SUBJECT: Taxi Scrip Service Enhancement Pilot Update (PW07158) - (City Wide)

RECOMMENDATION:

(a) That the existing Taxi Scrip service enhancement pilot program introduced in July 2006, which increases the maximum monthly purchase of Taxi Scrip coupons from $80 to $120, be made permanent in 2008 at an increased net levy cost of $175,970, through the approval of Council as part of the 2008 budget deliberations.

(b) That staff be authorized and directed to fully mitigate an anticipated 2007 Taxi Scrip program cost overrun of $110,000, through transfer of:

(i) $60,000 from Account 112204 Transit Provincial Gas Tax Reserve, previously approved for transfer in 2008; and

(ii) the balance, anticipated to be $50,000, from Transit Account 23107-000100 Outstanding Taxi Scrip Coupon reserve.

EXECUTIVE SUMMARY:

This report recommends making a Taxi Scrip Service Enhancement Pilot introduced by Council in July 2006 on the recommendation of the Transit Gas Tax Steering Committee permanent through an ongoing increase in the 2008 Transit operating budget of $175,970 as identified in recommendation (a) of this report.
This Report further recommends that an anticipated negative variance in 2007 Taxi Scrip program of $110,000 resulting from a combination of a greater use of a program enhancement than anticipated and a taxi fare rate increase that was introduced subsequent to Council’s introduction of the pilot be fully mitigated through the use of existing funds as identified in recommendation (b) of this report.

On the recommendation of the Transit Gas Tax Steering Committee (Report 06-005 Item 8.1), an enhancement to the Taxi Scrip program, introduced as a pilot for a fixed period from July 1, 2006 through December 31, 2008, was approved by Council. Provincial Gas Tax funds were allocated to permit an increase in the maximum monthly purchase of Taxi Scrip coupons from $80 to $120 at a budgeted annual cost of $60,000.

Subsequent to Council’s approval of the pilot, Council approved, on July 12, 2006, a Taxi meter rate increase under By-Law 06-213, which has since been included in By-Law 07-170. The change included an adjustment to the incremental cost per distance of the meter fare from $0.10 for each 76.8 meters or part thereof, to $0.10 for each 71.4 meters or part thereof; and also included an increase in the fixed rate for first increment of 71.4 meters from $2.50 to $3.00. The effect of the change on the Taxi Scrip program has been an increased cost per trip of about $1.00 on each of the approximately 170,000 annual trips.

The combined impact on the Taxi Scrip program has been an increase in the number of trips taken using Taxi Scrip and a substantial increase in the City’s cost of redemption for each trip taken. The current estimated 2007 year end variance for the program is a deficit position of $110,000.

Approval of Recommendation (b) to this report will fully mitigate any 2007 variance. Recommendation (b) (i) draws on Gas Tax funds that have been approved for the program enhancement, and were due for transfer in the 2008 budget year. Recommendation (b) (ii) draws on available funds that exist in the Outstanding Taxi Scrip Coupon reserve account, which is periodically adjusted to reflect Scrip liability which will never be realized, and can be used to fully mitigate the 2007 deficit position.

Recommendation (a) seeks approval of a 2008 budget increase, fully funded through the tax levy, which will establish the previously approved temporary enhancement as permanent.

**BACKGROUND:**

The information/recommendations contained within this report have City wide implications and relate to matters/facilities/programming/property within the entire City.

In 2006, Council approved an enhancement to the Taxi Scrip program to allow users to buy up to 3 books of Scrip, or $120, each month; this was a change from the previous limit of 2 books, or $80, per month. Users pay 60% of the cost of Scrip at the time of purchase, and use the Scrip at face value to purchase trips on Taxis at meter fare. The City reimburses Taxi operators for 100% of the Taxi Scrip redeemed by them.

The enhancement was approved for a pilot period between July 1, 2006 and December 31, 2008. It had been estimated that there would be a net effect on the levy of $60K annually, and a total of $150K was allocated from Gas Tax reserve to fund the
enhancement. It was anticipated that $30K would be drawn from reserve in 2006, and $60K in each of 2007 and 2008.

**ANALYSIS/RATIONALE:**

Table 1, below, sets out the actual and projected costs of the Taxi Scrip program in 2006, 2007, and 2008, inclusive of the approved enhancement, and proposed mitigation funding sources.

**Table 1: Projected Taxi Scrip Program Variances**

<table>
<thead>
<tr>
<th></th>
<th>Approved Levy</th>
<th>Net Expenditures</th>
<th>Variance</th>
<th>Proposed Variance Mitigation Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006 Actual</td>
<td>$395,850</td>
<td>$375,794</td>
<td>$20,056</td>
<td>N/A</td>
</tr>
<tr>
<td>2007 Projected</td>
<td>$407,800</td>
<td>$517,800</td>
<td>($110,000)</td>
<td>($60,000) from 2008 Gas Tax [impacts 2008 funding requirement] balance estimated at ($50,000) from Taxi Scrip Coupon reserve</td>
</tr>
<tr>
<td>2008 Proposed</td>
<td>$407,800</td>
<td>$583,770</td>
<td>($175,970)</td>
<td>Levy</td>
</tr>
</tbody>
</table>

*Note: Expenditures shown are net of the available Gas Tax allocation in each year.*

In 2006, the Taxi Scrip program had a favorable net budget position of $20K. Based on the increased level of program activity noted during the initial months of the enhancement, it was thought that the $60K allocation from Gas Tax in 2007 would prove sufficient to bring the program in on budget.

In July 2006, after the implementation of the Taxi Scrip program enhancement, Council approved By-Law 06-213 wherein the approved Taxi drop fare rose from $2.50 to $3.00, and the incremental cost by distance was increased. This increased the net cost of each Taxi Scrip trip by at least $0.50. Initially, there was little discernible effect on Taxi Scrip redemptions, as the average use of Taxi Scrip per trip rose from $7.23 in June 2006 to a high of $7.56 in December 2006. This modest increase was assumed to be as a result of longer trips being made by passengers due to the increased availability of Scrip.

On the approximately 170,000 vehicle trips taken by Taxi Scrip passengers, this $0.50 per trip increase, combined with a rise in the incremental cost by distance, resulted in an average redemption of $8.38 per trip as of August 2007, or approximately $1.00 more per trip. This cost per trip increase has created an anticipated $170,000 shortfall in the Taxi Scrip program budget in 2007, for which there are available mitigation opportunities, and an anticipated net levy impact in 2008 of $175,000, for which there are no mitigation opportunities other than to scale back the program or enhance the budget.

**ALTERNATIVES FOR CONSIDERATION:**

Council could direct staff to discontinue the Taxi Scrip program enhancement on January 1, 2008, to achieve some measure of savings, estimated at about $30,000
annually. There would still be a requirement to fund a projected 2008 budget increase of $145,000, as previously budgeted program costs (those from 2006, before implementation of the enhancement) are still affected by the increased Taxi rates.

Council could further direct that the Taxi Scrip program be substantially reduced in scope. Major reductions in the Taxi Scrip program might be expected to have a direct and significant impact on demand for the DARTS program, at a higher order of cost.

Council could direct that the required budget increase for 2008 be funded through a source other than levy, such as Provincial Gas Tax revenue, although this alternative means of financing required operating funds is not sustainable, given the current state of commitment of the Gas Tax reserve.

**FINANCIAL/STAFFING/LEGAL IMPLICATIONS:**

There are no staffing or legal implications arising from the Recommendations.

The financial implications are as stated in the Analysis/Rationale and Alternatives for Consideration sections of this Report.

**POLICIES AFFECTING PROPOSAL:**

There are no policies affecting this proposal.

**RELEVANT CONSULTATION:**

Public Works and Finance & Corporate Services staff were involved in the preparation of this Report.

**CITY STRATEGIC COMMITMENT:**

By evaluating the “Triple Bottom Line”, (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Commitment of funding to support Transit enhancements ensures that participation in community life is enhanced for all Hamiltonians, and in the case of the Taxi Scrip program, particularly for those persons with disabilities.

Environmental Well-Being is enhanced. ☑ Yes ☐ No
Maintaining the financial and operational capability of Transit promotes greater community use, with the accompanying environmental benefits of reducing the use of other vehicle options.

Economic Well-Being is enhanced. ☑ Yes ☐ No
Transit programs might otherwise not be sustainable at current service levels if not for periodic adjustment of the operating funding component.

Does the option you are recommending create value across all three bottom lines? ☑ Yes ☐ No
Financial and overall Transit sustainability is positive.

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☑ Yes ☐ No
Appropriate funding of the Transit program attracts, and assists with retention of, high performing public servants.