

**Report to
Rapport à:**

**Transit Commission
Commission du transport en commun
14 September 2015 / 14 septembre 2015**

**and Council
et au Conseil
23 September 2015 / 23 septembre 2015**

**Submitted on September 3, 2015
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**Submitted by
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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2015-CMR-FIN-0037

**SUBJECT: 2015 OPERATING AND CAPITAL BUDGET Q2 – TRANSIT
COMMISSION STATUS REPORT**

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS
2015–T2 – RAPPORT D'ÉTAPE DE LA COMMISSION DU
TRANSPORT EN COMMUN**

REPORT RECOMMENDATIONS

That the Transit Commission recommend Council:

- 1. Receive the Q2 Status and Year-end forecast for information;**

2. **Approve the capital closures and adjustments as presented in Documents 3 and 4.**

RECOMMANDATIONS DU RAPPORT

Que la Commission du transport en commun recommande au Conseil :

1. **De prendre connaissance du rapport d'étape pour le 2^e trimestre et des prévisions pour la fin de l'exercice;**
2. **D'approuver les clôtures et ajustements de projets d'immobilisations, comme il est présenté dans les documents 3 et 4.**

BACKGROUND

Quarterly operating and capital status reports are prepared as part of the reporting framework approved by Council. Operating reports present actual year-to-date revenues and expenditures against the amounts previously budgeted for the corresponding period. Year-end forecasts are also presented in the second quarter report. Capital reports provide a listing of the capital projects / programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to date.

The purpose of this report is to present the June 30, 2015 year-to-date operating and capital results for Transit Tax Supported Programs along with providing a year-end forecast.

Capital reports provide detailed listings of the capital projects/programs currently in progress.

DISCUSSION

Transit Services has reported a variance of \$7.7M or (6.7%) over budget for the six month period ended June 30, 2015. Conventional Transit operations accounts for \$7.8M of the variance which is partially offset by a small surplus in Para Transpo Operations.

Transit is forecasted to be \$11.5M (4.6%) over the approved operating budget at year end. The variance is primarily due to higher insurance claims, maintenance part costs and lower fare revenues.

As outlined in the City Manager's July memorandum to the Mayor and Councillors, to provide the necessary funds to offset any potential year-end deficit, a second capital

close and adjustment exercise has been undertaken to return funds to the Transit Reserve Fund. The objective is to provide additional capacity in the Reserve Fund to offset any remaining deficit without impacting the ability of staff to deliver the capital program as approved by the Transit Commission and Council.

As a result of this exercise, capital projects that are recommended to be closed will return \$2.7M to the Transit Reserve Fund. The projects are listed in Document 4.

Staff have also reviewed existing project expenditure authorities to assess whether reductions can be made based on current contract awards and spending forecasts. As a result of this review, staff are recommending adjustments to projects that will return \$5.0M to the Transit Reserve Fund. These projects and adjustments are listed in Document 3.

The capital authority forecast for 2016 will be reduced to fund the shortfall between the actual 2015 deficit and the recommended capital closures and adjustments contained in this report.

June 30 Year-To-Date Results / Year-end Forecast

The year-to-date budget figures are prepared on a “calendarized” basis. Departments allocate their 2015 budgets on a monthly / quarterly basis based primarily on past experience.

A high-level summary of the year-to-date operating results and year-end forecast for Transit Services are summarized below in Table 1. A discussion on significant budget variances follows. Document 1 provides additional details on the June 30 position and the year-end forecast.

A significant portion of the year-end forecast is attributable to the expiration of warranties on the large portion of the Articulated Bus Fleet purchased in 2008-10 (359 units). The year-end projection for this area is expected to be (\$6.7M) and it is a result of major component parts costs and repair costs that were previously covered by warranties. The extreme cold temperatures of the winter season also contribute to this forecast, as the cold winter affected repair demands, driving up costs for parts and repair work.

The department has to fund higher than anticipated insurance costs which contribute significantly to the forecasted deficit.

The department has initiated expenditure control plans to mitigate the forecast including freezing a large number of non-front line positions, elimination of 5 management positions, an across the board cut of 20% on discretionary line items above and beyond the corporate spending freeze, and monitoring of all expenditures including key cost elements such as overtime.

In conjunction with reviewing their June 30 results and developing their year-end forecasts, including the impact of the staffing and discretionary spending freezes, staff have undertaken a review of all expenditure budgets to determine areas where meaningful reductions can be implemented without impacting services, and have included these in the forecast.

Table 1 - Year-to-Date Operating Results and Year-End Forecast

Transit Services (\$000's)	Operations as of June 30th			Operations Forecast to Year End		
	Budget	Actual	Surplus (Deficit)	Budget	Forecasted Actual	Surplus (Deficit)
Expenditures	243,942	250,542	(6,600)	478,521	488,021	(9,500)
Revenue	(128,925)	(127,832)	(1,093)	(226,187)	(224,187)	(2,000)
Net Requirement	115,017	122,710	(7,693)	252,334	263,834	(11,500)

Transit Operations

Transit Operations reported an unfavourable YTD Q2 variance of \$2.8M (3.3%) due mainly to higher insurance claim settlements and a higher than expected renewal cost of the Trillium Line maintenance contract. These expenditures are expected to continue to trend greater than budget for the remainder of 2015.

Transit Maintenance

Transit Maintenance reported a YTD Q2 unfavourable variance of \$3.6M (8.8%) mainly as a result of higher part costs due to extreme cold weather operation during Q1 and additional costs associated with the aging fleet. The trending of part costs is expected to continue for the balance of the year.

Diesel Fuel

YTD Q2 2015 Fuel costs were \$0.3M (1.4%) higher than budget due mainly to higher fuel prices than were budgeted, however the year-end results are expected to be on budget.

Management and Administration

Management and Administration (comprised of the General Manager's Office, Service Planning and Reporting, Transit Strategic Services, Business & Operational Services, Transit Safety & Enforcement and Information Technology branches) had a year to date unfavourable variance of \$0.6M (3.9%) which is mainly the result of higher software maintenance costs, however the year-end result is expected to improve during the second half of the year.

Conventional Operations – Revenues

Conventional Transit revenues overall were \$1.2M (1.3%) below budget, as fare revenue was \$1.7M below the budgeted level, but this was partially offset by higher advertising revenues. The shortfall in fare revenue is associated with some customers opting for lower fare types (\$0.2M) and ridership not increasing as had been budgeted (\$1.5M). Ridership in the first six months of 2015 has been 49 million customer-trips, the same as in the first six months of 2014.

The trend is expected to marginally improve resulting in a year-end variance of \$2.1M (1.1%).

Capital Projects / Programs

Document 2 provides a list of Transit capital projects. The list identifies the lead department, ward, financial status (approved budget versus actual results) and anticipated completion date. The total for capital works in progress is \$569 million, of which \$248 million is uncommitted to date.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

Not applicable.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to implementing the recommendations in this report.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications with this report.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report.

TERM OF COUNCIL PRIORITIES

The recommendations in this report support the Term of Council priorities (FS2) “Maintain and enhance the City’s financial position.”

SUPPORTING DOCUMENTATION

Document 1 - Operating Results Summary June 30, 2015

Document 2 - Capital Works in Progress

Document 3 – Capital Budget Adjustments Requiring Council Approval

Document 4 – Capital Projects Recommended for Closure

DISPOSITION

Upon approval of this report, Financial Services will process the necessary adjustments.