

Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Philip H. Mendelson
Chair, Council of the District of Columbia

FROM: Natwar M. Gandhi 
Chief Financial Officer

DATE: July 5, 2012

SUBJECT: Fiscal Impact Statement – “Taxicab Service Improvement Emergency Amendment Act of 2012”

REFERENCE: Draft bill shared with the Office of Revenue Analysis on July 3, 2012

Conclusion

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill, *provided that* the D.C. Taxicab Commission will issue, by July 27, 2012, the rules and regulations necessary to implement the passenger surcharge and execute the contract¹ this bill would approve.

These rules are necessary to set the passenger surcharge within the legal limits proposed in the bill, and to compel the owners, operators and drivers of taxicabs to schedule and pay for the installation of the meters that would be leased through the contract.

The Office of Contracting and Procurement (OCP) informed the Office of Revenue Analysis that the said contract would be signed by OCP only if the required rules are in place.²

Background

The bill establishes³ a passenger surcharge of up to 50 cents on each public vehicle-for-hire ride in the District of Columbia. It also establishes a new revolving, segregated, non-lapsing fund, the *Public Vehicles-for-Hire Consumer Service Fund*, which would receive fees from passenger surcharges, taxicab license fees, and funds collected by the Taxicab Commission from the Department of Motor

¹ Contract No. DCPO-2012-C-0342.

² Email correspondence with OCP staff verified that the contract will only be signed after the rules are in place.

³ The bill amends the District of Columbia Taxicab Commission Establishment Act of 1985, effective March 25, 1986 (D.C. Law 6-97; D.C. Official Code § 50-301 *et seq.*).

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Vehicles through the Out-Of-State Vehicle Registration Special Fund.⁴ These funds would be used to pay for the administration and operation of the Taxicab Commission, including the implementation of a Taxicab Smart Meter System. These funds may be used to provide grants, loans, incentives, or other financial assistance to owners of licensed taxicabs legally operating and incorporated in the District to offset the cost of acquiring, maintaining, and operating wheelchair-accessible vehicles and alternative-fuel vehicles, directing licensed taxicabs to underserved areas, and to offset costs associated with meeting the mandates of this act, as established by rulemaking. Finally, funds may also be used to establish a program to provide a taxicab fare discount for low-income senior citizens aged 65 and older and persons with disabilities.

The bill also approves an approximately \$35 million contract to VeriFone Systems, Inc. of San Jose, California, to install and operate a Taxicab Smart Meter System for approximately 6,500 taxicabs. The contract has a base term of five years and three one-year option periods.

The Taxicab Smart Meter System would allow driver authentication, trip data collection, provide a driver information module and a passenger information monitor that accepts credit or debit card payments, and features safety activation devices and advertisements. VeriFone Systems would install and maintain these meters in 6,500 taxicabs within 90 days of the execution of the contract, and manage and maintain back-office operations including data collection, trip monitoring, and execution of credit card transactions, collection and remittance of the 50 cent per trip drop-fee surcharge for all trips regardless of payment method, advertisement on the passenger monitors, and necessary maintenance and training. The contract outlines in detail the requirements for each of these features and the contractor's responsibilities in each area.

The Taxicab Commission would be responsible for issuing the necessary rules and regulations compelling the taxicab owners to follow the necessary protocols and schedule for the installation of the meters in their taxicabs. The taxicab owners, operators, and drivers would be responsible for following the installation instructions, including making the necessary arrangements to schedule an installation, and follow through with their appointment. The owners, operators, and drivers of taxicabs would also be responsible for the installation costs.

The costs of the contract are outlined in the following table:

Cost of with VeriFone Systems, Contract No. DCPO-2012-C-0342, over the five-year contract term						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Hardware and equipment for in-cab units ^{1,2}	\$2,383,333	\$2,383,333	\$2,383,333	\$2,383,333	\$2,383,333	\$11,916,665
Hardware and Equipment for Back Office	\$10,000					\$10,000
Set-up for wireless Communications, hosting, network infrastructure and credit card terminals	\$75,000					\$75,000

⁴ This item is pursuant to section 3a of the District of Columbia Revenue Act of 1937, approved August 17, 1937(50 Stat. 679; D.C. Official Code § 50-1501.01 *et seq.*), as amended by the Non-Resident Taxi Drivers Registration Amendment Act Of 2008, effective March 26, 2008 (D.C. Law 17-130; D.C. Official Code § 50-1501.03a).

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Cost of with VeriFone Systems, Contract No. DCPO-2012-C-0342, over the five-year contract term						
	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Testing, startup and training	\$425,000					\$425,000
Printed instructional materials	\$80,000					\$80,000
Reserve for equipment removal and reinstallation	\$30,000	\$65,000	\$70,000	\$75,000	\$85,000	\$325,000
Total Start-up Costs	\$3,003,333	\$2,448,333	\$2,453,333	\$2,458,333	\$2,468,333	\$12,831,665
Back Office Operations	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000	\$2,000,000
Wireless communications hosting, credit card, etc.	\$780,000	\$780,000	\$780,000	\$780,000	\$780,000	\$3,900,000
Credit Card Fees ³	\$682,500	\$1,842,750	\$1,638,000	\$2,115,750	\$3,071,250	\$9,350,250
Training	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
Maintenance and Help Desk	\$36,000	\$36,000	\$36,000	\$36,000	\$36,000	\$180,000
Financial Operations	\$234,000	\$234,000	\$234,000	\$234,000	\$234,000	\$1,170,000
Advertisement Management	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000	\$7,800,000
General administration	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$500,000
Total Operating Costs	\$3,812,500	\$4,972,750	\$4,768,000	\$5,245,750	\$6,201,250	\$25,000,250
Summary Cost Information						
Total Cost (Operating plus Start-up)	\$6,815,833	\$7,421,083	\$7,221,333	\$7,704,083	\$8,669,583	\$37,831,915
Discount	(\$850,750)	(\$367,250)	(\$367,250)	(\$391,733)	(\$923,993)	(\$2,900,976)
Contract Amount	\$5,965,083	\$7,053,833	\$6,854,083	\$7,312,350	\$7,745,590	\$34,930,939

Table Notes

¹The lease amount is for 6,500 units. Additional units would be leased at rates established in the contract.

² Per the contract, taxicab owners, operators or drivers would be responsible for installation costs, which are projected to be \$200 per installation.

³ The credit card transaction fee would be capped at the amounts shown in the table.

The contract further specifies that the VeriFone Systems will be entitled to all revenue generated through advertisements displayed on passenger monitors in the first two years of the contract. The District will be entitled to 10 percent of net advertisement revenues in Year 3, and 20 percent in Year 4 and Year 5.

The contract also specifies the costs for option years 1 through 3 (\$7.2 million, \$8 million, and \$8.5 million respectively) but leaves open for negotiation the revenue sharing arrangements.

Financial Plan Impact

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill.

The Taxicab Commission intends to set the per trip passenger surcharge at the maximum allowable rate of 50 cents per trip. This surcharge, if in place by July 27, 2012 through emergency rulemaking, is projected to generate \$8.9 million in FY 2013 and \$9.9 million, annually, in the out years. This estimate is based on data provided by the Taxicab Commission and the implementation time table

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set out in the contract. Data from existing meters and the Taxicab Commission's survey of taxicab owners and operators suggests that, on average, each taxicab handles approximately 10 rides per day. The estimate also incorporates some down-time (approximately 15 percent of working hours) for sick and vacation days for taxicab drivers, and a 95 percent coverage rate in the first year (that is, five percent of the taxicabs would not have the meters installed immediately for various reasons), but full coverage rate in out years.

The Taxicab Commission's budget already includes \$1.1 million annually from the passenger surcharge revenue—the Fiscal Year 2013 Budget Support Act of FY 2012 proposed a similar charge and these amounts are already in the District's approved FY 2013 through FY 2016 budget and financial plan. Thus, the net revenue from the bill is \$7.8 million in FY 2013 and \$8.8 million annually in the out-years.

The payment schedule established in the contract does not necessarily follow year-by-year costs, especially given the difference between the contract years and the District's fiscal years. In FY 2012, the contract would be in place for only two months. The District would be required to pay \$415,000 during these two months, which are already part of the Taxicab Commission's budget.⁵ According to the contract payment schedule, the District would pay VeriFone Systems \$6.7 million in FY 2013, \$7.0 million in FY 2014, \$6.9 million in FY 2015, \$7.4 million in FY 2016, and \$6.45 million in FY 2017.⁶

Estimated Fiscal Impact of Taxicab Service Improvement Emergency Amendment Act of 2012 FY 2013 through FY 2017 (In \$ millions)						
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Contract Term
Total Surcharge revenue	\$8.92	\$9.91	\$9.91	\$9.91	\$9.91	\$48.57
Included in FY 2013 budget ¹	(\$1.09)	(\$1.09)	(\$1.09)	(\$1.09)	(\$1.09)	(\$5.47)
Net Surcharge Revenue	\$7.83	\$8.82	\$8.82	\$8.82	\$8.82	\$43.11
Contract Payment Amounts²	(\$6.73)	(\$7.02)	(\$6.93)	(\$7.38)	(\$6.45)	(\$34.52) ²
	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	Contract Term
Net fiscal impact	\$1.10	\$1.80	\$1.89	\$1.43	\$2.36	\$8.59

Table Notes

¹ Subtitle VI (F) of Fiscal Year 2013 Budget Support Act of 2012 proposed a similar Fund that would be funded by a similar per trip surcharge. The OCFO certified \$1.09 million for this proposal, given some of the impediments of fully implementing the surcharge without a reliable collection method.

² This line excludes the \$415,000 of payment in FY 2012 that would be covered by existing resources. When this amount is included, the total line matches the total contract cost of approximately \$35 million.

Thus, the bill will generate additional revenues of \$1.1 million in FY 2013 and \$8.59 million over the life of the contract (FY 2013 through FY 2017), which would accrue to the Public Vehicles-for-

⁵ This amount was reprogrammed for FY 2012, and therefore would not be paid through the passenger surcharge.

⁶ The option year costs are not included in this analysis, since the signing of the contract would not obligate the District to exercise its option to extend the contract.

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Hire Consumer Service Fund. These additional amounts can be used towards the operation and administration of the D.C. Taxicab Commission and other provisions of the bill such as financial incentives for wheelchair accessible taxicabs, alternative-fuel taxicabs, and other grants and incentives for taxicab owners, operators, and drivers as cost subsidies related to the programs proposed by this bill or any other action by the Taxicab Commission.

Other implementation prerequisites

Since the revenue certified in this fiscal impact statement and the contract expenditures authorized by the bill are not included in the FY 2013 budget, the Mayor must obtain spending authority for these funds before implementing the bill.