge card, debit card, or electronic funds transfer collections for deposit into the State Treasury or another qualified public depository. Any state agency, or the judicial branch, which accepts payment by credit card, charge card, debit card, or electronic funds transfer shall use at least one of the contractors established by the Chief Financial Officer, unless the state agency or judicial branch obtains authorization from the Chief Financial Officer to use another contractor that is more advantageous to the state agency or the judicial branch. The contracts may authorize a unit of local government to use the services upon the same terms and conditions for deposit of credit card, charge card, debit card, or electronic funds transfer transactions into its qualified public depositories.

(5) A unit of local government, including a municipality, special district, or board of county commissioners or other governing body of a county, a consolidated or metropolitan government, and any clerk of the circuit court, sheriff, property appraiser, tax collector, or supervisor of elections, is authorized to accept payment by use of credit cards, charge cards, bank debit cards, and electronic funds transfers for financial obligations that are owing to such unit of local government and to surcharge the person who uses a credit card, charge card, bank debit card, or electronic funds transfer in payment of taxes, license fees, tuition, fines, civil penalties, court-ordered payments, or court costs, or other statutorily prescribed revenues an amount sufficient to pay the service fee charges by the financial institution, vending service company, or credit card company for such services. A unit of local government shall verify both the validity of any credit card, charge card, bank debit card, or electronic funds transfer used pursuant to this subsection and the existence of appropriate credit with respect to the person using the card or transfer. The unit of local government does not incur any liability as a result of such verification or any subsequent action taken.

(6) Any action required to be performed by a state officer or agency pursuant to this section shall be performed within 10 working days after receipt of the request for approval or be deemed approved if not acted upon within that time.

(7) This section does not prohibit a state agency or the judicial branch from continuing to accept charge cards, debit cards, or electronic funds transfers pursuant to a contract that was lawfully entered into before the effective date of this act, unless specifically directed otherwise in the General Appropriations Act. However, such contract may not be extended or renewed after the effective date of

this act unless such renewal and extension conforms to the requirements of this section.

(8) When deemed administratively necessary, a state agency, as defined in s. 216.011, or the judicial branch may adopt rules requiring that payments for goods, services, or anything of value be made by electronic means, including, but not limited to, credit cards, charge cards, debit cards, or electronic funds transfers. However, the rules may not conflict with any similar rules adopted by the Chief Financial Officer. The rules must provide a method to reasonably accommodate persons who, because of technological, financial, or other hardship, may not be able to make payment by electronic means.

(9) For payment programs in which credit cards, charge cards, or debit cards are accepted by state agencies, the judicial branch, or units of local government, the Chief Financial Officer, in consultation with the Agency for Enterprise Information Technology, may adopt rules to establish uniform security safeguards for cardholder data and to ensure compliance with the Payment Card Industry Data Security Standards.

History.—

s. 1, ch. 83-332; s. 15, ch. 88-119; s. 53, ch. 90-360; s. 18, ch. 92-142; s. 1, ch. 92-300; s. 16, ch. 96-324; s. 69, ch. 96-406; s. 11, ch. 97-241; s. 30, ch. 2000-164; s. 212, ch. 2003-261; s. 3, ch. 2007-251; s. 2, ch. 2008-116; s. 7, ch. 2010-151.

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November 8, 2009

New York's Cabbies Like Credit Cards? Go Figure

By MICHAEL M. GRYNBAUM

New York's cabbies howled when the city began forcing them to take credit cards. Some even went on strike, calling the requirements a kowtow to tourists and a burden on drivers.

But two years later, the back-of-the-cab swipe has emerged as an unlikely savior for New York's taxi industry, even as other cities' fleets struggle to find fares in a deep recession.

Overall ridership and revenue have increased. More and more fares are being paid with credit cards, even for shorter rides. And tips for drivers, usually an early casualty of tough times, are up sharply, double over the pre-plastic days.

Even cabbies are conceding that credit cards are good for business. "It's better," said Naveed Shah, 35, a driver for five years, as he gassed up his Ford Crown Victoria recently. "If there was no credit card, people aren't going to take taxicabs."

Other major cities are now rushing to follow suit. Although New York was late to bring credit cards to cabs, it leapfrogged ahead by pioneering a customer-friendly system that required no signed receipts, no minimum payment and an interactive device that let passengers swipe the card and add tips themselves.

In Los Angeles, for instance, credit card machines are often in the front seat, forcing riders to hand their cards to the driver. Business this year is off about 15 percent, according to fleet owners, mirroring national trends in the industry.

In New York, however, revenues have risen about 13 percent from the end of last year, according to data collected by the city's Taxi and Limousine Commission. And tips, which hovered around 10 percent when cab rides were cash only, averaged 22 percent on credit-card transactions this fall.

"Credit cards helped the New York industry stay stable in a time when the rest of the for-

10

hire industry was in significant decline," said Alfred LaGasse, chief executive officer of the Taxicab, Limousine and Paratransit Association, a national trade group.

Taxi fleets in Boston, Chicago, Las Vegas and the suburbs of Washington are all beginning to experiment with back-seat card readers similar to those in New York, Mr. LaGasse said.

Once considered a convenient payment method for longer trips, often to the area's airports, credit cards are now being used for shorter, cheaper rides, the type of $5 rainy-day indulgences that were once handled exclusively with cash.

Amos Tamam, president of VeriFone Transportation Systems, whose card readers are in 6,700 cabs, or about half of the city's fleet, said his company's average credit-card fare is now less than $15, down from $16 a year ago.

"The more usage you get with credit cards, the lower the average ticket is going to go," Mr. Tamam said.

Passengers said that paying with credit cards has become second nature. "Any time I take a cab, I pay with a card, on the advice of my accountant," said Michelin Hall of Manhattan, after swiping his American Express card in a taxi outside Pennsylvania Station the other day. Mr. Hall said that with cards, "it's easy to track the receipts, it can tell you how long the cab ride was and where you went" — convenient information when he files expenses for his job in marketing.

The increase in tips, however, may have less to do with New Yorkers' generosity than with the preset amounts suggested to passengers on the taxi's software systems. In many of the city's cabs, riders are offered options for their tip depending on the length of the ride. For fares under $15, a screen prompts tips of $2, $3 or $4; the numbers can range from 15 percent to 30 percent for higher fares. The presets are used about 70 percent of the time, according to industry estimates.

New York's success seemed unlikely a year ago, when the last of the city's 13,000 cabs were outfitted with credit-card readers, part of an initiative started in 2007 by Mayor Michael R. Bloomberg. The city was reeling from a maelstrom on Wall Street that disproportionately affected the high-income industries that drive the New York economy.

And riders were still reporting unpleasant run-ins with drivers who refused to accept the cards or pressured customers to pay with cash, a resentment left over from a two-day strike in September 2007 that forced officials to institute an ad-hoc system for shared rides.

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But in 2008, taxi officials began noticing a trend: Cab business was staying steady, and credit card use was on the rise.

At the end of last year, about one-fifth of cab rides were being paid for with a card. That portion has grown steadily this year, reaching 28 percent in September, the latest month for which data was available. Meanwhile, black-car business has fallen about 30 percent, as companies encourage employees to use corporate credit cards to expense cheaper yellow-cab rides.

"It's becoming a way of life in the taxi world," said Matthew W. Daus, New York's taxi commissioner. "New Yorkers are getting more accustomed to going around without cash. We think it's a good thing."

In interviews, drivers acknowledged that business had improved, but still groused about the credit card machines. The higher tips are tempered by a 5 percent service fee applied to fares that are paid with plastic. Drivers must also wait anywhere from a day to a week to retrieve their fare money paid by credit cards, and they said the machines occasionally break down, resulting in lost fares.

"Because of credit cards we get customers, that's true," said Muhammed Hamid, 35, of Queens. "But if they give us cash, you can put the gas on that; you don't have to wait three, four days."

Told of the statistics that showed higher tips, some drivers scoffed. "I know that's not true," said William Lindauer, a driver and coordinating member of the New York Taxi Workers Alliance. "They get no tips, or less tips."

A random survey suggested otherwise. Several drivers were asked to share their credit receipts after their shifts. Of 20 receipts reviewed, the average tip came out to just over 18 percent. The preset tip amounts were used more than half the time, resulting in a $5.30 ride getting a tip of $2, or about 38 percent.

It may be difficult, however, for other cities to recreate New York's success. "Not all agencies in other cities have the same tools, manpower and budget to do what New York City did," said Mr. Tamam of VeriFone. And New York's fleet, the largest in the country, has a bigger customer base that can help justify the high cost of installing more advanced credit card technology.

Some drivers suggested, paradoxically, that the recession itself may be prompting greater

credit card use. Simon Palade, a driver for more than 40 years, said he sees far more cash fares around the first of the month, when paychecks are often issued.

"After that it slows down and they've got to use plastic more and more," Mr. Palade, 59, of Sunnyside, Queens, said the other day, as he navigated a Central Park transverse. "People don't got no money. They're banking on the future."

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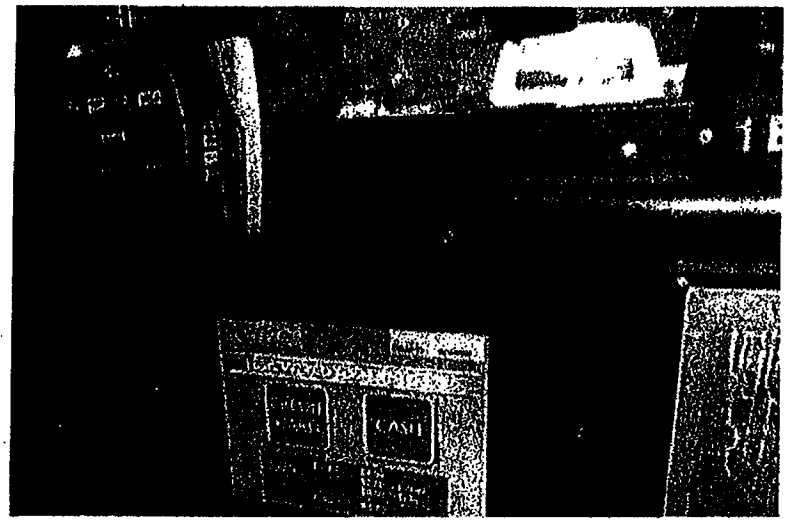
The power of buttons — NYC taxi tips take off

http://www.consumertraveler.com/today/the-power-of-buttons-%e2%80%94-nyc-taxi-tips-take-off/?pfstyle=wp
October 28th, 2010



Nobody likes change. It seems that everyone looks at the problems with change rather than the opportunities. Such was the case with taxi drivers in New York City (NYC) when they were ordered to add credit card machines to their cabs two years ago. All they saw was the added five percent card processing fee and another hassle. In the end they were surprised and some cabbies are singing a happy tune on their way to the bank.

What was the big surprise? Tips. Yes, tips.

Tips are way up! Way up! Taxi drivers are making more money now than ever.

It seems that these new credit card machines have special tip shortcut buttons on them that can be set for a percentage (15 percent, 20 percent or 25 percent) or for a flat fee ($2, $3 or $4).

Passengers are far more generous when paying by credit card and having the buttons to push seems to be a suggestion for the proper tip, rather than a rough rounding up to the next even dollar amount in the old days.

How many passengers feel like cheapskates when the push the lowest tip level? Probably a lot. It's human nature it seems, so tips are rising.

In the old days if the taxi fare was $3.50 most folk would add 50¢ and say, "Make it $4." With the new machines even if a passenger decided to push the 15 percent tip button the taxi driver would make more and most passengers seem to be pushing the 20 or 25 percent tip button (in some cases, there isn't even a 15 percent option).

The New York City Taxi and Limousine Commission (TLC) notes:

> Currently, there are three technology vendors that provide options in percentages or dollar amounts dependant on the total fare. For the particular vendor that you highlight [in the image above], the system offers tip amounts in dollar increments of $2, $3, or $4 in cash for fare amounts that total under $15.00. If the fare amount surpasses the $15.00 fare, then the option transfers into percentages at 20%, 25%, and 30%."

Is 20 percent the normal amount to tip a taxi driver? When did that become *normal*?

The taxi drivers are learning to love this system because of higher tips, but there is still some

grumbling because tips were "off the books" and therefore non-taxable in the old days. Drivers still aren't totally sure whether the increase in the tips is going to make up for the ability of authorities to tax the now-reported tips. Time will tell.

In the meantime, riders "interested in filing a complaint" can call (212) 639-9675, or 311 within New York City.

Have any readers experienced taxis that take credit cards? The system has been in place since 2007 in New York, though I've only paid with cash. Cabs with credit card machines have been used in Europe for years.

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