

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

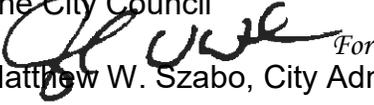
Date: December 3, 2025

CAO File No. 0220-06349-0000

Council File No. 17-1125

Council District: All

To: The City Council

From:  For
Matthew W. Szabo, City Administrative Officer

Reference: Request for Report from the Transportation and Public Works Committees subsequent to its consideration of the Department of Transportation's Report dated June 10, 2025 and Supplemental Report dated September 15, 2025

Subject: **ANALYSIS OF ON-DEMAND MOBILITY PROGRAM TRIP FEE UPDATE**

SUMMARY

Subsequent to the August 13, 2025 Joint Meeting of the Public Works Committee and Transportation Committee this Office was requested to review the Department of Transportation's (LADOT) reports, dated June 10, 2025 and September 15, 2025, relative to the On-Demand Mobility Program Trip Fee update and methodology. This report provides an overview of this Office's analysis and a new proposed fee structure for consideration.

RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. Note and file LADOT's reports dated June 10, 2025 and September 15, 2025;
2. Find that there is a clear public benefit to waive the additional fee for the Equity-Focused Mobility Development Districts;
3. Approve the trip fee update with a partial subsidy as recommended by the Office of the City Administrative Officer in this Report; and
4. Request the City Attorney's Office to prepare and present an ordinance to establish the new rates.

BACKGROUND

LADOT Fee Update Proposals

On June 10, 2025, LADOT released a report which provides background on the On-Demand

Mobility Program (Program), its current fee structure, and a proposed new fee structure to recover the costs for the Program's regulatory and enforcement operations. Per LADOT, the annual cost to operate the Program is \$3.06 million, which includes staff salaries; contractual services; technical support; training, materials and supplies; field enforcement; community engagement and outreach; and infrastructure. The current fee structure is broken into four geographical categories:

- Equity-Focused Mobility Development Districts
- Mobility Development Districts
- Standard Permitted Districts
- Special Operation Zones

Trip fees are calculated based on where trips start and end. Additionally, operators are charged an annual permit fee of \$20,000. In Fiscal Year (FY) 2024, revenues collected for trip and permit fees totaled \$571,018, which is \$2.49 million below the cost to operate the Program. Thus, LADOT proposed a new fee structure to increase trip fees to meet full Program costs.

LADOT's proposal maintains the annual permit fees and four categories, but the trip fee is calculated based on where trips end to support better vehicle distribution and reduce administrative burden. When applied to the FY 2024 trip data, the proposed fee structure would have provided \$3.27 million in revenue, about \$200,000 more than LADOT's reported cost to operate the Program. In both models, no fees were charged for trips in one category, called the Equity-Focused Mobility Development Districts (EFMDD), which was a policy decision to support households with economic hardships and transportation disadvantages.

On August 13, 2025, a Joint Public Works Committee and Transportation Committee Meeting directed LADOT to provide a supplemental report with data to support the proposal, including alternate options to recover Program costs, and requested the Office of the City Administrative Officer to review LADOT's proposals. In its September 15, 2025 report, LADOT provided its analysis for five alternative fee structures and an option to cap revenue. The Department recommended its original proposal as the best option to reach cost recovery and support equitable deployment.

In addition to the proposed fee structure, LADOT proposed two enforcement-related ordinances: one to impound, remove, and store dockless vehicles from the public right-of-way, and another to issue an administrative citation of \$20,000 per incident to any company operating unpermitted dockless scooters or bicycles on the public right-of-way. The costs to implement these enforcement activities, and any fees collected from enforcement, would need to be factored into the cost recovery analysis for the Program.

California Proposition 26

As of November 3, 2010, California Proposition 26 (Prop 26) prohibits a local government from enacting, increasing, or extending "any levy, charge, or exaction of any kind" without voter approval

unless an exception can be identified. Exceptions are allowed for charges for a specific benefit or government service provided to the fee payer that do not exceed the reasonable costs to the State or local government for providing that benefit or service. To be in compliance with Prop 26 and the City's Financial Policies, LADOT's proposed fee update must only seek to recover the reasonable costs associated with operating the Program.

DISCUSSION

This Office reviewed LADOT's proposals, and conducted an analysis of program costs and data provided by LADOT for Fiscal Years 2023-2024 and 2024-2025. The data sets included the number of trips, policy requests, and 311 service requests for "Dockless Mobility Enforcement" broken down by geographic category. As discussed below, this Office recommends a different proposed fee structure to ensure compliance with Prop 26 and the City's Financial Policies, while continuing the policy goal for equitable deployment.

Program Costs

First, this Office reviewed LADOT's budgeted expenses for the Program. Estimated expenses for direct and indirect salary costs are for the following civil service classifications:

- One Supervising Transportation Planner I;
- Two Transportation Planning Associate IIs;
- One Data Analyst I;
- One Senior Transportation Investigator; and
- One Transportation Investigator.

LADOT's budget included one Administrative Clerk and one Planning Assistant, however this Office found the Administrative Clerk was reassigned to the public counter and the Planning Assistant was not included in the FY 2026 Adopted Budget. Thus, these two classifications were removed from the estimated salary expenses. Because some staff and contractual services support other Department programs, LADOT provided estimated time spent on the On-Demand Mobility Program only, and those expenses were adjusted down accordingly.

Based on information provided by LADOT, this Office estimates the cost of the Program is about \$2.94 million as shown in the following table:

Comparison of Program Costs by Expense Category			
Program Expenses	LADOT's Cost	CAO's Cost	CAO Notes
Salaries (Direct and Indirect costs)	\$ 1,680,978	\$ 1,588,670	Reflects estimated staff time on the Program; excludes cost of one Administrative Assistant because it is temporarily reassigned to the front desk (Program related work is currently absorbed by a Transportation Planning Associate II) and one Planning Assistant because the position was deleted in the FY 2026 Adopted Budget.
Contractual Services and Technical Support	\$ 655,000	\$ 622,250	95% of Mobility Data Specification activity is attributed to the Program
Field Enforcement	\$ 295,000	\$ 295,000	100% toward the Program
Materials, Equipment, Training, and Supplies	\$ 64,500	\$ 64,500	100% toward the Program
As-Needed Hiring / Overtime	\$ 65,000	\$ 65,000	100% toward the Program
Community Engagement / Outreach	\$ 150,000	\$ 150,000	100% toward the Program
Infrastructure	\$ 151,985	\$ 151,985	100% toward the Program
Total	\$ 3,062,463	\$ 2,937,405	

Fee Structure

Next, this Office reviewed LADOT's methodology for its proposed fee structure. The proposed fee amounts took into consideration the current permit fee rate for operators, the number of actual trips by geographic area in FY 2024, and the Department's policy goals to encourage deployment in neighborhoods with comfortable bicycle infrastructure, high-frequency transit, and fewer crashes. While this method will likely lead to full cost recovery of the Program, this Office is concerned the no cost exception made for the EFMDD would not be compliant with Prop 26 because it shifts the cost burden to other geographic areas for the same Program benefits. Most of the fee alternatives in the September 15, 2025 report similarly raise this concern. The fifth proposed fee alternative,

which establishes a base fee of 10 cents for all trips, is the most compliant option, but there is no discussion of how the base fee was determined. The fee should be justified by the reasonable costs for the regulation and enforcement of the Program overall and by geographic areas. Thus, this Office sought additional data from LADOT to determine a reasonable base fee and/or fee based on the workload to operate in each geographic area.

LADOT's regulatory and enforcement responsibilities for this Program are comprehensive, encompassing:

- Responding to policy requests, such as implementing geofencing, restricted parking areas, and speed limits;
- Monitoring operator responses to 311 service requests, including conducting field visits and issuing written notices for violations;
- Analyzing trends in trip data and permit applications; and
- Providing education to both operators and the public.

While some of this work is general and supports overall Program implementation, much of it is specific to geographic areas, warranting a variation in the fee amounts. Therefore, in consultation with LADOT, this Office determined that a reasonable cost-splitting ratio is forty percent for general administrative duties (which would become the base fee) and sixty percent for work specific to geographic areas. LADOT does not use work orders to separate its time spent responding to issues in each geographic area, but data related to policy requests and 311 service requests is available by location.

To calculate the base fee, the following formula was used:

$$\text{Base Fee} = \frac{\text{Total Program Cost less Permit Fees} \times 40\% \text{ for General Administration}}{\text{Average Total Trips}}$$

LADOT currently charges \$20,000 for permit fees, and estimates to collect \$100,000 annually. Forty percent of the total program cost, less the annual permit fees, is approximately \$1.13 million. The average total trips for the two years of available data is approximately 4.76 million. This results in a base fee of 24 cents per trip.

To calculate the additional fee per geographic area, the following formula was used:

$$\text{Additional Fee} = \frac{\text{Total Program Cost less Permit Fees} \times 60\% \text{ for Geographic Area} \times \text{Average \% of 311 Requests}}{\text{Average Geographic Area Trips}}$$

This Office used the 311 service request data because the dataset is large, with an average of 16,646 requests received annually. Sixty percent of the total program cost, less the annual permit fees, is approximately \$1.70 million. For each geographic area, this amount was multiplied by the percentage of service requests for each geographic area, then divided by the average number of trips for that area, resulting in the following additional fees:

Proposed Additional Fee by Average Geographic Area Trips and 311 Requests					
Geographic Area	Average # of 311 Requests	Average % of 311 Requests	Share of Program Cost	Average # of Trips	Additional Fee
Equity-Focused Development District (EFMDD)	2,509	15.07%	\$256,620	1,413,002	\$0.18
Mobility Development District (MDD)	5,214	31.21%	\$531,378	1,565,931	\$0.34
Standard Permitted District (SPD)	1,879	11.25%	\$191,542	1,332,257	\$0.14
Special Operation Zone (SOZ)	7,046	42.46%	\$722,904	446,980	\$1.62

Lastly, the base fee and additional fees are combined to create a proposed fee structure that is reflective of the reasonable share of the work for each geographic area. In order to be in compliance with financial policies and maintain the policy goal of an equity-focused area, the base and/or additional fee for the EFMDD would need to be subsidized by the City's General Fund and not distributed among the other geographic areas. As such, the following fee structures for partial subsidy (no additional fee), full subsidy (no base and additional fee), and no subsidy for EFMDD are presented as alternative options:

CAO Proposed Fee Structures and Estimated Revenues				
Geographic Area	Average Trips	Option A: Partial Subsidy for EFMDD	Option B: Full Subsidy for EFMDD	Option C: No Subsidy
Equity-Focused Development District (EFMDD)	1,413,002	\$ 0.24	\$ -	\$ 0.42
Mobility Development District (MDD)	1,565,931	\$ 0.58	\$ 0.58	\$ 0.58
Standard Permitted District (SPD)	1,332,257	\$ 0.38	\$ 0.38	\$ 0.38
Special Operation Zone (SOZ)	446,980	\$ 1.86	\$ 1.86	\$ 1.86

CAO Proposed Fee Structures and Estimated Revenues				
Geographic Area	Average Trips	Option A: Partial Subsidy for EFMDD	Option B: Full Subsidy for EFMDD	Option C: No Subsidy
<i>Subtotal Estimated Revenue</i>		\$ 2,585,001	\$ 2,245,880	\$ 2,839,341
<i>Estimated Permit Fees</i>		\$ 100,000	\$ 100,000	\$ 100,000
Total Estimated Revenue		\$ 2,685,001	\$ 2,345,880	\$ 2,939,341
Estimated General Fund Subsidy		\$ 254,340	\$ 593,461	\$ -

This Office recommends the Option A: Partial Subsidy for EFMDD fee structure as the best approach to maximize cost recovery while maintaining Prop 26 compliance and the Program's equity-focused goal. At 24 cents, the EFMDD would continue to have the lowest fee, which should encourage deployment of vehicles to the area. A potential unintended consequence of this fee structure is the MDD has a higher fee than the SPD, which may lead to more vehicles being deployed to the SPD area where it is potentially less safe for riders. Another unintended consequence is operators may leave the market because of the higher fees in the SOZ, which comprises the high-tourist areas of Downtown, Hollywood, and Venice.

Per the City's Financial Policies, all fees for service for the City shall be monitored annually to determine that rates meet, but do not exceed the reasonable cost of providing the service. If the proposed fee does not recover the reasonable cost of providing the service, LADOT should propose a new fee that is based on the reasonable cost of the service as part of its annual budget submission.

Additional Enforcement Proposals

This Office does not recommend LADOT's two additional program changes regarding unpermitted penalty fees and vehicle removal. Both require additional analysis to understand the need and financial impact before they may be considered. Without financial data, this Office cannot factor these program changes into the cost recovery analysis for the overall Program. If penalties for unpermitted operations are desired, LADOT should consider examples from other cities, such as an escalation model, and the potential unintended consequences, such as on small businesses looking to enter the market. If vehicle removal is a significant issue, LADOT should consider what policies currently exist, such as within parking enforcement, that can be used to resolve issues without additional legislation.

FISCAL IMPACT STATEMENT

There is a fiscal impact of an estimated \$254,340 annually for the recommendation to partially subsidize the fee for the Equity-Focused Mobility Development District. If no fee structure is used for cost recovery, the annual cost to operate the Program is an estimated \$2.94 million.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies. Fees for service may be levied based on the reasonable cost of providing the service for which they are charged, including the operating (direct and indirect), capital, and appropriate projected future costs. If a fee for service is set below the level required to recover the reasonable cost, the Mayor and City Council must appropriate funds to fully pay for that service through the budget process. When permitted by law and based on a finding of clear public benefit, the City Council may decide to waive fees. A General Fund appropriation may be required to prevent other service users from improperly subsidizing such fee.