

MEMORANDUM

February 2, 2010

TO: Transportation, Infrastructure, Energy and Environment Committee
FROM: Glenn Orlin, Deputy Council Staff Director
SUBJECT: FY10 Budget Savings Plan, Round 2 (continuation)

Committee members: Please bring your copies of the January 21 Committee packet, the February 1 Public Forum document, and the written testimony from the forum.

At the January 21 Committee meeting Councilmembers Floreen and Leventhal tentatively recommended approval of most of the Executive's recommended FY10 Savings Plan (Round 2) that is under the Committee's jurisdiction. (Councilmember Berliner could not attend the meeting.) This worksession is the opportunity for the Committee to finalize its recommendations and to address two remaining reductions: Call-n-Ride and Ride On service. There is also a follow-up matter regarding parking lot district reductions.

1. Call-n-Ride. The Call-n-Ride Program provides subsidized taxi service for low-income seniors (age 67 or older) and low-income persons with disabilities (age 16 or older). The subsidy varies by income category, and ranges from 91% for incomes under \$14,000 year to 50% for incomes between \$20,000-25,000 per year. The Executive is proposing limiting Call-n-Ride Program customers to buying one \$60 book of discounted taxi vouchers per month, rather than the two books currently allowed.

The Savings Plan initially assumed that this limitation would begin in February, for which there would have been an estimated net savings of \$747,910 in FY10 (\$833,330 in reduced costs offset by \$85,420 in lost revenue). However, the Office of Management and Budget has advised us that the start of the one-book-per-month limitation has been deferred until March; participants can begin ordering books in February and (unless the Council decides otherwise) they will be told that they are limited to one book per month for the remainder of the fiscal year. Therefore, the new estimated savings in FY10 is \$666,660 in expenditures less \$68,340 in lost revenue for a net savings of \$598,320: \$149,590 less than the original savings plan. *Effectively, therefore, the Executive has reduced his overall Round 2 Savings Plan by \$149,590.*

Currently about 96% of customers who buy vouchers buy 2 books/month:

Income Category (Annual Income)	Average number of participants buying at least 1 book/month	Average number of participants buying 2 books/month
under \$14,000	2,725	2,633
\$14,000-17,000	134	118
\$17,000-20,000	60	48
\$20,000-25,000	31	22
Total	2,950	2,821

The Coalition for a Competitive Taxicab Industry (CCTI) has raised significant concerns about this cut (©1-3). Beyond the impact on the poor elderly and disabled, CCTI maintains that Call-n-Ride customers comprise 12% of their drivers' gross income, which means that cutting nearly half the coupon books sold could reduce their gross income by 6%. As CCTI points out, the cut could significantly damage the taxi business, which would affect all residents.

The more pressing concern is the impact on the participants themselves. Throughout the downturn of the past two years the Executive and Council have consistently placed the highest priority on preserving the safety net of services for the most vulnerable; this program is vital for the poor elderly and disabled. A \$60 book of coupons may suffice for a few short trips during a month, but oftentimes clients will save up coupons for longer trips to doctor's offices or other destinations that are beyond their neighborhood. (The coupons are good for 18 months after issuance.) Free Ride On and Metrobus for the elderly and disabled has not proved to be a substitute for Call-n-Ride, as its client base and voucher-book sales has not declined.

Council staff recommends restoring to the Call-n-Ride Program half of this cut, funding enough to sell 2 books every other month, e.g., March and May in FY10. This would reduce the savings by \$299,160.

Councilmembers Leventhal and Floreen wanted to have Council staff propose offsetting savings (or increased revenue) not already assumed in the Executive's Savings Plan. **Council staff recommends these offsetting actions:**

- **Approve the 10-cent increase in Ride On fares, generating \$205,000.** The Committee may not wish to make its recommendation on the fare increase at this meeting, since the public hearing on the fare increase is later in the evening.
- **Eliminate Silver Spring Super Fare Share as of March 1, saving \$62,500.** The Executive discontinued Super Fare Share as of February 1 for Friendship Heights, Bethesda, and North Bethesda, and at the January 21 meeting Councilmembers Floreen and Leventhal concurred. If the program is being suspended in these areas, however, it should also be suspended in Silver Spring. It is too late to discontinue it for February, however.
- **Reduce \$31,660 more from traffic sign and marking materials.** Round 2 already would cut \$100,000—about 10%—from this budget; this further reduction would cut it by another 3%.

2. Ride On service cuts. The most significant proposed reduction (which is receiving the most public comment), is the Executive's proposal to cut back 7.5% of Ride On service as of March 28:

- Eliminating 9 weekday routes, 10 Saturday routes, and 5 Sunday routes.
- Discontinuing segments of 4 routes.
- Reducing frequency of 3 weekday peak-period routes.
- Reducing evening bus trips on 7 weekday routes, 4 Saturday routes, and 2 Sunday routes.

These reductions would save \$1.2 million in costs for the balance of FY10, partially offset by a loss of \$130,000 in fare revenue, for a net savings of \$1,070,000. Projected through next year, the FY11 budget would be reduced by \$4,557,650, partially offset by a loss of \$529,050 in fare revenue, for a net savings of \$4,028,600. The proposal would cut 52 bus operator positions, 32 of which are currently filled. The January 21 packet describes the proposed changes in detail.

Most of the cuts were taken from the least productive routes in the system. The exceptions are those for which there have been recent modifications to the service to improve productivity (new routes or changes are allowed 18-24 months to reach maturity before they are judged as sufficiently efficient) or for which DOT will be using the existing resources (not directly related to service) to make productivity improvements on other routes in March 2010.

Most of the hearing testimony came from riders on routes that would be totally eliminated. Some of the frequent suggestions were to: raise fares; reduce frequencies, especially in the off-peak; eliminate free-fare programs; and divert funds from other programs. Generally, the highest priority was to provide at least rudimentary service during weekday peak periods.

Routes failing to meet the minimum productivity thresholds—15 riders/hour for peak-period routes and 10 riders/hour for all-day routes—should be subject to elimination. But most of the routes proposed for elimination perform better than these thresholds. There is value in retaining as many of the existing routes as possible, especially since these cuts are not expected to be permanent, since a cornerstone of the County's policies on growth depend on significantly higher transit ridership, much of it to be provided by greatly expanded bus service (hence the urgency for a third bus depot in the upper county). In the past several years the County has invested heavily in bus stop improvements, but many would be unused if as many routes are eliminated. More significantly, once a route is altogether eliminated, it is very difficult to build the ridership back later once the route is reintroduced.

An assumption in these cuts is that the elimination of a less-productive route (but one that still meets the threshold of productivity) will lose fewer riders than if buses were reassigned from more productive routes. That isn't necessarily true, however. Eliminating a route with a 30-minute headway would lose most of its riders to the automobile. But would a route now running every 10 minutes lose much ridership if it ran every 12 or 15 minutes instead, or a 15-minute service running every 20 minutes? It is doubtful, except for those few routes where enough overcrowding would result that some riders would be passed by. Council staff believes a better approach would be to make more surgical adjustments to headways to more routes—both during

peak and off-peak periods—rather than the wholesale elimination of the 9 weekday routes (with the exception of those routes that are clearly and historically below the productivity threshold, which should be eliminated).

A timing issue involves the 32 filled bus operator positions that the Executive’s proposal would eliminate. If positions elsewhere cannot be found for the affected employees, the layoffs would take effect on March 28. As in each of the last two years, there may be a desire to put forward another proposed Retirement Incentive Plan to address involuntary layoffs, which might also apply to other potential layoffs in the FY11 budget. If such a plan is proposed, it will need careful review to ensure that it is fiscally sound. This review cannot be done overnight.

Council staff recommends accepting the Executive’s proposed Saturday and Sunday eliminations, as well as the late evening (after 9:00 pm) reductions, starting March 28, amounting to a savings in FY10 of about \$353,500: about one-third of his proposed savings, thus falling short of the Executive’s proposed cuts by \$716,500. The weekend and late evening cuts are not painless, but the incidence of the pain would be far less than the weekday peak-period cuts. Also, since 20 of the 52 bus operations positions in the Executive’s cut are unfilled positions, it is likely that this cut would not affect a filled bus operator position.

Over the next several weeks, Council staff recommends that DOT prepare a revised set of cuts that would spread smaller reductions over more routes, rather than concentrating them on a few, many of which are the only routes serving an area. After March 15 the Council will be able to examine the full budget landscape comprehensively, and then make a decision as to whether the Ride On service cut is appropriate given the degree of proposed service cuts in other parts of the budget. Furthermore, the Council could explore other expenditure reductions and revenue enhancements for FY11 that could mitigate some further cuts, including but not limited to:

- *A further fare increase.* Council staff understands that the WMATA may be considering a further fare increase as part of the FY11 budget; Ride On should match whatever increase is approved.
- *Suspending free-fare programs.* Kids Ride Free and free fares for seniors costs Ride On about \$800,000 annually in lost revenue. Students could go back to using the \$10/month Youth Cruiser pass, and seniors could pay the federally-mandated half-fare. The Council should also re-examine County employees’ “C” Pass and GET-In Program.
- *Raising some parking fees, fines, and charges.* In particular the Council could consider examining those that have not been raised for the past few years.
- *Expanding paid parking.* Several smaller business districts still have free on-street parking.
- *Extending parking charging hours.* These could be more modest extensions than those initially approved and then retracted three years ago.

3. Parking Lot District funds. In reviewing the proposed parking district cuts again, Council staff has found that the Bethesda PLD expenditure reduction can not translate into savings in tax-supported funds under current law, policy, or practice.

However, OMB and Council staff have developed two ideas that could allow the funds to be transferred. One is for the Executive to adjust his policy of transferring up to 75% of fine revenue to the Mass Transit Fund; by raising the ceiling to a higher percentage more fine revenue can be transferred, increasing resources for the Transit Fund. Another possibility is for the General Fund to charge the Bethesda PLD (and Silver Spring and Wheaton PLDs) for the hauling away of snow from on-street metered parking spaces during the December (and future?) snow storms, thus allowing the spaces to be used.

The Committee should discuss these options with OMB staff at the worksession.

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January 15, 2010

The Honorable Nancy Floreen
President
Montgomery County Council
100 Maryland Avenue
Rockville, MD 20850

Dear President Floreen:

The Coalition for a Competitive Taxicab Industry (CCTI) is extremely concerned about the catastrophic impact that the County Executive's proposal to cut the Call 'N Ride program by **fifty percent** will have on our most needy passengers who rely on this program. The proposed cut to this program of more than **\$833,000** for the remainder of this fiscal year would be made by issuing only \$60 in coupons from February 2010 through June 2010 instead of \$120. **"This program provides critical medical and other trips to those low-income seniors or disabled residents and will have dramatic impacts on their ability to travel."** This quote comes from the County Executive's own FY08 Savings Plan Description/Justification, when he last proposed such a drastic cut to the program. CCTI cannot understand the County Executive's logic in proposing such a cut when in his justification two years ago he acknowledged the severe impact on these passengers.

The Call 'N Ride program provides **over 117,000 trips annually** to its participants who are all low-income seniors over age 67 or physically and mentally disabled individuals of any age. Participants are screened to see if they can use other forms of public transportation or have access to other transportation services. Participants rely on this program to see their doctors, buy their groceries, go to senior centers, and maintain some freedom to travel.

The County Executive's proposal to reduce the FY10 budget by an additional 2% or \$70 million may be a necessary evil in view of the budget constraints the county is facing. **However, the Call 'N Ride program is being asked to provide almost 1.2% of the total cuts, when the program only represents 0.1% of the total county budget. This is 10 times its share of the budget. Call 'N Ride makes up only 3.6% of the Mass Transit Budget, yet its proposed cut is over 30% of the proposed cut to the Mass Transit budget. This is an inequitable cut especially considering the vulnerability of Call 'N Ride participants.**

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Unfortunately, the fallout from this proposed cut will not stop with the passengers. Our drivers rely heavily on Call 'N Ride trips for over 12% of their gross income. With the addition of 65 new PVL's last fiscal year and the poor economy, which has resulted in more individuals needing a job, even one as difficult and unrewarding as driving a taxicab, there are now more drivers who, under this proposal, would be chasing many fewer trips. Add in the recent increases at the gas pump and it will be clear that many of these hard-working drivers will be forced to park their cabs and try to find a new job in an economy that appears to be entering a jobless recovery. Almost all taxicab drivers earn less than the median income in the nation, let alone Montgomery County. Many of them would be eligible participants, based on income, in the Call 'N Ride program itself.

Customer service will be significantly impacted as well. All the fleets have worked very hard to get new drivers and we have been successful. However, these new drivers will probably be the first ones to leave when there is a significant drop-off in trips from the loss of Call 'N Ride passengers. These new drivers are unlikely to come back when the passengers come back. With a very slow economic recovery and a distinct possibility of a double dip recession even more drivers could be forced out of the industry. The loss of these drivers could reduce service levels to our remaining passengers.

Please reject this line item in the County Executive's Revised Savings Plan for the FY10 budget. If you find that you must make some cut to the Call 'N Ride program, it should be an equitable cut of 2% of the annual Call 'N Ride budget.

If you would like any additional information please call our Executive Director, Retha Arens, at (301) 258-0431 or on her cell (240) 899-4022. Thank you.

Sincerely,

Via E-mail & Hand Delivery

Reza Raoofi
President CCTI & Action Taxicab, Inc.

cc.: Councilmember George Leventhal
Councilmember Roger Berliner

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PROPOSED CUT TO THE CALL 'N RIDE PROGRAM

- ❖ This program was designed to allow freedom to travel by the lowest income elderly and disabled individuals in Montgomery County. It provides a direct subsidy to these individuals.
- ❖ This program allows these individuals to make **over 117,000 trips annually**. **Many of these trips are for doctor appointments, dialysis treatments or simply to buy the necessities of life.**
- ❖ An individual qualifies to buy subsidized coupon books. In order to qualify, an individual must be over age 67 or disabled over age 16. Income for a family of one must be under \$25,000 per year. **Over 92% of the coupon books are sold to individuals who have incomes under \$14,000 per year.**
- ❖ Individuals are allowed to buy 2 books per month. Each book contains thirty \$2 coupons, for a total value of \$60. Most individuals buy 2 books per month, allowing them \$120 per month for taxi trips.
- ❖ The individuals use these coupons to pay for taxi rides. Taxi drivers rely on this program for approximately 12% of their gross income.
- ❖ The taxi drivers are reimbursed for coupons submitted to the fleets. The fleets count the coupons, check for expiration dates, and present weekly invoices to the County.
- ❖ **The County Executive is proposing to cut this program by 50%.**
- ❖ **The Call 'N Ride program is being targeted to provide almost 1.2% of the total cuts in the proposed Savings Plan, when the program only represents 0.1% of the total county budget. This is 10 times its share of the budget.**
- ❖ **Call 'N Ride makes up only 3.6% of the Mass Transit Budget, yet its proposed cut is over 30% of the proposed cut to the Mass Transit Budget.**

CCTI strongly recommends that this program not be cut. It serves a vulnerable population and is part of Montgomery County's safety net. We understand the necessity to bring the budget into balance, but please do not do so by making the proposed inequitable cut to Call 'N Ride.