

LIVERY TRANSPORT SERVICES RESERVE AND FEE STRATEGY

EXECUTIVE SUMMARY

Livery Transport Services is mandated by Council to be self-supporting and does not receive mill rate tax support. On 2014 January 01, Compliance Services (including Livery Transport Services) was transferred to Animal & Bylaw Services (ABS) from Development and Building Approvals (DBA). This report is in response to recommendations approved in PFC2012-0753 and provides a financial summary for Livery Transport Services (LTS), as well as outlines work underway on the Livery Transport Services Reserve and fee strategy as part of the 2015-2018 Action Plan.

After reviewing the LTS financial information and the Triennial Reserve Review Report, the following conclusions can be drawn:

- 1) The Triennial Reserve Review Report made no recommendations on the LTS Reserve; Administration will therefore not make any recommendations;
- 2) The LTS operating revenues and expenditures are being aligned. Revenues are slightly higher than annual expenditures in recent years, allowing for contribution to the LTS Reserve. This in turn provides capacity to respond to one-time needs and fund capital projects;
- 3) There are several LTS capital requirements including vehicle lifecycle, communications lifecycle, scoping the feasibility of a central booking system for accessible taxi requests (Report TT2012-14) and other projects in preparation for the 2015-2018 Action Plan. The LTS Reserve is the only source of funding for these capital projects; and
- 4) The information above suggests that the fees, as reviewed by TLAC and previously approved by Council, are appropriate at this time.

The 2015-2018 Action Plan process is ramping up with the development of business plans and budgets. The new four-year business planning and budgeting process is an opportunity to develop a robust and sustainable LTS reserve and fee strategy that aligns operating revenues and expenditures, and capital requirements. Administration plans to bring recommendations on capital projects and any changes to operating resources in order to continue the focus on improving taxi service in Calgary, through the 2015-2018 Action Plan for Council's approval.

ADMINISTRATION RECOMMENDATION

That the SPC on Transportation and Transit recommends that Council receives this report for information.

RECOMMENDATION OF THE SPC ON TRANSPORTATION AND TRANSIT, DATED 2014 APRIL 16:

That the Administration Recommendation contained in Report TT2014-0283 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2012 November 26, Special Meeting of Council it was moved by Alderman Colley-Urquhart that the Priorities and Finance Committee Recommendations contained in Report PFC2012-0753 be adopted as follows, that Council:

LIVERY TRANSPORT SERVICES RESERVE AND FEE STRATEGY

1. Approve a draw of \$228,000 from the Livery Transport Service reserve in 2013 to offset the costs associated with two additional Livery Taxi Inspectors;
2. Approve a draw \$250,000 from the Livery Transport Service reserve to complete the development of computer systems capable of receiving taxi broker performance data; and,
3. Direct Administration to report back to the SPC on Transit and Transportation no later than 2013 May, outlining a Livery Transport Services fee strategy that reflects operating expenditures, revenues, reserve balances and capital projects.

At the 2013 May 22, SPC on Transit and Transportation, TT2013-0424 Livery Transport Services Reserve and Fee Strategy - Deferral Report was presented and with Committee support to report back 2013 December, allowing time for Administration to align potential fee or budget adjustment requirements with policy or process recommendations arising from the report with the Chief Financial Officer's Triennial Reserve Review. Council approved Report TT2013-0424 on 2013 June 10.

In 2013 November, through the 2014 budget adjustment process, Council approved the transfer of Compliance Services to Animal & Bylaw Services from Development and Building Approvals effective 2014 January 01 (C2013-0668). This adjustment resulted in a subsequent net-zero interdepartmental transfer of both budget and associated positions.

On 2013 December 13, the SPC on Transportation and Transit approved TT2013-0826 Livery Transport Services Reserve and Fee Strategy – Deferral Report, as the Chief Financial Officer's Triennial Reserve Review had not yet been presented to Council. Council approved report TT2013-0826 on 2014 January 13.

On 2013 December 16, Council approved PFC2013-0745 Triennial Reserve Review Report. The report had no recommendation on the Livery Transport Services Reserve.

BACKGROUND

Organizational Change

As requested by Council (CPS2013-0083), to achieve an improvement in bylaw enforcement services to Calgarians, an Enforcement Services Improvement Review was undertaken by Development and Building Approvals (DBA) and Animal & Bylaw Services (ABS). This review resulted in a transfer of organizational responsibilities from DBA to ABS. In 2013 November, Council approved the adjustment of a net-zero interdepartmental transfer of both budget and associated full-time equivalent (FTE) positions effective 2014 January 01, through the 2014 business plan and budget adjustment process (C2013-0668). On 2014 January 01, Compliance Services including Livery Transport Services was transferred to ABS.

Purpose of Reserves

Reserves are part of good management that allows for funds to be spent judiciously over time or to ensure service levels are maintained and not immediately impacted by a potential downturn in the economy. Reserves provide a measure of financial flexibility to react to budget shortfalls or the financial impact of significant unexpected issues in a timely manner. A properly balanced approach to the planning and use of reserves is considered good financial management and is

LIVERY TRANSPORT SERVICES RESERVE AND FEE STRATEGY

a key component of The City of Calgary's strong credit rating. For the majority of reserves, expenditures from and contributions to reserve funds are included in the budget and budget adjustments approved by Council.

Livery Transport Services (LTS) Reserve

The Livery Transport Services Reserve was established over thirty years ago. Prior to 1983, the reserve was classified as the Taxi Commission operating surplus. In 1992, a second reserve fund was established as a result of revenue surpluses obtained from a taxi plate lottery and entitled the Taxi Commission Lottery Surplus Reserve. In 1997, both reserves were combined and in 2004 Report FCS2004-22 changed the name of the combined reserve to Livery Transport Services Reserve. The purpose of the LTS Reserve is to stabilize future taxi and limousine fee increases, which would benefit the taxi industry and also stabilize financing and achieve a balanced budget without tax rate support.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In response to Council direction, Administration and TLAC continued to advance the work on the LTS Reserve and fee strategy while waiting for potential recommendations arising from the Triennial Reserve Review Report.

Triennial Reserve Review Report Summary

Administration received Council's approval to report back when the Triennial Reserve Review Report has been approved by Council. This allowed time for Administration to align the LTS and reserve and strategy with potential recommendations in Triennial Reserve Report.

On 2013 December 16, Council approved PFC2013-0745 Triennial Reserve Review Report. The report summarizes the results of year three of the Triennial Reserve Review process performed by an Administrative Reserve Review Committee. The purpose of the Triennial Review process is to ensure that:

- a) Reserve activity meets all authorizing documents requirements;
- b) Reserve activity is in accordance with administration reserve policies and procedures;
- c) The reserve's purpose, conditions and/or restrictions are still relevant; and
- d) The reserve is still required in its current form.

For 2013, Council approved the review of one joint use reserve and 16 City reserves, including the LTS Reserve.

Triennial Reserve Review Report on the Livery Transport Services Reserve

The Triennial Reserve Review Report found all LTS Reserve activity met authorizing documents and met Council and Administrative reserve policies and Administrative reserve procedures. The report did not make recommendation for the LTS Reserve. The report stated the following comments: *"Livery Transport Services is to be transferred to Animal & Bylaw Services and the transfer may impact operating and capital projects going forward. LTS will require a period of time to digest the impacts of re-organization. In addition, Council mandated growth may impact their sustainability going forward. Any possible change to the reserve is deferred pending outcome of re-organization review."*

LIVERY TRANSPORT SERVICES RESERVE AND FEE STRATEGY

Livery Transport Services Financial Summary & Conclusions

Livery Transport Services is mandated by Council to be self-supporting and does not receive any mill rate tax support. Council approved LTS fee changes at the 2009 to 2011, and the 2012 to 2014 business planning and budget deliberations. Administration conducted a financial review of revenues and expenditures and reserve activity which will help connect the dots in the development of a robust and sustainable LTS reserve fee strategy for the 2015-2018 Action Plan. The Livery Transport Services Financial Summary is outlined in the Attachment.

After reviewing the LTS financial information and the Triennial Reserve Review Report, the following conclusions can be drawn:

- 1) The Triennial Reserve Review Report made no recommendations on the LTS Reserve; Administration will therefore not make any recommendations;
- 2) The LTS operating revenues and expenditures are being aligned. Revenues are slightly higher than annual expenditures in recent years, allowing for contribution to the LTS Reserve. This in turn provides capacity to respond to one-time needs and fund capital projects;
- 3) There are several LTS capital requirements including vehicle lifecycle, communications lifecycle, scoping the feasibility of a central booking system for accessible taxi requests (Report TT2012-14) and other projects in preparation for the 2015-2018 Action Plan. The LTS Reserve is the only source of funding for these capital projects; and
- 4) The information above suggests that the fees, as reviewed by TLAC and previously approved by Council, are appropriate at this time.

Administration in consultation with TLAC, will continuously review revenues, expenditures, capital needs, and the reserve to ensure that fees are appropriate to support current service levels and enable investment in future improvements.

The 2015-2018 Action Plan process is ramping up with the development of business plans and budgets. The new four-year business planning and budgeting process is an opportunity to develop a robust and sustainable LTS reserve and fee strategy that aligns operating revenues and expenditures, and capital requirements. Administration plans to bring recommendations on capital projects and any changes to operating resources in order to continue the focus on improving taxi service in Calgary, through the 2015-2018 Action Plan for Council's approval.

Stakeholder Engagement, Research and Communication

In accordance with the Taxi and Limousine Advisory Committee Terms of Reference, TLAC is responsible for reviewing all recommendations of The City of Calgary's Administration related to the taxi and limousine industry prior to presentation to Council.

This matter went before TLAC on 2014 March 24. It was determined that Administration will conduct additional evaluation on the operational resource requirement to meet the increased volume of work and to implement previous Council-approved initiatives. The analysis of operational resource requirement will ultimately link into the LTS fees and reserve strategy and the 2015-2018 Action Plan. Administration is anticipating to bring the operational resource requirement analysis and potential recommendations to TLAC by 2014 June.

LIVERY TRANSPORT SERVICES RESERVE AND FEE STRATEGY

Strategic Alignment

This report aligns with the purposes of the *Livery Transport Bylaw 6M2007* to ensure public safety, service quality and consumer protection for customers and service providers in the livery industry, creating and maintaining a sustainable livery industry that considers the interests of service providers and meets the needs of the travelling public in the city.

Social, Environmental, Economic (External)

Reserves are part of good management that allows for funds to be spent judiciously over time or to ensure service levels are maintained and not immediately impacted by a change in policy directions. A reserve and fee strategy will facilitate business success while maintaining sufficient financial capacity to ensure public safety, service quality and consumer protection for the taxi and limousine industry and the travelling public. The appropriate application of fees can help guide and assist in achieving long term sustainability.

Financial Capacity

Current and Future Operating Budget:

No operating budget impacts have been identified at this time.

Current and Future Capital Budget:

No capital budget impacts have been identified at this time.

Risk Assessment

There are no risks associated with this report. The Triennial Reserve Review process helps to mitigate risk by ensuring reserve balances are neither too high, where cash is held unnecessarily, or too low, where funds are insufficient to meet future needs. The Triennial Reserve Review Report found all LTS reserve activity met authorizing documents and met Council and Administrative reserve policies and Administrative reserve procedures. The report did not make recommendation for the LTS Reserve.

REASON(S) FOR RECOMMENDATION(S):

The Triennial Reserve Review Report found all LTS reserve activity met authorizing documents and met Council and Administrative reserve policies and Administrative reserve procedures and made no recommendations for changes. Through the financial analysis, the information above suggests that the fees, as reviewed by TLAC and previously approved by Council, are appropriate at this time. The new four-year business planning and budgeting process is an opportunity to develop a robust and sustainable LTS reserve and fee strategy that aligns operating revenues and expenditures, and capital requirements. Administration plans to bring recommendations on capital projects and any changes to operating resources in order to continue the focus on improving taxi service in Calgary, through the 2015-2018 Action Plan for Council's approval.

ATTACHMENT

Livery Transport Services Financial Summary