



Impact of the Living Wage on Paratransit Services

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**Office of the County Auditor
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Executive Summary

At its November 6, 2007 meeting, the Board of County Commissioners directed the County Auditor to “review the financial and operating records of the current Paratransit Service Providers to determine the increase in cost per paratransit trip resulting from the Living Wage.”

Our review answers three questions:

1. How has the Paratransit Program changed since the Living Wage was implemented in January 2007?
2. What portion of the \$5.4 million increase in Paratransit Program costs between fiscal years 2006 and 2007 can be attributed to Living Wage requirements?
3. How does Broward’s Paratransit Program compare to programs in Miami-Dade and Palm Beach counties?

Questions 1 and 3 provide a broader context about the Paratransit Program while Question 2 addresses the direct impact of implementing the Living Wage on this Program.

How has the Paratransit Program changed since the Living Wage was implemented in January 2007? (See pages 11-14)

Since January 1, 2007, when the Living Wage pay rates went into effect for paratransit services, we identified the following changes to the Paratransit Program (that may or may not be linked to Living Wage implementation):

- 52% increase in annual salaries of all paratransit employees, from an average of \$16,453 per year prior to the Living Wage to \$24,960 per year after Living Wage implementation;
- Significant service quality improvements as evidenced by paratransit clients making 68% fewer complaints and 32% more compliments about paratransit drivers and contractors from Fiscal Year 2006 to Fiscal Year 2007;
- 5.3% increase in the number of paratransit trips, from 792,193 trips in Fiscal Year 2006 to 834,204 trips in Fiscal Year 2007;
- 53% increase in the number of contracted paratransit employees, from 249 employees in September 2006 to 381 employees in September 2007;
- 17% increase in total hours contracted employees worked but 41% decrease in overtime hours, from an estimated 200,000 overtime hours in Fiscal Year 2006 to 119,000 overtime hours in Fiscal Year 2007;
- Changes in the RLI 20060329-0-MT-1 compensation schedule, effective July 1, 2007, eliminated reduced per trip reimbursement rates for “multi-load” and “nutrition” trips; for example, a multi-load ambulatory trip in July 2006 was reimbursed at a base rate of \$13.65 while this same trip in July 2007 would be reimbursed at the “general” ambulatory trip base rate of \$27.20; and
- \$5.4 million increase (30.9%) in total Paratransit Program expenditures, from \$17.5 million in Fiscal Year 2006 to \$22.9 million in Fiscal Year 2007

What portion of the \$5.4 million increase in Paratransit Program costs between fiscal years 2006 and 2007 can be attributed to Living Wage requirements? (See pages 15-17)

The following categories explain the Paratransit Program's \$5.4 million cost increase between Fiscal Years 2006 and 2007:

- \$2.6 million (48%) in payroll increases directly related to the Living Wage,
- \$1 million (19%) for other quantifiable factors such as increased trips, and
- \$1.8 million (33%) that includes factors such as other provider expenses and profit that we could not specifically quantify because financial reports ending June 30, 2008, were unavailable. This information should be available to the contract administrator by September 15, 2008, in accordance with contract requirements.

How does Broward's Paratransit Program compare to programs in Miami-Dade and Palm Beach counties? (See pages 18-20)

To provide further context to the preceding discussion, we interviewed paratransit officials in Miami-Dade and Palm Beach counties and obtained pertinent information about their paratransit services operations.¹

We found that:

- Broward's Fiscal Year 2008 paratransit rates are higher than these other counties. For example, Broward's per ambulatory trip rate of \$29.22 is 21% higher than Miami-Dade's rate of \$24.17. Similarly, Broward's rate is 33% higher than Palm Beach's per ambulatory trip rate of \$22.01.²
- We identified several potential contributing factors to Broward's higher rates, including: (1) Broward's Fiscal Year 2008 living wage rates are 2.2% to 3.6% higher than Miami-Dade's living wage rates, (2) Broward's contract allows a fuel reimbursement while Miami-Dade's does not, (3) Miami-Dade uses a transportation broker to contract for paratransit services, (4) Palm Beach County paratransit program's Fiscal Year 2008 budget includes \$4.6 million for 65 FTE positions providing trip scheduling and other support activities, which are done by Broward's contractors, (5) Broward had nine providers as of January 2008 while Miami-Dade and Palm Beach had only four providers, (6) Miami-Dade contractors, providing twice as many paratransit trips as Broward's providers, may benefit from economies of scale, and (7) Broward's paratransit rider fare of \$2 is the lowest; Miami-Dade charges \$2.50 and Palm Beach charges \$3 per trip, which are intended to be retained by contractors as part of overall reimbursement.

¹ We selected these counties because they: (1) provide the same ADA and TD services that Broward's program provides; (2) have the highest ADA/TD populations in the state; and (3) are closest in proximity to Broward thus any differences in service delivery costs should be minimal.

² Since Palm Beach uses an hourly rate rather than per trip rate we estimated a per trip rate by dividing its actual FY 2007 paratransit services trip expenditures of \$20.8 million by the actual number of paratransit trips for FY 2007 as reported by Palm Beach county paratransit officials.

Purpose and Scope

This report presents the results of our review of the impact of the Living Wage on paratransit services, as directed by the Broward County Board of County Commissioners on November 6, 2007.

Our review answers three questions:

1. How has the Paratransit Program changed since the Living Wage was implemented in January 2007?
2. What portion of the \$5.4 million increase in Paratransit Program costs between fiscal years 2006 and 2007 can be attributed to Living Wage requirements?
3. How does Broward's Paratransit Program compare to programs in Miami-Dade and Palm Beach counties?

To accomplish our objectives, we:

- Reviewed Broward County's Living Wage Ordinance (No. 2002-45);
- Interviewed paratransit contractors doing business with Broward County as of January 2008;
- Interviewed Office of Transportation staff;
- Analyzed data provided by the paratransit transportation program manager;
- Analyzed financial and operations records provided by paratransit contractors doing business with Broward County as of January 2008;
- Reviewed relevant Office of Transportation paratransit policies and procedures;
- Reviewed applicable federal laws, Florida Statutes and Broward County Ordinances pertaining to paratransit operations; and
- Interviewed paratransit officials in Miami-Dade and Palm Beach counties.

Background

Effective Fiscal Year 2004, the Broward County Living Wage Ordinance (No. 2002-45) requires contractors (and their subcontractors) that provide specific services to the County in excess of \$100,000 per year to adhere to Living Wage payroll rates.

The Living Wage Ordinance defines "Living Wage payroll rates" as no less than "110 percent of the Federal Poverty Guideline." Rates are annually indexed to inflation using the Miami PMSA Consumer Price Index for all Urban Consumers (CPI-U).³ Broward County's Fiscal Year 2008 Living Wage payroll rates are \$11.07 per hour with employer provided health benefits or \$12.51 per hour without health benefits. A contractor that chooses to pay the lower wage must provide the covered employee with an equivalent

³ The Living Wage Ordinance also applies to all Broward County employees; however, annual pay rate increases for County employees are determined by each position's applicable collective bargaining agreement.

value of health benefits (\$1.44 per hour in Fiscal Year 2008). Exhibit 1 below shows Broward County’s hourly Living Wage rates since the Ordinance’s implementation.

Exhibit 1
Broward County’s Fiscal Year 2004-2008 Living Wage Payroll Rates

Fiscal Year	Hourly Wage with health benefits	Hourly Wage without health benefits
2004	\$9.57	\$10.82
2005	\$9.77	\$11.05
2006	\$10.15	\$11.48
2007	\$10.63	\$12.02
2008	\$11.07	\$12.51

Source: Broward County Living Wage Ordinance (2002-45)

The Living Wage Ordinance applies to anyone employed for a minimum of 20 hours per week by a contractor providing covered services pursuant to a contract with Broward County. Services covered by the Ordinance are:

- Food preparation and/or distribution
- Security services
- Routine maintenance services, such as custodial, cleaning, refuse removal, repair, refinishing and recycling
- Clerical or other non-supervisory office work, whether temporary or permanent
- Transportation and parking services
- Printing and reproduction services, and
- Landscaping, lawn and/or agricultural services

Contractors providing covered services to Broward County pursuant to a contract executed prior to the effective date of the Living Wage Ordinance (October 1, 2003) are not required to pay the Living Wage payroll rates until the contract is renewed or extended for an additional period of time. Additionally, the Living Wage Ordinance does not apply to other local governments or non-profit entities contracting with Broward County.

As of December 2007, the Living Wage Ordinance applies to contracts signed under 99 Broward County vendor solicitations.⁴ According to the Purchasing Division, the largest (dollar value) program impacted by the Ordinance is paratransit transportation services. The Fiscal Year 2008 budget for the Paratransit Program is \$27.2 million.

Broward County’s Paratransit Transportation Program

Broward County’s Office of Transportation administers the provision of both federally and state mandated paratransit services to Broward County residents. Paratransit service is defined as “comparable public transportation services required by the American Disabilities Act of 1990 for qualified individuals with disabilities who are unable to use

⁴ Many Broward County vendor solicitations (i.e., bids, RLI, etc.) result in contracts with multiple vendors, thus the number of vendors subject to the Living Wage Ordinance is greater than 99.

fixed route transportation services, or service to other qualified individuals with disabilities, on demand, by reservations, by subscription, and on a shared-ride basis.” Typically, paratransit providers use vans or mini-buses to provide door-to-door transportation service from any point of origin to any destination within a specified service area at the request of an eligible person. As of January 2008, there were 15,665 registered paratransit services clients in Broward County.

The Office of Transportation offers two types of paratransit service:

(1) Americans with Disabilities Act (ADA) of 1990 Paratransit Service

The Office of Transportation’s ADA paratransit service is offered in accordance with the Americans with Disabilities Act of 1990. The ADA paratransit service is for persons with physical, cognitive, emotional, visual or other disabilities which functionally prevent them from using Broward County’s fixed-route bus system either permanently or under certain conditions. All applicants seeking ADA paratransit services must go through an eligibility determination process. The Office of Transportation must provide an ADA eligible client paratransit service to any requested destination within three quarters of a mile of the boundaries of Broward County’s fixed-route bus system.

In Fiscal Year 2007, the Office of Transportation provided 591,265 ADA trips.

(2) Transportation Disadvantaged (TD) Paratransit Service

In accordance with Chapter 427, *Florida Statutes*, Broward County’s Office of Transportation also provides paratransit services to persons with insufficient incomes to access other means of transportation. Under direction from the Florida Commission for the Transportation Disadvantaged, the Office of Transportation has developed local eligibility guidelines that allow for two types of Transportation Disadvantaged (TD) paratransit trips.

- Medical transportation is provided for Broward County residents who have no other means of transportation available to them and are traveling to and from dialysis, chemotherapy or radiation treatments. Treatment centers are responsible for enrolling patients in the TD program. Clients with Medicaid non-emergency medical transportation benefits are not eligible for this service.
- Nutrition transportation is provided for elderly and/or disabled Broward County residents who are Meals-on-Wheels recipients that receive meals at designated nutrition sites in the County and have no other means of transportation available to them.

In Fiscal Year 2007, the Office of Transportation provided 242,939 TD trips.

Paratransit Services are provided by Contracted Vendors

Broward County has historically contracted with private entities for the provision of paratransit services to Broward County residents. The County pays paratransit service contractors a negotiated “one-way passenger trip” rate for each ADA or TD trip actually

provided. The Office of Transportation is responsible for monitoring service contractor performance and authorizing contractor payment. Other paratransit related responsibilities of the Office of Transportation include registering new clients to the program and serving as the lead agency during paratransit contract development and negotiations.⁵

Paratransit Service Contractors were Required to Provide Living Wage Pay Rates on January 1, 2007

In December 2001, the Broward County Board of County Commissioners approved five individual contracts under RLI 112800-RB for the provision of ADA and TD paratransit transportation services to Broward County residents.⁶ Each contract was effective from December 29, 2001, to December 31, 2006.⁷ Exhibit 2 below lists the four paratransit service contractors providing paratransit services under RLI 112800-RB as of December 31, 2006.

As RLI 112800-RB contracts were executed prior to the effective date of the Living Wage Ordinance, the paratransit contractors were not required to pay Living Wage payroll rates to their employees for the duration of their contracts. However, in December 2006, pending finalization of new paratransit service agreements, the Board of County Commissioners approved six-month extensions of the RLI 112800-RB contracts. The six-month extensions incorporated Living Wage payroll rates into the contracts effective January 1, 2007.⁸ Additionally, the extensions included a per trip rate increase to the paratransit service contractors due to the Living Wage requirement.

Exhibit 2

Four contractors provided paratransit services under RLI 112800-RB

RLI 112800-RB (as of December 31, 2006)
(1) AAA Wheelchair Wagon Service, Inc.
(2) Areawide Council on Aging of Broward County, Inc.
(3) Handi-Van, Inc.
(4) Village Car Service, Inc.

Source: RLI 112800-RB

⁵ These roles are specifically carried out by the Office of Transportation's Paratransit Transportation Section, which is comprised of nine staff.

⁶ An RLI (Request for Letters of Intent/Interest) is an instrument used to solicit vendor services. Generally, an RLI outlines the scope of a proposed project and the criteria that will be used to evaluate responding vendors. Broward County contracts/agreements signed with vendors are considered "covered under" the RLI and usually retain the name of the RLI.

⁷ One contractor, M&N Transportation, Inc., ceased providing paratransit services to Broward County in 2002; on November 4, 2002, its contract was reassigned to AAA Wheelchair Wagon Services, Inc.

⁸ This extension was for the period January 1, 2007, to June 30, 2007.

Broward County Transitioned from Four to Nine Contractors, Effective July 1, 2007

In April 2007, the Board of County Commissioners approved contracts with five additional paratransit contractors for the period of July 1, 2007 through June 30, 2012.⁹ Furthermore, the four contractors operating under RLI 112800-RB signed new contracts or received extensions of existing contracts to continue operating through July 1, 2007. Thus, effective July 1, 2007, Broward County transitioned from four to nine paratransit service providers. As of January 2008, these nine contractors continue to provide paratransit service to Broward County residents. Exhibit 3 below lists the nine contractors and the terms of their contracts as of January 2008.

Exhibit 3

Nine contractors provided paratransit services under RLI 112800-RB And RLI 20060329-0-MT-1, as of January 2008

RLI 112800-RB (Expires February 29, 2008)
(1) Handi-Van, Inc.
(2) Village Car Service, Inc.
RLI 20060329-0-MT-1 (Expires June 30, 2012)
(3) AAA Wheelchair Wagon Service, Inc.
(4) Areawide Council on Aging of Broward County, Inc.
(5) Allied Medical Transportation, Inc.
(6) Lucanus Developmental Center
(7) M&T Transportation, Inc.
(8) Medex Transport, Inc.
(9) Support Management, Inc.

Source: RLI 112800-RB & RLI 20060329-0-MT-1

As of January 2008 there were two sets of paratransit rates paid to providers

As shown in Exhibit 4, on the next page, contractors are paid in accordance with two different rate schedules depending on the originating RLI. In both instances, paratransit trip reimbursement rates are primarily divided into two types: ambulatory and non ambulatory. “Ambulatory” rates are paid for riders who are able to enter or exit vehicles with little assistance, while “non-ambulatory” rates are paid for riders who are mobility impaired and use a wheelchair or scooter, requiring a lift or ramp equipped vehicle.¹⁰ However, under RLI 112800-RB, additional service classifications have been specified in the compensation schedule which delineates both ambulatory and non ambulatory reimbursement rates for “multi-load” and “nutrition” trips.¹¹ RLI 20060329-0-MT-1

⁹ The five new contractors have contracts under RLI 20060329-0-MT-1, which requires compliance with the Living Wage Ordinance.

¹⁰ Based on RLI 112800-RB contract definitions, Articles 1.4 and 1.51

¹¹ Based on RLI 112800-RB contract definitions, Articles 1.48 and 1.52, “multi-load” trips provide shared transportation for two or more persons, typically to designated community centers; “nutrition” trips are group trips to congregate meal facilities, such as senior centers offering Meals on Wheels food program services.

does not specify separate reimbursement rates for these classifications. Consequently, paratransit trip reimbursement rates differ slightly across agreements.

Exhibit 4
As of January 2008 per trip reimbursement rates differ slightly

Trip Types		RLI 112800-RB (Amendment 7)	RLI 20060329-0- MT-1	
Base Trip Rate	Ambulatory	General	\$25.80	\$28.32
		Multi-load	\$19.64	N/A
		Nutrition	\$19.22	N/A
	Non-Ambulatory	General	\$36.08	\$38.49
		Multi-load	\$23.32	N/A
		Nutrition	\$26.20	N/A
Reimbursables	Fuel ¹²		\$1.55	\$0.90
	Insurance ¹³		\$0.78	N/A
Total Trip Rate	Ambulatory	General	\$28.13	\$29.22
		Multi-load	\$21.97	N/A
		Nutrition	\$21.55	N/A
	Non-Ambulatory	General	\$38.41	\$39.39
		Multi-load	\$25.65	N/A
		Nutrition	\$28.53	N/A

Source: RLI 112800-RB and RLI 20060329-0-MT-1

¹² Base fuel rates are established in each agreement; as fuel prices increase during the year, the fuel adjustment clause allows contractors to receive additional compensation on a per trip basis. Fuel adjustment rates reflected in Exhibit 4 are based upon a price per gallon of \$3.00.

¹³ Under RLI 112800-RB, insurance costs are reimbursed on a per trip basis and are calculated based upon actual provider costs. Amount reflected in table represents the average reimbursement rate being paid to providers as of January 2008.

Question 1: How has the Paratransit Program changed since the Living Wage was implemented in January 2007?

Since January 1, 2007, when the Living Wage pay rates went into effect for paratransit services, we identified the following changes to the Paratransit Program (that may or may not be linked to Living Wage implementation):

- 52% increase in annual salaries of all paratransit employees, from an average of \$16,453 per year prior to the Living Wage to \$24,960 per year after Living Wage implementation;
- Significant service quality improvements as evidenced by paratransit clients making 68% fewer complaints and 32% more compliments about paratransit drivers and contractors from Fiscal Year 2006 to Fiscal Year 2007;
- 5.3% increase in the number of paratransit trips, from 792,193 trips in Fiscal Year 2006 to 834,204 trips in Fiscal Year 2007;
- 53% increase in the number of contracted paratransit employees, from 249 employees in September 2006 to 381 employees in September 2007;
- 17% increase in total hours contracted employees worked but 41% decrease in overtime hours, from an estimated 200,000 overtime hours in Fiscal Year 2006 to 119,000 overtime hours in Fiscal Year 2007; and
- Changes in RLI 20060329-0-MT-1, effective July 2007, eliminated reduced per trip reimbursement rates for “multi-load” and “nutrition” trips, resulting in per trip rate increases; and
- \$5.4 million increase (30.9%) in total Paratransit Program expenditures, from \$17.5 million in Fiscal Year 2006 to \$22.9 million in Fiscal Year 2007

Higher salaries for contracted employees

We reviewed and compared payroll registers provided by contractors for the first pay periods in September 2006 and September 2007 to determine the average employee hourly pay rate before and after Living Wage implementation. We divided employees into two groups: drivers and all other employees. Non-driver employees included the following classifications of employees: scheduler, dispatcher, office manager, general manager, and administrative/clerical support.

As shown in Exhibit 5 on the next page, we determined the weighted average hourly pay rate for drivers increased by 65.4%, from \$6.94 in September 2006 to \$11.48 in September 2007, and the weighted average hourly pay rate for all other employees increased by 30.0%, from \$10.59 in September 2006 to \$13.77 in September 2007.¹⁴ Based on these pay rates, we estimated the average annual salary for all paratransit employees increased by 51.7%, before and after the Living Wage, from \$16,453 to \$24,960.¹⁵

¹⁴ Our payroll analysis excludes Areawide Council on Aging of Broward County, Inc., and Lucanus Development Center because as nonprofit organizations they are exempt from the Living Wage.

¹⁵ Our estimate assumes each full-time employee worked 2,080 hours per year.

Exhibit 5
The weighted average hourly pay rate for all contracted paratransit employees increased by 52% from FY 2006 to FY 2007

Employee Group	FY 2006 Hourly Rate	FY 2007 Hourly Rate	% Change
Drivers	\$6.94	\$11.48	+ 65.4%
Non-Drivers	\$10.59	\$13.77	+ 30.0%
All Employees	\$7.91	\$12.00	+ 51.7%

Source: Office of the County Auditor analysis

Service quality improvements

To determine client perceptions about the quality of paratransit services before and after Living Wage implementation, we reviewed and compared customer satisfaction data for the three-month period of August to October 2006 and August to October 2007. The Office of Transportation compiles monthly data on two types of customer satisfaction indicators: (1) the number and types of complaints made by clients against drivers and/or companies, and (2) the number of types of compliments clients make about drivers and/or companies.

As shown in Exhibit 6 below, we found a significant reduction in the number of complaints made and a significant increase in the number of compliments received from clients after the Living Wage was implemented. To make a fair and accurate comparison we calculated ratios based on the number of complaints/compliments per 1,000 passenger trips, a standard specified by the paratransit services contracts and used by Office of Transportation staff to evaluate contractor performance.

Exhibit 6
Clients made significantly fewer complaints and more compliments about Paratransit drivers and contractors in FY 2007 than in FY 2006

Complaints	August-October 2006	August-October 2007	% Change
Number	319	115	- 63.9%
Ratio (per 1,000 trips)	1.6	0.51	- 68.1%
Compliments	August-October 2006	August-October 2007	% Change
Number	52	76	+ 46.2%
Ratio (per 1,000 trips)	0.25	0.33	+32%

Source: Office of Transportation

Most client complaints had to do with drivers showing up late to pick up clients. For example, 72% of client complaints in Fiscal Year 2006 and 67% of complaints in Fiscal Year 2007 dealt with drivers being late or excessively late for scheduled appointments. However, the number of complaints related to lateness significantly declined between fiscal years; for our review period late complaints went from 229 in Fiscal Year 2006 to 77 in Fiscal Year 2007, a 66.4% reduction.

Increased number of paratransit trips

We also reviewed and compared paratransit trip data provided by Office of Transportation staff to determine the level of paratransit trips before and after the Living Wage's implementation. The Office of Transportation compiles monthly data on the number of paratransit trips made, with breakdown by type of trip and service provider. Office of Transportation managers state they have implemented a verification process involving daily and weekly spot-checks of driver activity, log sheets and manifests to validate the reliability of this data.

From Fiscal Year 2006 to Fiscal Year 2007, the total number of ADA and TD paratransit trips increased by 5.3%, from 792,193 trips to 834,204 trips. Exhibit 7 below shows the increase in paratransit trips by type of paratransit service.

Exhibit 7

Total ADA and TD paratransit trips increased by 5.3% from FY 2006 to FY 2007

Type of Trip	FY 2006	FY 2007	% Change
ADA trips	555,669	591,265	+ 6.4%
TD trips	233,821	242,939	+ 3.9%
Other trips ¹⁶	2,703	--	N/A
Totals	792,193	834,204	+ 5.3%

Source: Office of the County Auditor analysis

Increased number of contracted employees

We also reviewed and compared payroll records to determine the number of contracted employees before and after the Living Wage. In reviewing payroll registers, we found there were 249 employees in September 2006 and 381 employees in September 2007. Of these 381 employees, 305 (80.1%) were drivers while the remaining 76 (19.9%) were other employees such as schedulers/dispatchers, managers and administrative/clerical staff.

As shown in Exhibit 8, on the next page, the total number of contracted employees increased by 53% from September 2006 to September 2007. Most of this increase can be attributed to the increase in the number of contractors from four to nine, effective July 1, 2007. For example, of the 132 additional employees as of September 2007, 104 (78.8%) worked for one of the five new contractors added in July 2007 whereas the remaining 28 additional employees (21.2%) worked for one of the existing four contractors before July 2007. One of the original contractors, Village Car Service, Inc., had a 30% increase in employees, from 67 employees in September 2006 to 87 employees in September 2007.

¹⁶ Office of Transportation managers said "other" trips were related to "hurricane evacuation" efforts in October 2006 (Hurricane Wilma)

Exhibit 8
Contracted employees increased by 53% between FY 2006 and FY 2007

Type of Employee	FY 2006	FY 2007	% Change
Drivers	194	305	+ 57.2%
Non-Drivers	55	76	+ 38.2%
Totals	249	381	+ 53.0%

Source: Office of the County Auditor analysis

Overall hours worked increased but overtime hours declined

To determine whether the increases in paratransit trips and contracted employees resulted in a corresponding increase in the number of hours worked by contracted employees, we also reviewed and compared payroll records for 12-week periods during August to October 2006 and August to October 2007. Based on this data, we estimated payroll hours increased by 117,677 hours (16.8%) between Fiscal Year 2006 and Fiscal Year 2007. However, during this same period, overtime hours decreased by 40.4%, from 200,300 estimated overtime hours in Fiscal Year 2006 to 119,453 estimated overtime hours in Fiscal Year 2007. Consequently, we estimated the percentage of overtime hours to total hours declined from 29% in 2006 to 15% in 2007.

Exhibit 9 below compares the hours contracted employees worked between the 2006 and 2007 fiscal years.

Exhibit 9
Contracted employees worked more hours overall but fewer overtime hours

Type of Hours	FY 2006	FY 2007	% Change
Regular	499,195	697,719	+ 39.8%
Overtime	200,300	119,453	- 40.4%
Totals	699,495	817,172	+ 16.8%

Source: Office of the County Auditor analysis

Change in Reimbursement Rates for “Multi-Load” and “Nutrition” Trips

As previously noted in Exhibit 4, page 10, RLI 20060329-0-MT-1, effective July 1, 2007, eliminated separate per trip reimbursement rates for “multi-load” and “nutrition” trips; for example, in July 2006, under RLI 112800-RB, the per trip ambulatory multi-load base rate was \$13.65, while under RLI 20060329-0-MT-1 the per trip ambulatory multi-load base rate went to \$27.20.

Increase in Paratransit Program expenditures

We reviewed expenditures reported in Advantage to determine the increase in Paratransit Program expenditures from Fiscal Year 2006 to Fiscal Year 2007. Paratransit Program costs increased by \$5.4 million (30.9%); from \$17.5 million in Fiscal Year 2006 to \$22.9 million in Fiscal Year 2007.

Question 2: What portion of the \$5.4 million increase in Paratransit Program costs from Fiscal Year 2006 to Fiscal Year 2007 can be attributed to Living Wage requirements?

To estimate the direct impact of the Living Wage, we reviewed and compared 2006 and 2007 payroll records to determine increases in pay rates and provider health care benefits that are directly related to the Living Wage.¹⁷ Exhibit 10 below shows the estimated direct impact of the Living Wage; of the \$5.4 million cost increase between Fiscal Years 2006 and 2007 an estimated \$2.6 million (48%) can be attributed directly to the Living Wage. (See Appendix A, on pages 21-22, for a detailed description of our methodology.)

Exhibit 10 Estimated payroll cost increases of \$2.6 million between FY 2006 and FY 2007 can be directly attributed to the Living Wage

Direct Living Wage Factors ¹⁸	Cost Increase from FY 2006 to FY 2007	% of \$5.4 Million Increase FY 2006 to FY 2007
Gross Wages	\$2.22 million	41.1%
Health Benefits	\$0.20 million	3.7%
Employer Payroll Taxes	\$0.17 million	3.1%
Total	\$2.59 million¹⁹	47.9%

Source: Office of the County Auditor analysis

Another \$1 million (18%) of the \$5.4 million increase between Fiscal Years 2006 and 2007 can be attributed to an increased number of trips

As shown on Exhibit 11 on the next page, in addition to the direct payroll cost increases there are two other factors whose 2006 and 2007 expenditure differences we could quantify: fuel reimbursement and number of paratransit trips. As discussed previously, contractors are reimbursed on a per trip basis for fuel expenses in excess of base rates established in each agreement.²⁰ We reviewed and analyzed actual Fiscal Years 2006 and 2007 fuel reimbursement data to determine that costs actually declined from \$994,540 to \$888,708, a difference of \$105,832 (10.6%). We also calculated the cost difference associated with the increased number of paratransit trips between fiscal years. Our calculation is based on data showing an increase of 42,011 paratransit trips between Fiscal Year 2006 and Fiscal Year 2007 and the average cost per trip of \$25.94 for Fiscal Year 2007.

¹⁷ This portion of our analysis excludes Areawide Council on Aging of Broward County, Inc., and Lucanus Development Center because as nonprofit organizations they are exempt from the Living Wage.

¹⁸ We estimated the gross wages increase by applying the weighted average increase in pay rates of 52% to total gross wage increases for the seven providers reviewed; we estimated the health benefits increase by reviewing payroll records, health insurance invoices and provider confirmations for the two contractors providing health benefits as of August to October 2006 and 2007; and employer payroll taxes were calculated based on the federal employer payroll tax rate of 7.65%.

¹⁹ This cost increase estimate is for the nine month period of January to September 2007; if annualized the direct Living Wage payroll cost increase would have been \$3.45 million.

²⁰ Under RLI 112800-RB, base fuel rates were established at \$1.35-\$1.49 per gallon; under RLI 20060329-0-MT-1, base fuel rates were increased to \$2.00-\$2.14.

Exhibit 11

Estimated expenditures for fuel reimbursement and increased trips resulted in a net increase of \$1 million between FY 2006 and FY 2007

Other Quantifiable Factors	Cost Differences between FY 2006 and FY 2007	% of \$5.4 Million Increase FY 2006 to FY 2007
Fuel reimbursement	- \$0.11 million	- 2.0%
Number of trips	\$1.09 million	20.1%
Total	\$0.98 million	18.1%

Source: Office of the County Auditor analysis

The remaining \$1.84 million (34%) of the \$5.4 million increase could be due to several factors whose impact we could not specifically quantify

The following factors quite plausibly contributed to the \$5.4 million increase in Paratransit Program expenditures between Fiscal Years 2006 and 2007, but we could not specifically quantify their effects primarily because end of year financial reports for the period ending June 30, 2008, were not available during our fieldwork.

- **Changes in rate structure.** As previously discussed on page 14, the per trip reimbursement rate structure effective July 1, 2007, under RLI 112800-RB, no longer specifies reduced rates for trips previously classified as “multi-load” or “nutritional.” It is likely that this change added to increased program costs as multi-load and nutritional trips represented 30.3% of all paratransit trips in Fiscal Year 2006.
- **Contractor profit.** Due to a lack of comparable end of year financial data from the contractors we were unable to determine the amount of profit that each provider made from Broward County paratransit contracts. This information will be available to the contract administrator in accordance with contract requirements by September 15, 2008.
- **Additional overhead.** The additional overhead for companies could include; rent, vehicle expenses, administrative expenses which include administrative staff. As previously discussed, the number of contractors went from four to nine beginning in July 2007. As a result, the numbers of administrative and support staff such as supervisors, dispatchers and schedulers increased by 38%, from 55 in September 2006 to 76 in September 2007.
- **Other general cost increases.** Some contractor expenses such as insurance (auto, general liability and workers compensation) most likely increased between these two fiscal years. However, due to the lack of complete financial information, we were unable to quantify the increase. For the 12-month period between October 2006 and September 2007, inflation as reported by the Consumer Price Index, increased by 4.1%.²¹

²¹ U.S. Department of Labor, Bureau of Labor Statistics, CPI-All Urban Consumers (Miami-Fort Lauderdale)

Therefore, the following categories explain the Paratransit Program's \$5.4 million cost increase between Fiscal Years 2006 and 2007: (1) \$2.6 million in payroll increases directly related to the Living Wage, (2) \$1 million for other quantifiable factors such as increased trips, and (3) \$1.8 million that includes factors such as provider expenses and profit that could not be specifically quantified due to year-end financial reports not being available until September 15, 2008. Exhibit 12 below summarizes these cost increases.

Exhibit 12
Factors contributing to \$5.4 million increase in Paratransit Program costs
between FY 2006 and FY 2007

	Dollars in millions (\$)	Percent (%)
Direct Living Wage Factors:		
Gross Wages	2.22	41.1%
Health Benefits	0.20	3.7%
Employer Payroll Taxes	0.17	3.1%
	<u>2.59</u>	<u>47.9%</u>
Other Identifiable Factors:		
Fuel Reimbursement	(0.11)	(2.0%)
Number of Trips	1.09	20.1%
	<u>0.98</u>	<u>18.1%</u>
Unquantifiable Factors:	<u>1.84</u>	<u>34.0%</u>
Total	5.41	100.0%

Source: Office of the County Auditor analysis

Question 3: How does Broward’s Paratransit Program compare to programs in Miami-Dade and Palm Beach counties?

To provide further context to the preceding discussion, we conducted a market survey to determine how Broward’s Fiscal Year 2008 paratransit rates compare to other programs. To accomplish our objective, we interviewed paratransit officials in Miami-Dade and Palm Beach counties and obtained pertinent information about their paratransit services operations. We selected these counties for three primary reasons: (1) these counties provide the same ADA and TD services that Broward’s program provides; (2) these counties have the highest ADA/TD populations in the state; and (3) these counties are closest in proximity to Broward thus any differences in service delivery costs should be minimal. Exhibit 13 below summarizes key aspects about the three counties’ paratransit programs.

Exhibit 13
Comparison of Paratransit Programs in three counties

	BROWARD	Miami-Dade	Palm Beach
Potential TD population ²² (State FY 2006)	606,604	898,365	496,326
Number of PT trips (FY 2007)	834,204	1,678,018	946,917 ²³
PT program budget (FY 2008)	\$27.2 million	\$38.9 million	\$26 million

Source: Office of the County Auditor analysis

Broward’s paratransit rates are higher than neighboring counties

Broward’s Fiscal Year 2008 paratransit rates are higher than the other two counties as shown on Exhibit 14 on the next page. For example, Broward’s rate per ambulatory trip of \$29.22 is 20.9% higher than Miami-Dade’s per ambulatory trip rate of \$24.17.²⁴ In addition, Broward’s non-ambulatory per trip rate of \$39.39 is 20.5% higher than Miami-Dade’s rate of \$32.68. Similarly, Broward’s ambulatory trip rate is 32.8% higher than Palm Beach’s trip rate of \$22.01.²⁵

²² These figures were obtained from the 2006 Annual Performance Report of the State of Florida’s Commission for the Transportation Disadvantaged.

²³ This figure includes ADA and TD trips plus a smaller number of programs unique to Palm Beach County.

²⁴ Ambulatory passengers do not require the use of special equipment, such as wheelchair or scooter to “enter, occupy and exit” paratransit vehicle, whereas non-ambulatory passengers are “mobility impaired” and require a lift or ramp-equipped vehicle to be transported.

²⁵ Since Palm Beach uses an hourly rather than per trip rate, we estimated a per trip rate by dividing actual FY 2007 paratransit services trip expenditures of \$20.8 million by the actual number of paratransit trips in FY 2007, as reported by Palm Beach County paratransit officials.

Exhibit 14
Broward's paratransit rates are higher than peer counties



Source: Office of the County Auditor analysis

Potential contributing factors to Broward's higher rates

There could be a variety of reasons why Broward's paratransit rates are higher than rates in both of these other counties; however we could only quantify one specific factor contributing to Broward's higher rates:

- Broward's Fiscal Year 2008 living wage rates (\$11.07-\$12.51) are somewhat higher (2.2% to 3.6%) than Miami-Dade's Fiscal Year 2008 living wage rates (\$10.69-\$12.24), and Palm Beach has a living wage ordinance but it does not apply to paratransit services.

We also identified major differences in the paratransit service delivery models used by the three counties, which may contribute to Broward's higher rates. Some of the key features in these counties' paratransit programs are:

- **Contract structure.** Two salient differences: (1) Broward and Palm Beach program staff contract directly with providers, who in turn report directly to them; whereas Miami-Dade program staff contracts with a transportation broker, who is accountable for service delivery, and who in turn contracts with direct service providers; (2) Palm Beach County paratransit program's Fiscal Year 2008 budget includes \$4.6 million for 65 FTE positions providing trip scheduling and other support activities, which are done by Broward's contractors; and (3) While Broward and Miami-Dade base their paratransit service rates on a per trip basis, Palm Beach uses an hourly rate methodology.
- **Number of paratransit providers.** As of January 2008, Broward County contracted with nine providers while Miami-Dade and Palm Beach have only four contractors providing services.
- **Economy of scale.** As identified in Exhibit 13, on the previous page, paratransit service contractors in Miami-Dade provide twice as many trips as Broward's contractors, thus may benefit from economies of scale.

- **Reimbursable expenses.** As previously stated, Broward's Fiscal Year 2008 contract has a fuel reimbursement allowance. Palm Beach's Fiscal Year 2008 contract also allows a fuel reimbursement but its formula is different than Broward's. In contrast, Miami-Dade's Fiscal Year 2008 contract does not offer a fuel reimbursement allowance.
- **Rider fares.** ADA requirements limit the fare charged to ADA clients to no more than twice the fare charged full-fare, fixed route transit passengers. In each county, riders are charged different per trip paratransit fares: Broward's fare of \$2 is the lowest, while Miami-Dade charges \$2.50 and Palm Beach charges \$3 per trip. Fares are intended to be retained by service providers as part of overall reimbursement.
- **Rider's choice.** Office of Transportation officials believe that Broward County's rider's choice policy, which allows unsatisfied clients to change providers once a month, may also increase the cost of paratransit services; neither Miami-Dade nor Palm Beach counties have adopted such a policy.

Appendix A

Methodology for estimating impact of Living Wage in gross payroll from FY 2006 to FY 2007

Step 1: Determine change in gross payroll

- For each provider subject to the Living Wage, obtain payroll reports for twelve week periods during August through October, 2006 and August through October, 2007.
- Compile gross payroll totals for each period.
- Calculate difference.

2007 Gross Payroll	\$ 2,196,000
Less 2006 Gross Payroll	\$ (1,322,000)
Dollar Increase	\$ 874,000
Percent Increase	66.1%

Step 2: Determine weighted average change pay rates due to Living Wage Ordinance.

- For each provider subject to the Living Wage, obtain payroll reports for first pay period ending in September, 2006 and September, 2007.
- Perform count of employees by pay rate (for example, Provider A has 10 drivers @ \$7.00/hr, 4 drivers @ \$8.00/hr, 2 dispatchers @ \$8/hr; Provider B has....etc.).
- Calculate average weighted by number of employees.

	2006		2007		Percent Change
	Weighted Average Pay Rate	Number of Employees	Weighted Average Pay Rate	Number of Employees	
Drivers	6.94	152	11.48	250	65.4%
Non-Drivers	10.59	55	13.77	74	30.0%
Total	7.91	207	12.00	324	51.7%

Step 3: Determine percent of payroll increase (Step 1) attributable to pay rate increase due to Living Wage Ordinance (Step 2).

Percentage Increase in Weighted Average Pay Rates (Step 2)	51.7%
Divided by Percentage Increase in Gross Payroll (Step 1)	66.1%
Percentage of Payroll Increase Attributable to Living Wage	78.2%

Step 4: Multiply increase in gross payroll for the 12 week period (Step 1) by percentage attributable to increase in pay rates (Step 3).

Increase in Gross Payroll (Step 1)	\$ 874,000
Percentage of Payroll Increase Attributable to Pay Rate Increase (Step 3)	78.2%
Increase in Gross Payroll Attributable to Living Wage	\$ 683,000

Step 5: Annualize to nine months (January 1, 2007 to September 30, 2007).

Increase in Gross Payroll Attributable to Living Wage Divided by 12 weeks and multiplied by 39 weeks	\$2,220,000
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