

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

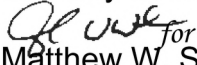
Date: May 29, 2026

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Council File No. 17-1125

Council District: All

To: The City Council

From:  for
Matthew W. Szabo, City Administrative Officer

Reference: Instruction on January 28, 2026 from the Public Works and Transportation Committees for a Report to the Budget and Finance Committee

Subject: **ANALYSIS OF AMENDMENT NO. 1 TO THE ON-DEMAND MOBILITY PROGRAM TRIP FEE UPDATE**

RECOMMENDATION

That the City Council note and file this report, as it is for informational purposes in response to the direction from the Transportation Committee Chair for an analysis of the Transportation Committee's amended fee schedule.

SUMMARY

At the January 28, 2026 Joint Meeting of the Public Works Committee and Transportation Committee, this Office was instructed to report to the Budget and Finance Committee on the recommended trip fee update from the Transportation Committee Chair relative to the On-Demand Mobility Program. This Office reviewed the amended fee schedule (see Attachment 1), in coordination with the Department of Transportation and the City Attorney, and has determined that the changes included in the amended fee schedule are reasonable and allowable pursuant to applicable state legal requirements and City policies.

BACKGROUND

On June 10, 2025, the Department of Transportation (LADOT) released a report which provided background on the On-Demand Mobility Program, its current fee structure, and a proposed new fee structure to recover the costs for the program's regulatory and enforcement operations. Currently, providers are charged an annual permit fee of \$20,000 and a fee per trip, based on the geographic area of where the trip begins or ends as follows:

Current On-Demand Mobility Program Fee Schedule	
Permit Fee per Provider	\$20,000
Trip Fee per Geographic Area	

Current On-Demand Mobility Program Fee Schedule	
Equity-Focused Mobility Development District	\$0.00
Mobility Development District	\$0.06
Standard Permitted District	\$0.20
Special Operation Zone	\$0.40

In 2024-25, the program generated \$583,214 in special fund revenue, which is about 20 percent of the current program costs of approximately \$2.9 million. Thus, it is reasonable to increase fees to ensure the program is cost recoverable.

On December 3, 2025, this Office released a report with its analysis of LADOT's proposed fee schedule and a methodology to update it to achieve program cost recovery in compliance with the City's Financial Policies and state legal requirements for fees (C.F. 17-1125). On January 28, 2026, the Transportation and Public Works Committees considered the report, and approved amendments to the proposed fee schedule to increase the operator permit fee to \$150,000 and an offsetting decrease in trip fees. Attachment 1 presents the proposed fee schedules and associated revenue projections using this Office's methodology for calculating the base and additional trip fees.

The partial subsidy for the Equity-Focused Mobility Development District (EFMDD) waives the additional trip fee for that geographic area. To waive this equity related fee, the City Council must find that there is a clear public benefit to doing so. Pursuant to the City's Financial Policies, fees waived for this purpose must be subsidized by the General Fund to ensure other program users do not carry the burden of these costs. The EFMDD subsidy is calculated by multiplying the actual trips ending in that geographic area by the additional fee.

DISCUSSION

Before the amended fee schedule may be adopted, this Office was instructed to analyze if it is reasonable to increase the operator permit fee. We reviewed the Los Angeles Municipal Code (LAMC), On-Demand Mobility Rules and Guidelines, Dockless Mobility Annual Permit, and other relevant documents to ensure the current permit process is aligned with the amended fee structure.

Pursuant to LAMC Section 71.29, LADOT implements the Shared Mobility Device Permit Program, which requires any provider of a shared mobility device (e.g., motorized scooter, electric bicycle, or similar personal transportation device) to obtain a permit from the department and be subject to all permit terms and conditions, program rules, relevant municipal codes, and state or federal law. Failure to comply may result in: (1) suspension or revocation of the permit; (2) penalties as listed in the program rules; (3) reduction in the authorized fleet size in the City; and (4) criminal prosecution for a violation of state or federal law.

The LAMC states providers must pay an initial permit fee of \$20,000, an annual permit renewal fee of \$20,000, and trip fees as set per trip. Any amendment to this section of the LAMC to add a new

fee, or modify or remove an existing fee, must be approved by the City Council by ordinance. LADOT's General Manager has the authority to make technical changes to the program rules as needed, and to make changes to program implementation, such as: (1) updating permit application procedures, permit standards, and permit conditions; and (2) updating operating standards for public safety, data sharing, data privacy, fleet size, and provider maintenance of the devices.

The On-Demand Mobility Rules and Guidelines and Dockless Mobility Annual Permit documents explain all the requirements providers must meet in the permitting process, including, and not limited to:

- Minimum insurance;
- Fleet information and relevant data files;
- Compliance with the Mobility Data Specification, which is a third-party data sharing service between providers and the City for planning and operations purposes;
- Business tax compliance;
- Community engagement plans, including details of key stakeholders and how the provider will engage with underserved communities;
- Equity plan, including plans for cash or non-smart phone payment and reservation options;
- Commitment to participate in Shared Mobility Task Force;
- Plans for implementation, parking, and vehicle maintenance; and
- Integration with the City's 311 system to resolve service complaints, among other requirements.

The guidelines refer to the \$20,000 fee as "a nonrefundable administration fee," due with the application. Given these listed comprehensive requirements, the program staff time and resources dedicated to meeting compliance extends beyond the application process. Ongoing resources are necessary to coordinate, monitor, investigate, and enforce compliance throughout the permitted year, such as managing the contract with Mobility Data Specification to monitor trip data or administering violation notices. In 2026-27, LADOT estimates four providers will apply for or renew a permit application. If the permit fee is increased to \$150,000, approximately 20 percent of the estimated program cost may be recovered through permit fees compared to the current three percent. An increased permit fee more accurately reflects the staff time and resources spent implementing the various programmatic elements of the permit beyond its initial processing.

Pursuant to State legal requirements for fees, California Proposition 26 allows in Section (e)(3) for an exception to the definition of a tax for, "a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, ... and the administrative enforcement and adjudication thereof." As discussed in the previous reports by LADOT and this Office on the program and proposed fee schedule (C.F. 17-1125), the associated program costs are to perform the above list of activities, and the proposed fees are set at rates that are, "no more than necessary to cover the reasonable costs of the governmental activity." As such, increases to the permit and per trip fees are allowable under California Proposition 26 because they collectively support the staff time and resources spent on regulating providers permitted under this program. Additionally, the City's Financial Policies stipulate that all fees for service should be

monitored annually to determine that rates meet, but do not exceed, the reasonable cost of providing the service. If the proposed fees do not recover the reasonable cost, LADOT would propose a new, appropriate fee schedule as part of its annual budget submission.

There are two potential unintended consequences from increasing the permit fee: (1) if fewer providers apply for or renew the permit application than estimated, LADOT would need to absorb the lost revenue or request a General Fund transfer to balance its budget until the program costs and regulatory fees could be rightsized; and (2) smaller service providers may be priced out of entering the market. At the January 28, 2026 Joint Committee Meeting, the Public Works Committee recommended instructing LADOT, this Office, and the City Attorney to report on the feasibility of implementing a tiered permit structure that scales permit fees based on provider size, including an option for smaller providers to pay a lower permit fee, as part of the next iteration of the fee schedule update. The intention of the Committee was to approve the \$150,000 permit fee increase in 2025-26 in response to the immediate cost recovery needs of the program, and the request for a tiered approach to the permit fee would be considered when the next fee update is warranted.

In conclusion, this Office finds that it is reasonable and allowable to increase both the permit and per trip fees for the On-Demand Mobility Program. Increasing the permit fee from \$20,000 to \$150,000 is appropriate because permitting providers requires significant staff time and resources to implement, monitor, and enforce the program rules throughout the year. The updated fee schedule as amended by the Transportation Committee and recommended by this Office is as follows:

Updated On-Demand Mobility Program Fee Schedule	
Permit Fee per Provider	\$150,000
Trip Fee per Geographic Area	
Equity-Focused Mobility Development District	\$0.20
Mobility Development District	\$0.48
Standard Permitted District	\$0.32
Special Operation Zone	\$1.54

This Office estimates the updated fee schedule will require a General Fund subsidy of \$211,950 in 2026-27 for trips that end in the EFMD. Through regular reporting and the annual budget process, LADOT and this Office will monitor revenue rates to determine if additional adjustments to the fee schedule are necessary to be compliant with state and City policies.

FISCAL IMPACT STATEMENT

The 2026-27 Budget assumes this fee increase. If approved, the new fees will increase revenues by an estimated \$2,127,000 and cover all but \$211,950 of this program's costs. Absent this fee

increase, the General Fund will continue to subsidize program costs. Because only salary costs are included in the 2026-27 Budget, the Department of Transportation will have to absorb additional program costs through its existing budget if insufficient revenue is generated from fees.

FINANCIAL POLICIES STATEMENT

The recommendation in this report complies 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.

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Attachment 1: On-Demand Mobility Program Fee Schedule Options and Estimated Revenue

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CAO Report Proposed Fee Schedule							No Subsidy for EFMDD			Partial Subsidy for EFMDD		
Estimated Permit Revenue (\$20,000 x 4 Providers)*							\$ 80,000			\$ 80,000		
Geographic Area	Average Trips**	Base Trip Fee	Additional Trip Fee	Total Trip Fee	Estimated Revenue	Estimated Revenue	Total Trip Fee	Total Trip Fee	Total Trip Fee	Estimated Revenue	Estimated Revenue	Estimated Revenue
Equity-Focused Mobility Development District (EFMDD)	1,413,002	\$ 0.24	\$ 0.18	\$ 0.42	\$ 593,461	\$ 339,120	\$ 0.24	\$ 0.24	\$ 0.24	\$ 339,120	\$ 339,120	\$ 339,120
Mobility Development District	1,565,931	\$ 0.24	\$ 0.34	\$ 0.58	\$ 908,240	\$ 908,240	\$ 0.58	\$ 0.58	\$ 0.58	\$ 908,240	\$ 908,240	\$ 908,240
Standard Permitted District	1,332,257	\$ 0.24	\$ 0.14	\$ 0.38	\$ 506,258	\$ 506,258	\$ 0.38	\$ 0.38	\$ 0.38	\$ 506,258	\$ 506,258	\$ 506,258
Special Operation Zone	446,980	\$ 0.24	\$ 1.62	\$ 1.86	\$ 831,383	\$ 831,383	\$ 1.86	\$ 1.86	\$ 1.86	\$ 831,383	\$ 831,383	\$ 831,383
Subtotal Estimated Revenue (Average Trips x Trip Fee)							\$ 2,839,341			\$ 2,585,001		
Total Estimated Revenue							\$ 2,919,341			\$ 2,665,001		
Estimated EFMDD Subsidy from General Fund (EFMDD Average Trips x Additional Trip Fee)							\$ -			\$ 254,340		

Transportation Committee Amended Fee Schedule							No Subsidy for EFMDD			Partial Subsidy for EFMDD		
Estimated Permit Revenue (\$150,000 x 4 Providers)							\$ 600,000			\$ 600,000		
Geographic Area	Average Trips**	Base Trip Fee	Additional Trip Fee	Total Trip Fee	Estimated Revenue	Estimated Revenue	Total Trip Fee	Total Trip Fee	Total Trip Fee	Estimated Revenue	Estimated Revenue	Estimated Revenue
Equity-Focused Mobility Development District (EFMDD)	1,413,002	\$ 0.20	\$ 0.15	\$ 0.35	\$ 494,551	\$ 282,600	\$ 0.35	\$ 0.35	\$ 0.20	\$ 282,600	\$ 282,600	\$ 282,600
Mobility Development District	1,565,931	\$ 0.20	\$ 0.28	\$ 0.48	\$ 751,647	\$ 751,647	\$ 0.48	\$ 0.48	\$ 0.48	\$ 751,647	\$ 751,647	\$ 751,647
Standard Permitted District	1,332,257	\$ 0.20	\$ 0.12	\$ 0.32	\$ 426,322	\$ 426,322	\$ 0.32	\$ 0.32	\$ 0.32	\$ 426,322	\$ 426,322	\$ 426,322
Special Operation Zone	446,980	\$ 0.20	\$ 1.34	\$ 1.54	\$ 688,349	\$ 688,349	\$ 1.54	\$ 1.54	\$ 1.54	\$ 688,349	\$ 688,349	\$ 688,349
Subtotal Estimated Revenue (Average Trips x Trip Fee)							\$ 2,360,869			\$ 2,148,919		
Total Estimated Revenue							\$ 2,960,869			\$ 2,748,919		
Estimated EFMDD Subsidy from General Fund (EFMDD Average Trips x Additional Trip Fee)							\$ -			\$ 211,950		

* Subsequent to the release of the CAO Report (C.F. 17-1125), the Department of Transportation updated its estimate for the number of service providers from five to four. The Estimated Permit Revenue amount was changed from \$100,000 to \$80,000 to reflect that update. The calculation for Trip Fees was not updated.

** Average Trips based on actual trip data from 2023-24 and 2024-25.