

THE COUNCIL OF THE CITY OF NEW YORK

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Report to the Committee on Finance and the Committee on Transportation on the Fiscal 2018 Executive Budget for Taxi and Limousine Commission May 17, 2017

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Executive Budget Summary

- **Expense Budget Overview.** The Fiscal 2018 Executive Budget of the Taxi and Limousine Commission (TLC or the Commission) totals \$56.4 million, a decrease of \$14.2 million when compared to the \$70.6 million in the Fiscal 2017 Adopted Budget.
 - The TLC's budget is funded entirely with City tax-levy funds.
 - TLC's total headcount for Fiscal 2018 is 690 positions, a decrease of 11 positions when compared to the Fiscal 2017 Adopted Budget.
 - The Fiscal 2018 Executive Budget includes no revenue from the sale of taxi medallions in Fiscal 2018.
- **Executive Budget Changes**
 - There are no new needs in the Executive Budget for the TLC.
 - There is a net reduction in other adjustments totaling \$2.2 million in Fiscal 2017 and \$1.8 million in Fiscal 2018.
 - Savings total \$2.6 million in Fiscal 2017 and \$1.9 million in Fiscal 2018, resulting largely from hiring delays.
- **Major Agency Issue.** The City's plan to sell additional yellow taxi medallions continues to be delayed. In addition, the Commission anticipates a decrease in Hail license sales in Fiscal 2018 reflecting the impact of the requirement that for every 1,000 licenses issued for sale, 20 percent must be sold first for accessible livery cabs.

TLC Overview

This report reviews the Taxi and Limousine Commission's Fiscal 2018 Executive Budget. The section below identifies changes to the Commission's budget during the course of Fiscal 2017. The next section reviews important budget actions introduced in the City's Fiscal 2018 Executive Budget. Major issues related to the Commission's budget are then discussed. Appendix 1 identifies changes to the Fiscal 2017 and Fiscal 2018 Budgets since the Fiscal 2017 Adopted Budget. For additional information on the Commission's budget and its various programs, please refer to the Fiscal 2018 Preliminary Budget Reports for TLC at: <http://council.nyc.gov/budget/wp-content/uploads/sites/54/2017/03/156-TLC-1.pdf>

TLC Financial Summary						
<i>Dollars in Thousands</i>						
	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Spending						
Personal Services	\$33,084	\$34,622	\$38,474	\$35,572	\$38,531	\$57
Other Than Personal Services	19,362	13,309	32,139	32,838	17,833	(14,306)
TOTAL	\$52,446	\$47,931	\$70,612	\$68,410	\$56,363	(\$14,249)
Funding						
City Funds	\$52,446	\$47,931	\$70,612	\$68,410	\$56,363	(\$14,249)
TOTAL	\$52,446	\$47,931	\$70,612	\$68,410	\$56,363	(\$14,249)
Budgeted Headcount						
Full-Time Positions	543	523	701	700	690	(11)
TOTAL	543	523	701	700	690	(11)

*The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.

The City's Fiscal 2018 Executive Budget totals \$84.9 billion, \$2.8 billion more than the Fiscal 2017 Adopted Budget of \$82.1 billion. City funds (City tax-levy and non-tax revenues) total \$61.1 billion compared to \$59.3 billion in the Fiscal 2017 Adopted Budget. For TLC, the Fiscal 2018 Executive Budget totals \$56.4 million (all City funds).

The Commission's Fiscal 2018 Executive Budget of \$56.4 million is \$14.2 million less than its Fiscal 2017 Adopted Budget of \$70.6 million. The \$14.2 million decrease is primarily due to the non-inclusion of OTPS funding associated with the City's subsidy payments for the Five-Boro Taxi initiative. The subsidy is generally used to help owners offset the cost of retrofitting or making their vehicles wheelchair accessible. The proposed budget is \$1.8 million less than the Commission's Fiscal 2018 Preliminary Budget. TLC's projected headcount of 690 for Fiscal 2018 is 11 positions less than the Fiscal 2017 Adopted Budget headcount.

Since the adoption of the Fiscal 2017 Budget, several initiatives have impacted both the Commission's budget for Fiscal 2017 and Fiscal 2018. For Fiscal 2017 these include \$874,000 in new needs, a net reduction of \$3.1 million in other adjustments, and \$3.5 million as part of the citywide savings program. For Fiscal 2018 these include a net reduction of \$11,000 in new needs, a net reduction of \$2.2 million in other adjustments, and \$2.2 million in citywide savings. Combined, these changes reconcile the TLC to its current budget of \$68.4 million for Fiscal 2017 and \$56.4 million for Fiscal 2018. The Commission's headcount is 690 positions in Fiscal 2018, a decrease of 11 positions when compared to the Fiscal 2017 Adopted Budget.

New in the Executive Budget

The following are the major financial plan actions for Fiscal 2018 included in the Executive Plan for the TLC.

- **Citywide Fleet Reduction.** As a result of the citywide fleet reduction plan, the Fiscal 2018 Executive Plan includes an OTPS cost reduction of \$76,000 in Fiscal 2018 and in the outyears for the TLC.
- **Heat, Light and Power.** Due to re-estimates, TLC anticipates an increase of \$19,000 in Fiscal 2017, and \$85,000 in Fiscal 2018 and in the outyears for costs associated with heat, light and power usage.
- **TLC PS Savings.** Due to delays in hiring, TLC will realize salary savings from existing vacancies of \$2.2 million in Fiscal 2017 and \$1.9 million in Fiscal 2018.
- **Citywide Savings Program.** In conjunction with the Fiscal 2018 Executive Plan, the Office of Management and Budget (OMB) released a Citywide Savings Program that outlines plans to reduce City spending by \$330 million in Fiscal 2017 and \$370 million in Fiscal 2018. To develop the program, OMB asked all agencies to identify efficiencies, alternative funding sources and programmatic changes that would yield budgetary savings without reducing service levels. TLC has proposed additional savings totaling \$2.2 million in Fiscal 2017 and \$1.9 million in Fiscal 2018. The savings are largely the result of hiring delays and the liquidation of a Trust and Agency Account. The TLC's savings plan includes the following.
 - **TLC Personal Services (PS) Savings.** Due to a higher than anticipated vacancy rate for 80 inspectors, TLC will realize PS savings of \$2.2 million in Fiscal 2017 and \$1.9 million in Fiscal 2018.
 - **Trust and Agency Account.** The Commission will realize a remaining savings balance of \$363,000 in the Trust and Agency Account established to hold

fingerprinting fees. The account will be closed since fingerprinting services are now provided by a vendor.

TLC Budget Issues

Miscellaneous Revenue

TLC Miscellaneous Revenue Budget Overview						
<i>Dollars in Thousands</i>						
Revenue Sources	2015	2016	2017	Executive Plan		*Difference
	Actual	Actual	Adopted	2017	2018	2017 - 2018
Taxi Licenses	\$42,864	\$56,425	\$39,955	\$59,438	\$33,820	(\$6,135)
Hail Licenses	6,274	1,741	3,620	3,620	2,400	(1,220)
Taxi Inspection & TLC Fees	9,699	10,256	9,000	9,000	9,000	0
STIP/Settlement Fines	15,342	16,275	10,500	10,500	10,500	0
Sale of Taxi Medallions	20,875	0	0	0	0	0
Tow Bonds	83	0	0	0	0	0
TOTAL	\$95,137	\$84,697	\$63,075	\$82,558	\$55,720	(\$7,355)

**The difference of Fiscal 2017 Adopted Budget compared to Fiscal 2018 Executive Budget.*

For Fiscal 2018 TLC projects to collect \$55.7 million from various miscellaneous revenue sources, a decrease of \$7.4 million when compared to the Fiscal 2017 Adopted Budget of \$63 million. The decrease is primarily due to a projected drop in the issuance of Street Hail Licenses (SHL or Hail licenses). The decrease may also be due in part to the requirement that for every block of 1,000 Street Hail licenses, 20 percent, or 200, Street Hail licenses for accessible livery cabs must be sold first.

The City's plan to sell additional yellow taxi medallions continues to be delayed. However, despite the delay, the anticipated revenue from the 2,000 medallions that were authorized by the State remains unchanged. In the Fiscal 2018 Preliminary Plan, \$107 million anticipated from the sale of medallions in Fiscal 2018 was pushed out into Fiscal 2019. Although explanations for the reductions remain vague, it is likely that there is a correlation between the continued decline in the price of taxi medallions and the arrival of Uber and other such app operators. Recently, TLC promulgated rules in an attempt to ensure that operators using these applications are subject to the same rules as the yellow medallion operators. However, it is unclear at this time if these efforts can reverse the trend of declining yellow medallion prices.

Preliminary Budget Highlights

TLC's Fiscal 2018 Executive Budget also entails changes made in the November and Preliminary Plans. Below are some of the key highlights from the Commissions' Fiscal 2018 Preliminary Budget:

- ESAP and Handheld Update.** As a part of the November Plan, TLC had a new need of \$874,000 in Fiscal 2017 for costs associated with upgrading its handheld summons issuing devices and software in compliance with the City's Uniform Summons program. The goal of the uniform summons program is to create a standardized summons style to be used by the City's enforcement agencies, thereby ensuring that the public will always be able to find the essential information in the same place on any summons that they may receive.
- Savings from In-house Mailings.** The Fiscal 2018 Preliminary Plan included savings of \$75,000 in Fiscal 2017, Fiscal 2018 and in the outyears from the implementation of in-

house mailing. The TLC is performing vehicle operator renewal mailings in-house with existing employees and equipment, eliminating the need for outsourcing costs.

- **Fingerprinting Services Savings.** The Fiscal 2018 Preliminary Plan anticipates savings of \$20,000 in Fiscal 2017, Fiscal 2018 and in the outyears from fingerprinting services costs. By engaging a contractor to provide fingerprinting services, the TLC will achieve savings on equipment and maintenance costs. Additionally, because the vendor provides more locations and flexible hours, service to licensees would be enhanced.
- **Lower IT System Maintenance.** The Fiscal 2018 Preliminary Plan included savings of \$100,000 in Fiscal 2017 and \$133,000 in Fiscal 2018 and in the outyears as a result of the Automated Inspection System (AIS) upgrades and the ensuing lower IT system maintenance costs.
- **PS Savings.** The Fiscal 2018 Preliminary Plan included Personal Services (PS) savings of \$801,000 in Fiscal 2017 and \$169,000 in Fiscal 2018 and in the outyears.

Appendix 1: Fiscal 2018 Budget Actions since Fiscal 2017 Adoption

<i>Dollars in Thousands</i>	FY 2017			FY 2018		
	City	Non-City	Total	City	Non-City	Total
TLC Budget as of the Adopted 2017 Budget	\$70,613	\$0	\$70,613	\$58,582	\$0	\$58,582
New Needs - Prelim. 2018						
TLC ESAP & Handheld Update	\$874	\$0	\$874	(\$11)	\$0	(\$11)
Subtotal, New Needs	\$874	\$0	\$874	(\$11)	\$0	(\$11)
Other Adjustments - Prelim 2018						
Reduction of Contracted Security Guards	(\$98)	\$0	(\$98)	(\$169)	\$0	(\$169)
TLC PS Savings	(703)	0	(703)	0	0	0
Fingerprinting Services Savings	(20)	0	(20)	(20)	0	(20)
Lower IT System Maintenance	0	0	0	(100)	0	(100)
Savings from In-house Mailings	(75)	0	(75)	(75)	0	(75)
Subtotal, Other Adjustments	(\$896)	\$0	(\$896)	(\$363)	\$0	(\$363)
TOTAL, All Changes Prelim. 2018	(\$22)	\$0	(\$22)	(\$374)	\$0	(\$374)
Agency Budget as of the Preliminary 2018 Plan	\$70,591	\$0	\$70,591	\$58,208	\$0	\$58,208
Other Adjustments - Exec 2018						
Citywide Fleet Reduction - Agency Allocation	\$0	\$0	\$0	(\$76)	\$0	(\$76)
Heat, Light and Power	19	0	19	85	0	85
TLC PS Savings	(2,200)	0	(2,200)	(1,853)	0	(1,853)
Subtotal, Other Adjustments - Exec 2018	(\$2,181)	\$0	(\$2,181)	(\$1,844)	\$0	(\$1,844)
TOTAL, All Changes	(\$2,181)	\$0	(\$2,181)	(\$1,844)	\$0	(\$1,844)
TLC Budget as of the Fiscal 2018 Executive Plan	\$68,410	\$0	\$68,410	\$56,363	\$0	\$56,363