

State of Nevada  
Governor's Finance Office  
Division of Internal Audits

**Audit Report**

**Department of Business & Industry  
Taxicab Authority**

Report No. 16-01  
January 2016

# EXECUTIVE SUMMARY

## Taxicab Authority

**Introduction**..... page 1

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### **Objective: Can the Taxicab Authority Board More Effectively Serve the Public?**

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**Adhere to Statutory Roles and Responsibilities**..... page 6

Adhering to roles and responsibilities in board decisions will allow the authority to function as intended. The board overstepped its role by reprioritizing taxicab inspections under the control of the authority administrator. The board’s appellate decisions of the administrator’s conclusions on fitness for driver’s permits may expose the state to liabilities. Board decisions have minimized authority staff work, relied on taxicab industry representation, changed established procedures, and countered decisions made for the welfare and safety of the public. Board decisions may erode public confidence in the Taxicab Authority’s ability to regulate the industry in Clark County.

**Correct the Fee Structure**.....page 10

Correcting the fee structure to rescind the \$0.08 increase in the mileage rate, eliminate the \$0.12 per mile fuel surcharge, and use a graduated surcharge structure in the future based on actual Clark County fuel prices will enhance transparency for the cost of a taxicab trip. This could benefit the public and local economy by over \$27 million annually.

The Clark County taxicab fare is among the highest in the country. In the summer of 2015, during a time when industry fuel costs were down, revenues were up, and competition was emerging from new transportation network companies, the board approved a mileage rate increase and a fuel surcharge. The board used federal data for fuel prices to support the surcharge, which are higher than actual fuel prices in Las Vegas/Clark County. The increases in the mileage rate and the fuel surcharge result in unsupported costs to the public and unsupported revenues for the industry. Other taxicab regulatory agencies have not approved a fuel surcharge. Board decisions that generate unsupported costs to the public and unsupported revenues for the industry may erode public confidence in the Taxicab Authority’s ability to regulate the industry in Clark County.

**Adjust the Credit Card Fee / Evaluate Eliminating Completely**.....page 17

Adjusting the \$3 credit card fee by lowering it to a maximum \$0.90 per transaction or eliminating the fee completely will enhance transparency to the public for the cost of a taxicab trip. This could benefit the public and local economy by \$14.2 - \$20.3 million annually. The credit card fee exceeds the costs to the industry of the public using credit cards to pay a taxicab fare. The credit card fee is 17 percent of an average taxicab fare. Credit card fees range from as little as 0.05 percent that the State of Nevada pays for vendor services to 5 percent taxicab companies pay in other cities. Unsupported

revenues result from an excessive credit card fee. Outside Clark County, the taxicab industry absorbs the costs for using credit cards. Board decisions that generate unsupported costs to the public and unsupported revenues for the industry may erode public confidence in the Taxicab Authority's ability to regulate the industry in Clark County.

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**Objective: Can the Department of Business and Industry  
More Effectively Serve the Public?**

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**Clarify Enforcement Policy and Procedures;  
Organize and Equip Accordingly.....page 22**

Clarifying enforcement policy and procedures will provide consistency with statute and state administrative code, and allow the department to organize and equip authority staff accordingly. Authority field investigator activities are inconsistent with NRS and NAC. Field investigators are category II peace officers but are operating as an auxiliary local police force and performing activities indicative of a Category I peace officer. Clarifying the role of enforcement will guide funding. To the extent the department deems authority enforcement practices, staffing, training, and equipping are outside the scope and intent of NRS and NAC, fewer resources may be required and result in lower costs to the public and taxicab industry.

**Eliminate the Taxicab Authority as a Separate Regulatory Agency..... page 27**

Eliminating the Taxicab Authority as a separate state regulatory agency will transition an agency with local authority to the local jurisdiction or consolidate taxicab regulation in a consistent, statewide manner. In most states, local jurisdictions regulate the taxicab industry. Only twelve states regulate the taxicab industry at the state level and none have a separate agency for a single city or county. The Nevada Transportation Authority (NTA) is organized to regulate Clark County taxicabs and is already regulating all other transportation services statewide, including new transportation network companies operating in Clark County. NTA enforcement practices are consistent with how most other states and cities enforce taxicab regulations; they are also consistent with Nevada statute and state administrative code.

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Department of Business and Industry; Taxicab Authority  
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Timetable for Implementing Audit Recommendations

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## INTRODUCTION

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At the request of the Department of Business and Industry we conducted an audit of the Taxicab Authority (authority). Our audit addressed the following four questions:

- ✓ What is the authority's role?
- ✓ What services must the authority provide?
- ✓ Is the state the proper level of government to provide these services?
- ✓ If state government is the proper level of government, is the authority carrying out its duties efficiently and effectively?

Our audit focused on the authority's board decisions, the fees and fares paid by the public to use taxicabs in Clark County, and enforcement of taxicab regulations.

### **Authority's Role and Public Purpose**

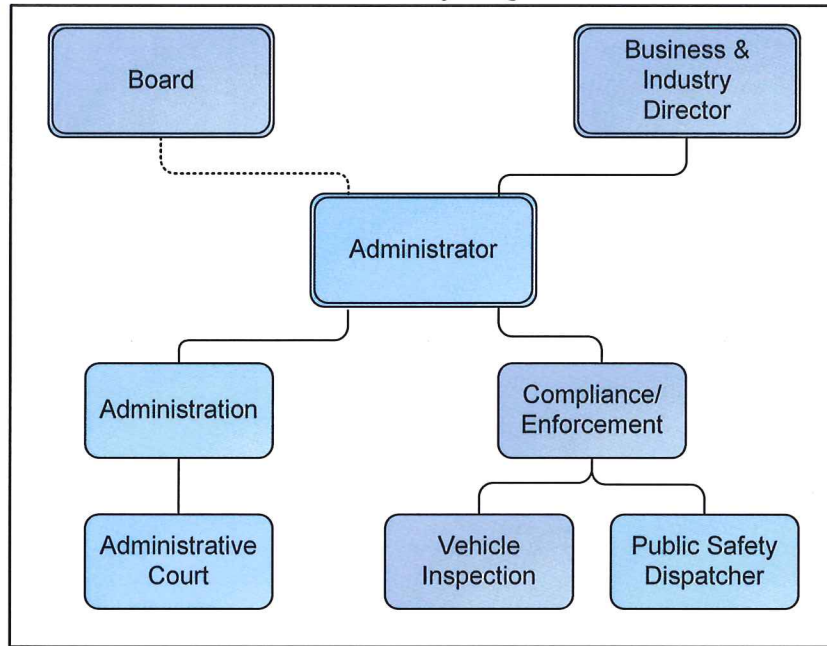
The Taxicab Authority was established in 1969 to regulate the taxicab industry in Clark County and is part of the Nevada Department of Business and Industry. The mission of the authority is to provide for the safety, comfort, and convenience of the taxi riding public through the regulation of the taxicab industry. The authority consists of a part-time five-member board appointed by the Governor and a full-time authority staff. NRS 706.8818 – 8819 creates the Taxicab Authority board (board) and duties:

- Adopting regulations for the taxicab industry;
- Adjusting rates, charges or fares for taxicab service;
- Issuing certificates of public convenience and necessity to operate a taxicab service;
- Authorizing transfers of certificates of public convenience and necessity;
- Changing allocations of taxicabs in Clark County;
- Handling appeals from final decisions of the administrator; and
- Conducting investigations of alleged violations by certificate holders.

The authority is managed by an administrator who reports to the Director of the Department of Business and Industry. The authority is comprised of two sections, Administration and Compliance/Enforcement. The two sections cover: administration, administrative court, compliance/enforcement, vehicle inspection, and public safety dispatch. In fiscal year 2015, the authority employed 56 full time equivalent staff. Exhibit I shows the authority organization.

**Exhibit I**

**Taxicab Authority Organization**



The authority's fiscal year 2015 budget was approximately \$6.1 million. Exhibits II and III summarize the authority's 2015 revenues and expenditures.

**Exhibit II**

**Taxicab Authority Funding Sources  
Fiscal Year 2015**

<b>Funding Sources</b>	<b>2015</b>
Beginning Cash	\$ 4,287,860
Regulatory Assessments	\$ 250,908
Certificates	\$ 335,900
Driver Permits	\$ 173,720
Fingerprint Fees	\$ 67,137
Trip Charges	\$ 5,569,540
Fines	\$ 299,174
Treasurer's Interest Distribution	\$ 17,074
Other Revenue <sup>1</sup>	\$ 56,819
<b>Total Funding Available</b>	<b>\$ 11,058,132</b>
<b>Less Total Expenses</b>	<b>\$ 6,102,999</b>
<b>Reserve Balance<sup>2</sup></b>	<b>\$ 4,955,133</b>

Source: State accounting system

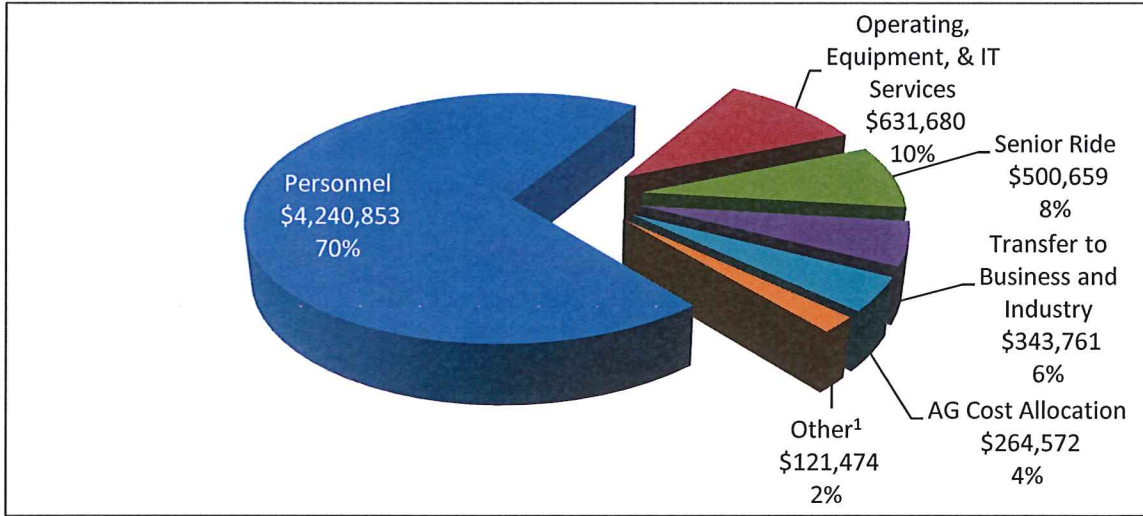
Table Notes:

<sup>1</sup> Other revenue consists of application, photocopy and misc. program fees; excess property sales; and refunds.

<sup>2</sup> The Taxicab Authority has approved expenditures totaling approximately \$3.4 million from the reserve for an IT upgrade, fare study, and additional personnel costs. The projected reserve for the end of the 16/17 biennium is approximately \$1.6 million.

**Exhibit III**

**Taxicab Authority Expenditures  
Fiscal Year 2015**



Source: State accounting system.

Table Note:

<sup>1</sup> Other expenses consists of out/in-state travel, training, department cost allocation, transfer to criminal history repository, uniform allowance, NDOT radio cost allocation, purchasing assessment, relocation, and statewide cost allocation plan.

**Proper Level of Government**

The state may not be the proper level of government to provide these services because they relate exclusively to taxicab regulation in Clark County. The authority has no state government role outside Clark County.

**Objectives and Scope**

Our audit focused on the following objectives:

- ✓ Can the Taxicab Authority board more effectively serve the public?
- ✓ Can the Department of Business and Industry more effectively serve the public?

We began the audit in January 2015. In the course of our work, we interviewed department and authority staff, board members, and taxicab industry officials. We reviewed processes inherent to the authority's responsibilities. We reviewed authority records for fiscal years 2008 through 2016 to date, applicable Nevada Revised Statutes, Nevada Administrative Codes, and other state guidelines. We also surveyed other states, comparing enforcement and inspection processes as well as the organizational structure of other state and local agencies with similar regulatory responsibilities. We concluded field work and testing in October 2015.

We performed our audit in accordance with the *Standards for the Professional Practice of Internal Auditing*.

We express appreciation to the department, authority board and staff, and taxicab industry officials for their cooperation and assistance throughout the audit.

Contributors to this report included:

Warren Lowman  
Executive Branch Audit Manager

Lynnette Aaron, CPA, MBA  
Executive Branch Auditor

## **Department of Business and Industry / Taxicab Authority Response and Implementation Plan**

We provided draft copies of this report to Department of Business and Industry (department) and Taxicab Authority (authority) officials for their review and comments. Their comments have been considered in the preparation of this report and are included in Appendix A. In its response, the department accepted our recommendations. The administrator will add our audit recommendations as an agenda item for the board's first meeting following presentation of the audit to the Executive Branch Audit Committee. Appendix B includes a timetable to implement our recommendations.

NRS 353A.090 specifies within six months after the final report is issued to the Executive Branch Audit Committee, the Administrator of the Division of Internal Audits shall evaluate the steps the department and authority board have taken to implement the recommendations and shall determine whether the steps are achieving the desired results. The administrator shall report the six month follow-up results to the committee and department officials.

The following report contains our findings, conclusions, and recommendations.



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## **Can the Taxicab Authority Board More Effectively Serve the Public?**

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The Taxicab Authority board (board) can more effectively serve the public by:

- Adhering to statutory roles and responsibilities;
- Correcting the fee structure; and
- Adjusting or eliminating the credit card fee.

These actions will enhance regulation of the taxicab industry in Clark County, increase transparency in board and industry practices, and could benefit the public and local economy by over \$47 million annually.

### **Adhere to Statutory Roles and Responsibilities**

The board should adhere to statutory roles and responsibilities to more effectively work with the administrator and authority staff. In general, the board's function is to adopt regulations for the industry, set rates, allocate taxicabs, and act in an appellate role for decisions made by the administrator on violations of taxicab regulations. The administrator's function is to control the regulatory process.<sup>1</sup>

There are authority staff that support the administrator and the board's information requests to help in decision making. Authority staff should respond timely to board requests for information that will help members make decisions on fares, fees, and other regulatory policy. This will enhance the effectiveness of the authority and increase transparency for the public.

### **Board and Authority Staff Must Improve Communication to Effectively Regulate the Taxicab Industry in Clark County**

The board and authority staff must improve communication to more effectively work together. Improved communication will allow the authority staff to better understand the board's information and support requirements.

The board described a general lack of confidence in the information staff prepare to support the board's deliberations and decisions. Consequently, the board has looked elsewhere for information to help its decision-making process. The board reports routinely turning to the Las Vegas Convention and Visitors Authority for specific information, such as wait times for taxicabs at major events, to help determine if medallions are adequately distributed to serve the public need for

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<sup>1</sup> NRS 706.8818 – 8819 and 706.8821.

taxicab service.<sup>2</sup> More recently, at the August 2015 meeting, the board relied on an industry presentation to approve a public policy proposal to increase the fare mileage rate and implement a fuel surcharge.

Authority staff report they are often unaware of information requirements by board members and consequently unable to provide data to support the board. Moreover, staff input is often not requested except for pro-forma solicitations during public meetings.

The board reports authority staff have been slow to provide requested information not typically provided because the priority was to collect and assess data historically provided to the board. The board perceived this as the staff's failure to follow instruction, an unwillingness to be proactive, and inability to take the initiative or anticipate requirements for developing policy decisions.

Some of the board's requests for information were in real-time, outside normal business hours. At such times, only shift-working field investigators and the dispatch center are available to respond. Field investigators had never been asked to provide this type of information, including reporting real-time public service information. The administrator stated using authority staff to collect and disseminate some types of information requested by the board may be outside the authority's regulatory role. There are no policies and procedures to guide how authority staff would respond in a timely manner to the board's requests.

### **Board Oversteps Its Role by Reprioritizing Taxicab Inspections**

Board intervention has reprioritized the administrator's inspection schedule at the expense of one company over another. The administrator was forced to reprioritize the taxicab vehicle inspection schedule to accommodate an owner of one company who had not properly planned and coordinated with the inspectors. Inspectors were reassigned from work that had been properly planned and coordinated to place taxicabs in service for another company on New Year's Eve 2014. As a result, according to authority staff, the owner who failed to follow procedures but was helped by the board obtained an advantage over other taxicab owners who followed procedures during the holiday season but were unable to put taxicabs in service.

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<sup>2</sup> NAC 706.450(4) defines a medallion as the metal plate issued by the authority which is affixed to a taxicab authorizing it to be operated within the jurisdiction of the authority. Each medallion is identified with a unique number.

## **Board Appellate Decisions May Expose State to Liabilities**

In its role as the first level appeal of final decisions made by the administrator, the board may have exposed the state to future liability because of its decisions.<sup>3</sup> The specific potential liabilities are unknown; however, board decisions resulted in applicants who failed to meet state administrative code allowed to drive taxicabs in Clark County.

We reviewed two instances in fiscal year 2015 when the administrator determined applicants should not be considered for a taxicab driver's permit based on fingerprint results, police and court records, and applicant testimonies. The administrator considered the evidence and concluded applicants violated NAC 706.516 criteria for sexual and drug offenses. The board concluded on appeal that extenuating circumstances and conditional privileges were sufficient deterrents and issued a driver's permit to both applicants.<sup>4</sup>

State administrative code establishes criteria to support statute, which provides for the administrator to gather and evaluate evidence of regulatory violations. The authority staff is funded and trained to support the board's regulatory function. The board's decisions overturned extensive and documented staff work. The board's decisions may put the state in some liability from countering the administrator's decisions that certain drivers would be detrimental to the public health, welfare or safety in Clark County.

## **In Conclusion**

Adhering to statutory roles and responsibilities will allow the authority to function as intended by statute and state administrative code. Board decisions have minimized authority staff work, relied on taxicab industry representation, changed established procedures, and countered decisions made for the welfare and safety of the public. Consequently, board decisions may erode public confidence in the Taxicab Authority's ability to regulate the industry in Clark County.

Statute and state administrative code exist to guide areas of responsibility and accountability. Board decisions that give the appearance of circumventing statutory intent and the professional judgment of staff may prove

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<sup>3</sup> NRS 706.8822 states the Taxicab Authority Administrator shall conduct administrative hearings and make final decisions on violations, complaints, certain applications, and impose monetary fines, subject to appeal to the Taxicab Authority (board). The Administrative Court is part of the staff and assists the administrator in this function. Appeals of board decisions are made to the District Court.

<sup>4</sup> One driver reapplying for a permit was found to have two prior sexual offenses that were not revealed during the initial background check. The board approved renewing the driver's permit because there had been no adverse information or violations during the period the initial permit was valid. The other applicant had not disclosed past drug offenses that were revealed during the background check. The board approved a temporary driver's permit that would become permanent if the driver met certain conditions.

counterproductive to the authority's mission. The authority will work more efficiently and effectively when the board constrains itself to those functions set in statute and state administrative code, and the administrator controls the regulatory process.

The board and authority staff should adhere to statutory roles and responsibilities in pursuit of its mission to provide for the safety, comfort, and convenience of the taxicab riding public.

## **Recommendation**

1. Adhere to statutory roles and responsibilities.

## Correct the Fee Structure

The board should correct the fee structure to provide transparency for the public of the cost of a taxicab trip and to accurately reflect industry compensation. This could benefit the public and local economy by over \$27 million annually.

### Clark County Taxicab Fares Among the Highest in the Country

The public pays among the highest fares in the country for taxicab service in Clark County. Exhibit IV shows the ten highest fares of the list of fares monitored by the board as part of its ongoing oversight of the industry.

#### Exhibit IV

#### Taxicab Fare Comparisons August 2015

	City, State	Trip Fare (5 miles)
1	San Diego, CA	\$ 19.60
2	Sacramento, CA	\$ 19.00
3	San Jose, CA	\$ 18.50
4	Maui, HI	\$ 18.50
5	<b>Las Vegas, NV</b>	<b>\$ 17.90</b>
6	Miami, FL	\$ 16.80
7	San Francisco, CA	\$ 16.70
8	Boston, MA	\$ 16.20
9	Los Angeles, CA	\$ 16.05
10	Minneapolis, MN	\$ 15.70

Exhibit V shows the distribution of the Clark County average fare, which includes the initial activation of the meter, known as the drop rate, and the per mile rate. The fare does not include the additional fee for using a credit card to pay or the state three percent tax.

#### Exhibit V

#### Clark County Average Fare Rate

Fare Description	Fee	Average Trip (5 miles)
Drop Rate: Initial Activation of Taximeter	\$ 3.50	\$ 3.50
Per Mile Rate: Each Additional 1/12 mile is \$0.24	\$ 2.88	\$ 14.40
<b>Total Fare</b>		<b>\$ 17.90</b>

## **Board Approves Rate Increase and Fuel Surcharge as Gas Prices Drop, Number of Visitors Climbs, and Competition Emerges from TNCs**

The board approved a fuel surcharge for the taxicab industry in July 2015, which was subsequently reallocated in August 2015 into a permanent mileage rate increase and smaller per mile surcharge. The timing of the board's decision seems inconsistent with the improving economic conditions directly affecting the taxicab industry.

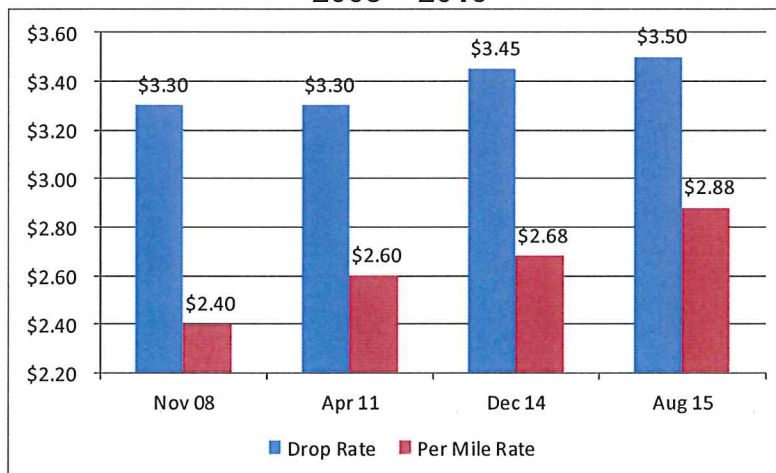
Gas prices declined about \$0.10 per gallon over the summer of 2015. The number of visitors to Las Vegas increased by 2 percent over the same time the previous year and passenger traffic at McCarran Airport was up by over 7.2 percent,<sup>5</sup> translating into an increase in taxicab trips by almost 1.2 percent.<sup>6</sup> In summary, industry fuel costs were down and revenues were up.

Another significant shift in the local economy was also occurring during the summer. New competition was emerging from transportation network companies (TNCs), such as Uber and Lyft, as the Nevada Transportation Authority finalized regulations for the new transportation options for the public authorized by the Legislature.

The board approved a per mile rate increase once in the six years between 2008 and November 2014. Between December 2014 and 2015, the board approved two increases in both the per mile rate and the drop rate. Exhibit VI shows the increase in the Clark County taxicab fare over the past eight years.

### **Exhibit VI**

**Taxicab Fare Rates  
2008 – 2015**



<sup>5</sup> Source: Las Vegas Convention and Visitors Authority, August 2015.

<sup>6</sup> Source: Taxicab Authority, Taxicab Industry Statistics, September 2015.

## **Increases in the Fuel Surcharge Result in Unsupported Costs to the Public and Unsupported Revenues for the Industry**

The taxicab fee structure is not transparent. There are board-approved increases in the current fare which result in unsupported costs to the public and unsupported revenues for the taxicab industry in Clark County.

In July 2015, the board approved a \$0.20 per mile fuel surcharge increase in the fare requested by the taxicab industry. This increase was conditional on federal data for the average cost of a gallon of gas in the west over a 30-day period. The federal data compiles and reports the average cost for gas in western states, including California, which has the highest gas prices in the west. Our review of recent gas prices shows the average cost of gas in Las Vegas was lower than the federally reported average.<sup>7</sup>

The board used the federal data in 2011 to establish fuel surcharge thresholds at that time. Subsequent to the industry request to the board for a fuel surcharge this past summer, authority staff noted the discrepancy between federal and Las Vegas gas prices and advised against using the federal data to establish thresholds. However, the board approved the industry request using the federal data. Using the Las Vegas prices, the board could not have approved the industry request because the price of gas was below the previously established threshold for implementing a surcharge.

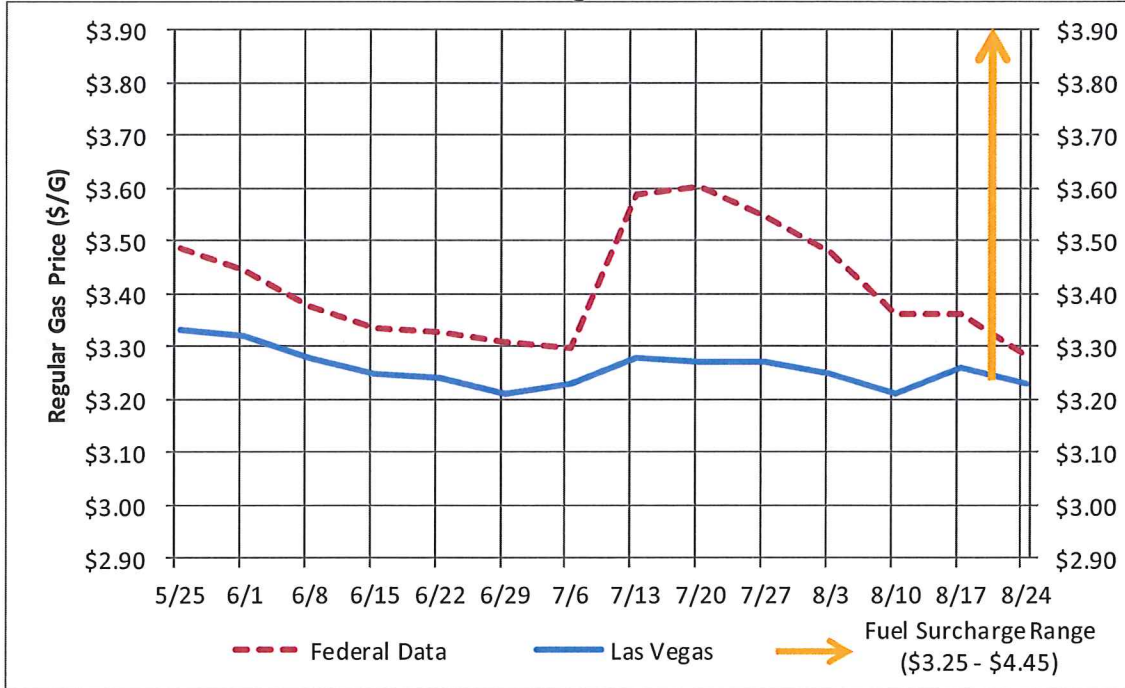
The approved fuel surcharge is front loaded; the surcharge is not graduated and the full amount becomes effective immediately. The increase maximizes costs to the public and revenues for the industry. The surcharge is effective when the average cost of a gallon of gas reaches \$3.25 and remains in effect up to \$4.45 a gallon. Given current trends, it is unlikely gas prices will increase near the upper limit of the range to allow the cost/benefit to flatten. As such, the board's decision maximizes costs to the public and revenues for the industry in the near term. Moreover, the fuel surcharge may be unnecessary if the board uses data representative of actual prices in Las Vegas. Exhibit VII shows the comparison between federally reported gas prices in the west and average prices in Las Vegas.

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<sup>7</sup> Source: GasBuddy.com reporting of Las Vegas fuel prices, summer 2015.

**Exhibit VII**

**Summer 2015 Average Retail Gas Prices**



**Reallocation of the Fuel Surcharge Increases Unsupported Costs to the Public and Unsupported Revenues for the Industry**

In August 2015, the board approved a reallocation of the \$0.20 per mile surcharge approved in July. The new allocation is an \$0.08 increase in the fare per mile rate and a \$0.12 per mile surcharge. The \$0.12 per mile surcharge remains conditional. The \$0.08 increase in the per mile rate is not conditional; it is a permanent increase in the fare.

The new reallocation formula was reportedly agreed to at an industry/authority work session. However, board, authority staff, and industry participants could not provide a record of the deliberations leading to the recommendation of reallocating the surcharge to a permanent increase in the fare and a lower conditional per-mile surcharge rate. In fact, no authority or industry official we spoke with could identify who proposed the reallocation. The document (spreadsheet) used by the board to make its decision was industry-derived, according to authority staff, and was presented as the consensus of the work session by a senior executive of a large taxicab company in Clark County. As a result, the board approved a permanent increase in the fare at the industry's request but could not provide documentation supporting the increase. This is further evidence of a general lack of transparency in board decision making.

Taxicab industry officials testified the reallocation formula would make it easier because the meters calculate distance by every 1/12<sup>th</sup> of a mile. Taxicab meters



cannot calculate a fraction of a cent; consequently, the surcharge needed to be divisible by twelve, the number of clicks a meter makes in a mile to calculate the distance and appropriate fare amount. Additionally, the administrator reports it costs the authority approximately \$10,000 each time vehicle inspectors must change meters to reflect new rate decisions.<sup>8</sup> However, changing and inspecting meters is one of many regulatory actions the administrator has authority staff to accomplish.

The board's decision to accommodate calculations on the industry's 1/12<sup>th</sup> of a mile standard, which maximizes revenues from a taxicab ride, also resulted in increased revenues to the industry not supported by the original request for a fuel surcharge. The original request was to address a stated need because of rising costs of fuel for the industry. The board's decision resulted in an unsupported permanent fare increase and lower fuel surcharge that maximizes costs to the public and maximizes revenues for the industry. Exhibit VIII summarizes the additional costs incurred by the public in Clark County and additional revenue for the industry as a result of the board's fare increase and fuel surcharge.

**Exhibit VIII**

**Annual Additional Revenue from Mileage Fee with \$0.20 Increase**

	Avg. Trip in Clark County (miles)	Per Mile Rate	Total Per Trip Rate (excludes "drop")	Avg. Annual Number of Trips	Total Annual Revenue
Current Fee Structure	5	\$ 2.68	\$ 13.40	27,023,115	\$ 362,109,734
Fuel Surcharge (\$0.12)	5	\$ 0.12	\$ 0.60	27,023,115	\$ 16,213,869
Operational Rate Increase (\$0.08)	5	\$ 0.08	\$ 0.40	27,023,115	\$ 10,809,246
<b>Annual Additional Revenue w/ \$0.20 Increase (\$2.88 per mile)</b>					<b>\$ 27,023,115</b>

**Fuel Surcharge is a Windfall for the Industry**

The impact for the taxicab industry as a result of the board's approval to reallocate the surcharge is significant. The board's decision is a windfall for the industry, which is able to pass additional operational costs on to the public. These are mostly tourist/visitor dollars that would otherwise likely be spent elsewhere in the local economy.

The fuel surcharge is \$0.12 per mile; however, the industry's costs are only an additional \$0.09 at the highest point of the surcharge range. Moreover, the surcharge is not graduated based on increased costs; rather, the full \$0.12 per

<sup>8</sup> The authority's approved budget for the 16/17 biennium includes an IT upgrade which will allow the authority to electronically change meters to reflect new rates and significantly reduce the current \$10,000 cost to manually update meters.

mile surcharge is effective as soon as gas prices reach \$3.25 a gallon. If a fuel surcharge is deemed necessary, it should range between \$0.01 and \$0.09, depending on the increase in the price of gas. Exhibit IX summarizes a supported fuel surcharge in order to cover the additional cost of gas.

**Exhibit IX**

**Supported Fuel Surcharge**

Fuel Price Per Gallon	Fuel Cost Per Mile <sup>1</sup>	Supported Fuel Surcharge
\$ 4.45	\$ 0.30	\$ 0.09
\$ 4.35	\$ 0.29	\$ 0.08
\$ 4.25	\$ 0.28	\$ 0.07
\$ 4.15	\$ 0.28	\$ 0.07
\$ 4.05	\$ 0.27	\$ 0.06
\$ 3.95	\$ 0.26	\$ 0.05
\$ 3.85	\$ 0.26	\$ 0.05
\$ 3.75	\$ 0.25	\$ 0.04
\$ 3.65	\$ 0.24	\$ 0.03
\$ 3.55	\$ 0.24	\$ 0.03
\$ 3.45	\$ 0.23	\$ 0.02
\$ 3.35	\$ 0.22	\$ 0.01
\$ 3.25	\$ 0.22	\$ 0.01
\$ 3.24	\$ 0.21	\$ -

Table Note:

<sup>1</sup> Fuel cost per mile is calculated by gas price per gallon divided by average MPG per taxi (15 MPG).

Exhibit X shows that the surcharge passes on over 55 percent of industry costs for fuel to the public as prices are holding or trending downward.

**Exhibit X**

**Percentage Cost of Fuel Charged to Public**

Average MPG (per taxi)	15 MPG
Average Trip in Clark County	5 miles
Number of Trips per Gallon	3
Fuel Surcharge per Trip (\$0.12 x 5 miles)	\$ 0.60
Per Gallon Fuel Surcharge (\$0.60 x 3 trips)	\$ 1.80
Average Retail Price of Gas (per gallon) <sup>1</sup>	\$ 3.24
<b>Percentage Cost of Gas Charged to Public</b>	<b>55.6%</b>

Table Note:

<sup>1</sup> Average retail price of gas in August 2015.

Exhibit XI shows the revenue benefit to the industry as a result of the fuel surcharge based on the number of gallons used in 2014.

**Exhibit XI**

**Taxicab Industry Fuel Costs Shifted to Public by Surcharge**

Number of Gallons Used	12,763,207
Per Gallon Fuel Surcharge	\$ 1.80
<b>\$ Benefit to Industry</b>	<b>\$22,973,773</b>

## **Other Taxicab Regulatory Agencies Have Not Approved a Fuel Surcharge**

We reviewed fare rates of other taxicab companies operating in Nevada under the regulation of the Nevada Transportation Authority (NTA). These companies have not included a fuel surcharge in their rates. NTA officials noted the Board of Commissioners were opposed to surcharges as a matter of practice, the exception being a fuel surcharge allowed for limousines that was graduated, not front loaded. We also reviewed a 2014 – 2015 fare rate comparison of twelve western cities monitored by the board and noted only Las Vegas/Clark County included a fuel surcharge in their rates.<sup>9</sup>

## **In Conclusion**

Board decisions that generate unsupported costs to the public and unsupported revenues for the industry may erode public confidence in the Taxicab Authority's ability to regulate the industry in Clark County. Eliminating unsupported costs will correct the fee structure and provide enhanced transparency to the public for the cost of a taxicab ride in pursuit of the authority's mission to provide for the safety, comfort, and convenience of the taxicab riding public.

The board should correct the fee structure by rescinding the \$0.08 increase in the mileage rate, eliminating the \$0.12 per mile fuel surcharge, and using a graduated surcharge structure in the future based on actual Clark County fuel prices. Eliminating the rate increase and the fuel surcharge could benefit the public and local economy by over \$27 million annually.

## **Recommendation**

2. Correct the fee structure by rescinding the \$0.08 mileage rate increase, eliminating the \$0.12 per mile fuel surcharge, and using a graduated fee structure in the future based on actual Clark County fuel prices.

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<sup>9</sup> Austin, TX; Dallas, TX; El Paso, TX; Las Vegas, NV; Los Angeles, CA; Portland, OR; Sacramento, CA; San Antonio, TX; San Diego, CA; San Francisco, CA; San Jose, CA; and Seattle, WA.

## Adjust the Credit Card Fee

The board should adjust the credit card fee by lowering it to a maximum \$0.90 per transaction and evaluate eliminating it completely. Adjusting the fee will increase transparency by accurately reflecting credit card processing costs. This could benefit the public and local economy by over \$20 million annually.

### Credit Card Fee Exceeds Costs

The board approved a \$3 fee for using a credit card to pay a taxicab fare in April 2010. The Legislature codified the ability to pass credit card costs to the public in 2011 with NRS 706.322. During legislative testimony, the industry stated there were four elements of credit card processing covered by the \$3 fee: vendor services, equipment, an administrative allowance, and an allowance for uncollectible fares. The Legislature approved the elements without specifying a dollar amount.

Approximately 25 percent of taxicab trips in Clark County are paid by credit card. Exhibit XII shows a breakdown of an average taxicab trip in Clark County and the additional cost to the public for the convenience and safety of using a credit card to pay.

### Exhibit XII

**Fare/Fee Summary**

Fare Description	Fee	Average Trip (5 miles)	Percentage
Initial Activation of Taximeter (Drop)	\$ 3.50	\$ 3.50	16%
Each Additional 1/12 mile (\$2.88 per mile)	\$ 0.24	\$ 14.40	67%
Total Drop Rate + Per Mile Rate		\$ 17.90	
Credit/Debit Card Fee	\$ 3.00	\$ 3.00	17%
3% State Tax		\$ 0.63	
<b>Total Fare</b>		<b>\$ 21.53</b>	

The 17 percent charge for using a credit card is excessive. The \$3 fee exceeds all the operational costs to the industry for providing the public the convenience, safety, and option of using credit cards to pay for a taxicab trip. Exhibit XIII shows the breakout of the elements of the \$3 fee as a percentage of the total cost.

**Exhibit XIII**

**Costs for Credit Card Processing  
Charged to the Public**

<b>Per Transaction Expense</b>	<b>Cost</b>	<b>Percentage</b>
Financial Fees and Charges	\$ 0.74	25%
Equipment and Infrastructure	\$ 1.28	43%
Administrative Allowance	\$ 0.75	25%
Allowance for Uncollectibles	\$ 0.20	7%
<b>Total Per Transaction Expense</b>	<b>\$ 2.98</b>	<b>100%</b>
<b>Amount Charged to Public</b>	<b>\$ 3.00</b>	

**Unsupported Revenues Result from an Excessive Credit Card Fee**

The structure of the fee lacks transparency to the public because it contains unsupported revenue for the industry of \$14.2 – \$20.3 million annually. As a percentage, the elements of the fee exceed the average costs we found:

- Financial Fees and Charges (credit card vendor services) –

Surveys of other cities show the public is provided the convenience of using a credit card without paying a fee.<sup>10</sup> Credit card costs are considered an operational cost for the industry along with other costs of doing business.

Twenty-five percent of the flat \$3 fee is allowed for covering vendor costs. Surveys show taxicab industries in other cities are charged between 3.8 – 5 percent per transaction in total. In comparison, the state pays Wells Fargo \$0.085 per credit card transaction, which applied to an average taxicab trip in Clark County, would be about 0.5 percent of the fare. These fees and charges paid by other taxicab companies and the state include all the other elements of the credit card fee – allowances for equipment and infrastructure, administration, and uncollectibles.

Assuming the highest rate of 5 percent in these examples, the maximum credit card fee should be \$0.90 per transaction.<sup>11</sup>

- Equipment and Infrastructure (credit card machines in taxicabs) –

Over forty percent of the \$3 credit card fee is to cover the cost of equipment. During testimony before the Legislature in 2011, taxicab industry officials noted the return on investment of credit card equipment

<sup>10</sup> Albuquerque, NM; Austin, TX; Denver, CO; Houston, TX; Los Angeles, CA; Phoenix, AZ; Portland, OR; Salt Lake City, UT; San Diego, CA; San Francisco, CA; Seattle, WA; and Washington, DC.

<sup>11</sup> The average 5 mile fare costs \$17.90, excluding the credit card fee and state tax. Five percent of \$17.90 equals \$0.895 or \$0.90.

would be four months, or a third of the year. As a result, during the remaining two-thirds of a year of accepting credit cards, the allowance for equipment is unsupported revenue for the industry. In effect, 67 percent of the annual allowance for equipment and infrastructure is unsupported revenue for the industry.

In addition, credit card fee processing equipment in taxicabs may also be used for advertising revenues. The public is paying for equipment the taxicab industry uses, in turn, to maximize other revenues from that same equipment.

- Administrative Allowance (internal costs to the industry to manage credit card payments) –

The allowance generates approximately \$5 million annually for the taxicab industry's internal costs of using credit cards to pay for fares. The allowance is to cover operational expenses, such as accounting and personnel. Some industry contracts with vendors include this service and the allowance is all additional revenue to the industry.

- Allowance for Uncollectibles (the estimated amount of credit card fees that will not be repaid as expected) –

The allowance generates over \$1.4 million annually for the taxicab industry to compensate for credit card payments that may be uncollectible. This amount equates to the public paying for an expected rate of almost 1 percent of credit card-paid trips to be uncollectible.<sup>12</sup> The credit card fraud rate in Nevada is about 0.4 percent.<sup>13</sup> The allowance is over double what the actual rate of credit card fraud is in Nevada. Some industry contracts with vendors include this service and the allowance is all additional revenue to the industry.

The credit card fee structure provides multiple opportunities for the industry to maximize revenues at the expense of the public and local economy. Exhibit XIV summarizes unsupported credit card fee revenues for the industry, a supported fee, and excess fees paid by the public.

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<sup>12</sup> 25 percent of approximately 27,000,000 annual taxicab trips paid with credit cards equal 6,750,000 trips. Uncollectible allowance of \$1,418,714 at an average cost of \$21.53 per trip equals 65,895 trips. Uncollectible allowance trips divided by total credit card trips equals almost 1 percent of all trips paid by credit card.

<sup>13</sup> Source: U.S. Federal Trade Commission.

**Exhibit XIV**

**Credit Card Fee Summary**

<b>Per Transaction Expense</b>	<b>Unsupported Annual Revenue (%)</b>	<b>Unsupported Annual Revenue</b>	<b>Supported Fee</b>	<b>Supported Annual Revenue</b>
Financial Fees and Charges	25%	\$ 5,066,834	\$0.90 (5% of average fare of \$17.90)	\$6,080,200 (\$0.90 times 25% of 27,023,115 taxi trips)
Equipment & Infrastructure	43%	\$ 8,714,955		
Administrative Allowance	25%	\$ 5,066,834		
Allowance for Uncollectibles	7%	\$ 1,418,714		
<b>Total Amount Charged to Public</b>	<b>100%</b>	<b>\$20,267,337</b>	<b>Excess Fees Paid by Public</b>	<b>\$14,187,137</b>

The board should immediately adjust the credit card fee to no more than \$0.90 per transaction to cover credit card costs provided for in legislation. It may be excessive to allow the industry to be compensated for administrative costs that are part of doing business and to have the public pay for potential uncollectible fares as a result of credit card fraud. Adjusting the credit card fee could benefit the public and local economy by almost \$14.2 million annually.

**Taxicab Industry Absorbs the Costs for Credit Cards Outside Clark County**

The taxicab industry in Nevada, excluding Clark County, is not compensated for costs it absorbs to acquire, install, and administer credit card payments for fares. The Nevada Transportation Authority (NTA), a division of the Department of Business and Industry, which regulates taxicab companies in the state, excluding Clark County, has not approved a fee on the public to compensate the industry for using credit cards. NTA considers credit card costs a normal part of taxicab operating expenses.

Eliminating the credit card fee in Clark County would provide consistency within the state and with other major cities outside Nevada. The industry would absorb the costs for the convenience of paying with a credit card. This could benefit the public and local economy by over \$20 million annually.

## **Taxicab Industry Absorbs the Costs for Internet Applications to Compete with TNCs**

The taxicab industry in Clark County is not compensated for costs it absorbs to acquire, install, and administer new internet software applications to help compete with transportation network companies (TNCs). The board heard testimony at its August 2015 meeting about new mobile applications that help taxicab companies respond to public demand in a manner similar to a TNC. One company was testing the software and told the board there appeared to be an increase in the number of taxicab calls as well as better geographical coverage for the public. A company official told us they expect to cover any additional costs for using the new application through increased efficiency and a greater number of trips overall. Other taxicab companies in Clark County also told us they are testing internet applications and are absorbing the costs internally.

The taxicab industry seems willing to invest and absorb operational costs for new technology to compete with emerging TNCs. Accepting a credit card payment, similar to using an internet application, allows for competitive advantage, which results in additional revenues. However, unlike the public using new internet technology for a taxicab, credit card users are charged for the convenience.

### **In Conclusion**

Board decisions that generate unsupported costs to the public and unsupported revenues for the industry may erode public confidence in the Taxicab Authority's ability to regulate the industry in Clark County. Eliminating unsupported costs will allow adjusting the credit card fee and provide enhanced transparency to the public for the cost of a taxicab ride in pursuit of the board's mission to provide for the safety, comfort, and convenience of the public.

The board should immediately adjust the credit card fee by lowering it to a maximum \$0.90 per transaction and evaluate eliminating the credit card fee completely. Adjusting the credit card fee could benefit the public and local economy by \$14.2 – \$20.3 million annually.

### **Recommendation**

3. Adjust the credit card fee by dropping to a maximum \$0.90 per transaction.
4. Evaluate eliminating the credit card fee completely.



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## **Can the Department of Business and Industry More Effectively Serve the Public?**

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The Department of Business and Industry (department) can more effectively serve the public by:

- Clarifying enforcement policy and procedures; and
- Eliminating the Taxicab Authority as a separate state regulatory agency and transitioning its functions to Clark County or the Nevada Transportation Authority (NTA).

This could benefit the state by transitioning an agency with local authority to the local jurisdiction or consolidating taxicab regulation in a consistent, statewide manner.

### **Clarify Enforcement Policy and Procedures to Guide Regulatory Activities**

The department should clarify enforcement policies and procedures to guide regulatory activities and organize and equip field investigators accordingly. Clarifying policy and procedures will bring consistency to regulatory enforcement statewide and could affect the amount of resources necessary for enforcement operations.

#### **Authority Field Investigator Activities Inconsistent with NRS and NAC Guidelines**

Authority field investigators are performing duties inconsistent with their statutory and state administrative code guidelines. Field investigators are performing duties normally conducted by local law enforcement agencies. Consequently, they have been perceived by the public as an auxiliary local police force in Clark County.

The authority established a two-week training academy for new field investigators that covers administrative and operational enforcement duties to regulate the taxicab industry in Clark County. The training includes a critical task manual and field investigators are evaluated on how they perform regulatory duties, including performance of patrol, traffic stops, and unknown high risk stops. These tasks are for activities specific to Category I peace officers and not a part of the training standards for the authority's Category II field investigators. The training violates the intent of the Category II peace officer field investigators prescribed in statute and state administrative code.

NRS 289.470(16) establishes authority field investigators as Category II peace officers. Category II peace officers have duties restricted to a specific area, such as the taxicab industry in Clark County. Other examples of a Category II peace officer are inspectors employed by the Nevada Transportation Authority, Department of Agriculture brand inspectors, and school police officers employed by the board of trustees of any county school district.

NAC 289.140 – 150 establishes the minimum hourly standard of training for peace officers in Nevada.<sup>14</sup> These standards include training in law and legal procedures, operations and investigations, performance skills, and functions of a peace officer. There are no training standards for a Category II officer for:

- Patrol operations;
- Traffic laws;
- Basic patrol procedures;
- Accident investigations; or
- Operation of emergency (i.e. police) vehicles.

Our discussions with the Nevada Commission on Peace Officers' Standards and Training (POST) revealed trainees designated for Category II peace officer positions are only trained on those duties listed in NAC for Category II; they do not receive training for Category I activities, such as patrolling, traffic stops, and operating a police vehicle.

Any activities of these types performed by the authority field investigators are outside the scope of their intended duties because they are Category I peace officer duties. The authority is approving funding for training and equipment for activities beyond Category II peace officer standards, although there was never legislative intent for authority field investigators to perform Category I peace officer duties.

The authority's field investigators are operating, in effect, as an auxiliary local police force to monitor the taxicab industry and the environs where they operate in Clark County. Field investigators perform activities indicative of a Category I police officer for which they are not formally trained or authorized. For example, field investigators conduct bicycle patrols in areas where vehicles cannot access. If vehicles cannot access an area, it is unlikely a taxicab will access these areas. Field investigators have shown a propensity for conducting taxicab regulation in a very public and dramatic style. Recent press accounts have shown field investigators detaining people with excessive force and conducting operations in major tourist areas while wearing masks with weapons drawn.

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<sup>14</sup> NAC 289.140 establishes the minimum standard of training for Category I peace officers is successful completion of a basic course that includes 480 hours of training; NAC 289.150 establishes the minimum standard of training for Category II peace officers is successful completion of a basic course that includes 200 hours of training.

Field investigators wear uniforms that convey an impression of a Category I peace officer. Field investigator uniforms are SWAT-style, military-like attire with a police belt containing weapons, handcuffs, and other police equipment. Field investigator vehicles are unmarked with emergency lighting similar to Category I peace officer vehicles (NHP, Sheriff's vehicles). Some of the vehicles are equipped with reinforced back seats to transport people in a secure, enclosed environment (cage). The authority's bicycles are marked with "police" stenciling. The impression left with the public is that field investigators are an extension of local law enforcement.

### **Clark County Metro Sees State Field Investigators as a Local Asset**

The Clark County Metropolitan Police Department (Metro) describes the authority field investigators as a local asset because they assume many of the policing duties that normally fall to a local law enforcement agency. Metro describes its role as becoming involved when crimes reach a felony level and criminal investigation requirements exceed the standards of the authority's field investigators. Many of the activities Metro relies on authority field investigators to handle are outside the scope of a Category II peace officer as defined in statute and state administrative code.

Our survey of other cities and local taxicab regulatory agencies found policing activities are conducted by or under the control of local law enforcement.<sup>15</sup> Metro informed us they would need a guarantee of funding to assume the responsibilities for policing the taxicab industry. Such funding is available through current authority revenues that fund enforcement activities. However, NRS 706.231 states that Sheriffs and all other peace officers and traffic officers of Nevada are charged with the duty, without further compensation, of assisting in enforcement, including making arrests, when requested by a competent authority, such as the Taxicab Authority. Metro may be abrogating responsibility for Category I peace officer activities in Clark County to Category II peace officers that Metro acknowledges do not have the training and qualifications it has for its own peace officers. The public is not well served when unqualified, lesser trained peace officers are given latitude to enforce laws or represent themselves as Category I peace officers.

### **Recent Policy Decisions May Effect Enforcement Requirements**

Recent policy and statute changes may affect enforcement requirements for the authority field investigators. Specifically:

- Metro plans to begin responding to traffic accidents involving only property damage when additional police officers are fully authorized and funded by the Clark County Commission. The policy has been to only respond to

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<sup>15</sup> Austin, TX; Boise, ID; Boston, MA; Chicago, IL; Houston, TX; New York City, NY; San Diego, CA; Seattle, WA; and Washington, D.C.

accidents involving personal injury. Authority field investigators respond to all accidents involving a taxicab to determine serviceability of the vehicle. Authority field investigators have been called to testify during trials and for insurance purposes because of their on-scene presence and the public perception of field investigators as an auxiliary local police force. Metro's increased response to accidents should reduce the authority field investigator's activities that are inconsistent with Category II duties.

- The 2015 Legislature passed Nevada State Senate Bill 376, which eliminates the board's authority to limit the geographical area from which taxicab service is offered or provided in Clark County. Additionally, the bill allows companies to lease a taxicab to an independent contractor who is not a certificate holder (taxicab company owner). These provisions are effective on January 1, 2016. The board expedited the timeframe and lifted all restrictions on taxicab medallions at its October 2015 meeting. Consequently, a significant portion of enforcement activities for medallion restrictions are no longer required.

The authority may be able to reallocate enforcement resources as a result of these policy changes. We noted no preliminary planning on how these issues will effect enforcement. The authority should be able to measure the effect of these policy changes through routine enforcement reporting.

### **The Department Has a Model for Regulatory Enforcement in NTA**

Inspectors employed by the NTA are Category II peace officers. NTA has responsibility for enforcing regulations on all public transportation services in the state, except for taxicabs in Clark County. Inspectors carry a weapon for defensive purposes and drive a marked vehicle with emergency lights. The vehicle is not outfitted with enhanced patrol and security features, such as a push bar or reinforced back seat to transport a person to jail. NTA enforcement staff report they do not conduct high speed chase, patrol, or auxiliary local police duties.

During operations, inspectors do not attempt to arrest a taxicab driver breaking the law or fleeing from a citation. NTA officials noted they know the taxicab industry and where companies are located if the inspector needs to deliver a citation for a violation of a taxicab regulation. If a crime is committed by a taxicab driver in the areas under NTA's authority, local law enforcement is called and has jurisdiction.

### **Clarifying the Role of Enforcement Will Guide Funding**

Enforcement activities and all other authority expenses are funded through fees and fines. Clarifying the role of enforcement as Category II peace officers will guide funding the authority requires to achieve its public purpose. It is the

department's responsibility to determine and fund appropriate activities for the authority to enforce taxicab regulation in Clark County. These activities are constrained by statute in designating the authority as Category II peace officers and by state administrative code, which lists the training standards for the duties of the authority field investigators.

Enforcement activities account for approximately 40 percent of the authority's budget.<sup>16</sup> Authority field investigators are responsible for responding to all traffic accidents involving a taxicab to determine serviceability of the vehicle, monitoring medallion restrictions, conducting background checks on prospective taxicab drivers, and performing undercover operations to detect long-hauling and other violations that inflate the cost of a taxicab ride. Limiting the authority's field investigators to appropriate duties may reduce required funding.

Clarifying the role of enforcement may also affect the role of the dispatch center.<sup>17</sup> There may be efficiencies, such as personnel savings and lower operational costs that will allow the authority to reduce spending overall and lower fees for the public and taxicab industry.

### **In Conclusion**

To the extent the department deems authority enforcement practices, staffing, training, and equipping are outside the scope and intent of NRS and NAC, fewer resources may be required. This could result in lower costs to the public and taxicab industry.

The department should clarify enforcement policy and procedures to be consistent with statute and state administrative code and organize and equip the authority staff accordingly.

### **Recommendation**

5. Clarify enforcement policy and procedures; organize and equip accordingly.

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<sup>16</sup> Calculated by adding \$2.3 million in enforcement salaries and \$126,000, or approximately 20 percent of the authority's operating, IT, and equipment budget. \$2.426 million equals approximately 40 percent of the authority's total \$6 million budget in 2015.

<sup>17</sup> The dispatch center tracks and dispatches field investigators to various incidents involving taxicabs. The dispatch center is often the first point of contact with the general public and other law enforcement agencies.

## **Eliminate the Taxicab Authority as a Separate State Regulatory Agency**

The department should submit a Bill Draft Request to change statute to eliminate the Taxicab Authority as a separate state regulatory agency and transition its functions to Clark County or the Nevada Transportation Authority. This will transition a state agency with local authority to the local jurisdiction or consolidate taxicab regulation in a consistent, statewide manner.

### **Most Local Jurisdictions Control the Taxicab Industry**

We surveyed all 50 states and the District of Columbia and reviewed how the taxicab industry is regulated in the most populous cities in each state; over 75 percent are controlled by the local city jurisdiction. The other 25 percent are regulated at the state level.<sup>18</sup> These states have jurisdiction over all cities, unlike Nevada, which has a separate state agency for Clark County.

A city with a comparable regulatory model to the authority is Washington, DC. There is a separate “state-level” regulatory agency, the DC Taxicab Commission. The commission has its own enforcement staff that does not fall under the authority of the local law enforcement agency. DC enforcement officers conduct traffic stops for only taxicabs and have unmarked police cars for this function; however, DC enforcement officers are not armed and do not perform Category I type duties, notably not serving as an auxiliary local police force.

### **NTA Organized to Regulate Clark County Taxicabs**

The Nevada Transportation Authority (NTA) is a division of the Department of Business and Industry and regulates all public transportation services within the state, except for taxicabs in Clark County. The conditions no longer exist that make a separate regulatory body necessary for taxicabs in Clark County. The taxicab industry has operated under a regulatory environment for almost 50 years and there are now no geographical or time restrictions on taxicab operations. There is only a restriction on the number of taxicabs. Additionally, new entrants into the transportation sector, TNCs, such as Uber and Lyft, have changed the regulatory environment.

The 2015 Legislature designated the NTA as the statewide regulatory body for this new type of transportation service, which operates predominantly in the most populous areas that taxicabs have historically serviced. This is an opportunity to increase efficiency and effectiveness in state government by consolidating taxicab regulation statewide as with all other transportation services in Nevada.

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<sup>18</sup> Twelve states control the regulation of the taxicab industry: Arizona, Colorado, Connecticut, Delaware, Maryland, Montana, Nebraska, Nevada, New Mexico, Rhode Island, South Carolina, and West Virginia.

NTA enforcement practices are consistent with how most other states and cities enforce taxicab regulations. They are also consistent with Nevada statute and state administrative code.

NTA has a local presence in southern Nevada. The majority of NTA’s regulatory responsibility for transportation services, such as limousine and charter services, is focused in Clark County. NTA reports it is positioned and organized to accept the additional role of regulating the taxicab industry in Clark County. NTA indicates it will likely require some but not all current funding of the authority to administer the agency and regulate the industry.

**In Conclusion**

Eliminating the Taxicab Authority as a separate state regulatory agency will transition an agency with local authority to the local jurisdiction or consolidate taxicab regulation in a consistent, statewide manner. The department should submit a Bill Draft Request to eliminate the Taxicab Authority as a separate state regulatory agency and transition its statutory responsibilities to Clark County or the Nevada Transportation Authority.

**Recommendation**

- 6. Submit a Bill Draft Request to eliminate the Taxicab Authority as a separate state regulatory agency and transition its statutory responsibilities to Clark County or the Nevada Transportation Authority.

**Exhibit XV**

**Summary of Audit Benefits**

<b>Recommendation</b>	<b>Annual Benefit</b>
1. Adhere to statutory roles and responsibilities.	Effectiveness
2. Correct the fee structure.	\$27,000,000
3/4. Adjust/Eliminate the credit card fee.	\$14,200,000 - \$20,300,000
5. Clarify enforcement policy.	Efficiency and effectiveness
6. Eliminate the Taxicab Authority as a state regulatory agency and transition its statutory responsibilities to Clark County or the Nevada Transportation Authority.	Efficiency and effectiveness
<b>Total:</b>	<b>\$14,200,000 - \$47,300,000</b>

## Appendix A

# Department of Business and Industry and Taxicab Authority Response and Implementation Plans

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BRIAN SANDOVAL  
*Governor*

BRUCE BRESLOW  
*Director*



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DEAN COLLINS  
BRUCE AGUILERA, ESQ.  
JAMES E. CAMPOS

December 1<sup>st</sup>, 2015

We accept the findings and recommendations from the recent Governor's Finance Office, Division of Internal Audit. In this response we will summarize our current plans for addressing these findings. As you are aware several of your findings and recommendations cannot be addressed by TA Administration or the Department of Business and Industry. These recommendations focus on TA Board operations, governance and decisions, and, therefore, can only be addressed by the TA Board. Since these audit findings are confidential until released, the TA Board members will not see the actual audit finding until after the audit is reviewed by the Executive Branch Audit Committee. I will highlight the items that require a Board response in my summary below.

**The Internal Audit Staff made the following recommendation as a result of the audit findings and conclusions.**

### 1. Adhere to Statutory Roles and Responsibilities

The Taxicab Authority Administrator accepts the recommendations of the audit team. The Authority staff would welcome working with increased clarity of the roles and responsibilities within the Authority. A clearer definition of roles and responsibilities would increase staff productivity and provide better communications and relations between the Board, Staff and the Taxicab industry in Clark County.

The Taxicab Administrator will add the Audit Findings and our acceptance of these findings as an agenda item, for discussion to the January 2016 Taxicab Authority Board Meeting Agenda.

**Note:** The TA Board shares a role in these findings and their commitment will be needed in order to fully implement these recommendations.

### 2. Correct the Fee Structure

**Note:** This recommendation can only be accomplished by action from the TA Board. It will be discussed at the first Board meeting following the review of this audit with the Executive Branch Audit Committee.

### 3. Adjust the Credit Card Fee

**Note:** This recommendation can only be accomplished by action from the TA Board. It will be discussed at the first Board meeting following the review of this audit with the Executive Branch Audit Committee.



**4. Evaluate Elimination the Credit Card fee Completely**

**Note:** This recommendation can only be accomplished by action from the TA Board. It will be discussed at the first Board meeting following the review of this audit with the Executive Branch Audit Committee.

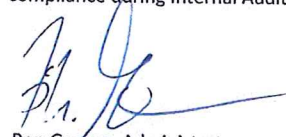
**5. Clarify Enforcement Policy and Procedure, organize and Equip accordingly**

The Taxicab Administration agrees with the recommendations highlighted in the audit. Work is currently underway to clarify our enforcement policy and procedures. We will review the proposed changes to our enforcement policies with the Department of Business and Industry Director's Office, and once approved, we will implement these changes. Our Enforcement Officers will be trained on our new policies and receive resources and equipment consistent with these policies.

**6. Eliminate the Taxicab Authority as a Separate State Regulatory Agency**

The Department of Business and Industry accepts this recommendation. B&I recognizes that for many years the Taxicab Authority has been unable to institute the best practices of the industry due to a complex regulatory structure and add on laws. With the advent of TNC's and the removal of geographic restrictions in Clark County, the "for hire" transportation industry and regulatory laws must be modernized and allow for the fair regulation of the industry and accountability to best serve the travelling public. We will work with the Administration to develop a plan to update Nevada's transportation regulatory structure for the upcoming Legislative session.

We appreciate the effort and diligence of the Internal Audit Team and fully embrace their recommendations. We will apply equal diligence in implementing the recommendations offered, and we will be fully prepared to demonstrate our compliance during Internal Audit's subsequent review.

  
Ron Grogan, Administrator  
Taxicab Authority



## Appendix B

### Timetable for Implementing Audit Recommendations

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In consultation with the Department of Business and Industry and the Taxicab Authority, the Division of Internal Audits categorized the six recommendations contained within this report into two separate implementation time frames (i.e., *Category 1* – less than six months; *Category 2* – more than six months). The department and authority should begin taking steps to implement all recommendations as soon as possible. The department's and authority's target completion dates are incorporated from Appendix A.

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**Category 1: Recommendation with an anticipated  
implementation period of less than six months.**

<u>Recommendations</u>	<u>Time Frame</u>
1. Adhere to statutory roles and responsibilities. (page 9)	June 2016
2. Correct the fee structure by rescinding the \$0.08 mileage rate increase, eliminating the \$0.12 per mile fuel surcharge, and using a graduated fee structure in the future based on actual Clark County fuel prices. (page 16)	June 2016
3. Adjust the credit card fee by dropping to a maximum \$0.90 per transaction. (page 21)	June 2016
4. Evaluate eliminating the credit card fee completely. (page 21)	June 2016

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**Category 2: Recommendations with an anticipated implementation period exceeding six months.**

<u>Recommendations</u>	<u>Time Frame</u>
5. Clarify enforcement policy and procedures; organize and equip accordingly. (page 26)	June 2017
6. Submit a Bill Draft Request to eliminate the Taxicab Authority as a separate state regulatory agency and transition its statutory responsibilities to Clark County or the Nevada Transportation Authority. (page 28)	June 2017

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The Division of Internal Audits shall evaluate the action taken by the department and authority concerning report recommendations within six months from the issuance of this report. The Division of Internal Audits must report the results of its evaluation to the committee, the department, and the authority.