

**Report to
Rapport au:**

**Transit Commission
Commission du transport en commun
16 May 2018 / 16 mai 2018**

**Submitted on May 8, 2018
Soumis le 8 mai 2018**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2018-CSD-FIN-0011

**SUBJECT: 2018 OPERATING AND CAPITAL BUDGET - Q1 TRANSIT
COMMISSION STATUS REPORT**

**OBJET: BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS
2018 – T1 RAPPORT D'ÉTAPE DU COMMISSION DU TRANSPORT
EN COMMUN**

REPORT RECOMMENDATIONS

That the Transit Commission:

- 1. Receive the 2018 Q1 Status Report for information;**
- 2. Adjust the 2018 Operating Budget as detailed in the report; and**

3. **Delegate authority to the City Treasurer to pay any severances from the Transit Reserve and report back on the final cost as part of the year-end Disposition Report.**

RECOMMANDATIONS DU RAPPORT

Que la Commission du transport en commun :

1. **prenne connaissance du rapport d'étape du premier trimestre de l'année 2018;**
2. **rectifie le budget de fonctionnement de 2018, comme le précise le rapport;**
3. **délègue à la trésorière municipale le pouvoir de verser des indemnités de départ prélevées dans le Fonds de réserve du transport en commun et de rendre compte du coût final dans le cadre du Rapport de cession de fin d'exercice.**

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 budgeted for the corresponding period. Year-end forecasts are presented in the second and third quarter reports. Capital reports provide a listing of the capital projects and programs, the authorized expenditure budgets, along with the actual expenditures and commitments incurred to date.

The purpose of this report is to present the first quarter operating and capital results for OC Transpo along with providing an overview of any issues or risks that will be monitored during the year and reported in subsequent quarterly reports.

The Transit Commission recommended to Council the OC Transpo capital and operating budgets for the year 2018 at its meeting of December 4, 2017. Council subsequently approved the budgets at its meeting of December 13, 2017.

Rideau Transit Group (RTG) advised by letter, dated February 5, 2018, that the Revenue Service Availability (RSA) date for O-Train Line 1, the Confederation Line, would be November 2, 2018. The report reflects the necessary budget realignments that are required as a result of the new RSA date. The legal and financial review of the Project Agreement continues to confirm that by applying all applicable agreement clauses there is no financial impact to the City of Ottawa (City) at this time.

DISCUSSION

First Quarter Year-to-Date Results

The year-to-date budget figures are prepared on a “calendarized” basis. Departments have allocated their 2018 budgets on a monthly / quarterly basis based, primarily on past experience.

OC Transpo’s operating results for each service area, as shown in Document 1, are summarized in Table 1. Document 1 shows the first quarter actual expenditures and revenues compared to the budget for the same period. For reference purposes, the annual budget is provided by service area.

The Q1 operating results ended with a surplus of \$1.084 million. This result reflects expenditure saving which offset the revenue shortfall.

The Q2 Status Report, which includes a forecast for the year, will provide a better indication as to the overall year-end position.

All service areas were asked to review their first quarter results to ensure that the respective spending and revenue results were not indicative of any underlying issues needing to be highlighted or addressed at this time.

Table 1 - 2018 Q1 Operating Results (in thousands of dollars)

	First Quarter Net Budget	First Quarter Net Actual	YTD Net Surplus / (Deficit)
Conventional and Para Operations	135,314	132,726	2,588
Revenues	(51,019)	(49,515)	(1,504)
Total	84,295	83,211	1,084

Highlights of Q1 results

The surplus was primarily due to compensation savings related to unfilled vacancies, lower fuel costs, which was offset by higher support services expenditures and fare revenue shortfall that was due to lower average fares paid by customers.

Q1 Compensation Results

Document 2 provides compensation information showing the actual salary, benefits and overtime costs incurred by OC Transpo for Q1 as compared to the full year budget. Overall, the total actual compensation costs for the first quarter were 26 per cent of the full year 2018 compensation budget, which is below normal and attributable to the overall compensation savings. On a branch basis actual overtime costs as a percentage of the annual budget is 31 per cent spent, mainly the result of vacant positions that were not filled during Q1.

Recommended Budget Adjustments

At the time that the OC Transpo operating and capital budgets were approved, RTG had not yet advised the City of Ottawa (City) of the RSA date for O-Train Line 1, the Confederation Line. As a result, the budgets were drafted and approved based on an RSA date of May 24, 2018.

Now that RTG has advised that the RSA date will be November 2, 2018, it is necessary for some elements of the 2018 budgets to be realigned. The RSA date is not the date that the O-Train service will be brought into service for customers. The RSA marks the date on which RTG completes the project and turns it over to the City to complete operational readiness. Following the RSA date, OC Transpo will conduct intensive final familiarization of all aspects of the system for all staff who will be carrying out work associated with O-Train service. This familiarization will go beyond the testing and commissioning and the trial running that will have previously been carried out under the auspices of RTG. The familiarization period will be the first time that operation of the line has been carried out fully under City supervision and control.

Bus operations on the current route network are planned to continue into the month of November, as late as required. A date will be selected to implement the remaining route changes to connect the bus network with the stations on O-Train Line 1 and for the former Transitway bus operation between Blair Station and Tunney's Pasture Station to end.

An overlap period of up to four weeks is planned through the month of November, to allow for three important functions:

- Management of risks associated with the turn over to the City on November 2,
- The familiarization period as described above, and

- A period of adjustment and transition following the opening of the O-Train service for customers and before bus service on the corridor is removed, so that this major change for customers' travel is not abrupt but smooth, and so that customers can make the transition at their own pace.

The overlap period cost of \$4.5 million was included in the 2018 approved budget; it was not detailed as it was shown net of a contribution from the Transit Reserve, which is funding the overlap period. The budget should have included the cost and reserve contribution as separate items. The budget adjustments included in this report correct this. It should be noted that the cost of the parallel service was also included in the approved Transit Long Range Financial Plan.

To bring the operating and capital budgets for 2018 into alignment with the revised RSA date, the following changes will be made to the allocation of funds within the budgets:

- The increased operating costs of full regular bus operation until the end of November, the loss of fare revenue resulting from the opening of the line in November, and other associated costs. These increased costs will be offset by the reduced maintenance payments and debt repayments to RTG, the energy costs of the line, and other associated savings.
- The costs of the continued operation of the bus detours until the end of November will be offset by payments made by RTG under the project agreement to compensate for the closure of the Transitway and certain streets during the construction period.

TABLE 2 – Operating Budget Adjustments (in thousands of dollars)

	2018 Adopted Budget	Adjustments	2018 Revised Budget
Expenditures by Service Area			
Transit Operations	411,351	21,850	433,201
Transit Customer Systems & Planning	31,372	(224)	31,148
Safety, Compliance, Training & Development	4,358	(86)	4,272
Business Support Services	4,256	166	4,422
General Manager's Office	591	0	591
Non Departmental	128,695	(7,977)	120,718
Gross Expenditure	580,623	13,729	594,352
Recoveries & Allocations	(43,239)	(10,850)	(54,089)
Revenue	(252,411)	(2,879)	(255,290)
Net Requirement	284,973	0	284,973

Expenditures by Type			
Salaries, Wages & Benefits	267,930	25,923	293,853
Overtime	20,377	1,947	22,324
Material & Services	135,869	(4,263)	131,606
Transfers, Grants & Financial Charges	130,667	(9,878)	120,789
Fleet Costs	1,122	0	1,122
Program Facility Costs	22,582	0	22,582
Other Internal Costs	2,076	0	2,076
Gross Expenditures	580,623	13,729	594,352
Recoveries & Allocations	(43,239)	(10,850)	(54,089)
Net Expenditure	537,384	2,879	540,263
Percent of 2017 Net Expenditure Budget	6.0%	-	6.5%
Revenues By Type			
Own Funds	(51,376)	(4,510)	(55,886)
Fees and Services	(201,035)	1,631	(199,404)
Total Revenue	(252,411)	(2,879)	(255,290)
Per cent of 2017 Revenue Budget	8.8%	-	10.1%
Net Requirement	284,973	0	284,973
Percent of 2017 Net Requirement Budget	3.6%	-	3.6%
Full Time Equivalent (FTE's)	2,985.3	0.0	2,985.3

Delegated Authority

This report includes a recommendation to delegate authority to the City Treasurer to pay any severance costs from the Transit Reserve. The anticipated number of employees impacted will be in the range of 421 – 480 resulting in estimated severance costs of \$5.5 – \$7.0 million. To be conservative, the higher end estimate of \$7 million was included in the [Transit Long Range Financial Plan](#).

Capital Projects / Programs

Document 3 provides a listing of OC Transpo capital projects. The listing identifies the lead departmental service area, ward, financial status (approved budget versus actual results) and anticipated completion date. The total for capital works in progress is \$650.5 million, of which \$183.6 million is uncommitted to date.

Capital project 906169 Ottawa Light Rail Transit (OLRT) Transition will be increased by \$10.8 million to fund the requirement to continue the bus detours until November. The cost will be offset by payments made by RTG under the Project Agreement.

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

This report outlines how the operating and capital cost impacts of the Revenue Service Availability date of November 2, 2018 will be managed within the existing budget authority. The report also describes how the risk of late turnover of the project from RTG to the City is being managed within the transition period.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

The Transportation Services Department and the City of Ottawa accessible policies demonstrate a commitment to providing equal treatment to people with disabilities with respect to the use and benefit of City services, programs, goods, and facilities. This commitment extends to residents, visitors and employees with visible and non-visible disabilities.

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”.)

This report supports the following 2015-2018 Term of Council priorities:

- Transportation and Mobility – Meet the current and future transportation needs of residents and visitors through Phase 1 and Phase 2 of the Transportation Master Plan, including ensuring the City’s transit services are reliable and financially sustainable. Continued focus on improving mobility during the LRT implementation, and support for alternative transportation methods including cycling and walking, as well as transit.

Financial Sustainability – Practice prudent fiscal management of existing resources, and make sound long-term choices that allow City programs and services to be sustainable.

SUPPORTING DOCUMENTATION

Document 1 – Operating Results Summary March 31, 2018

Document 2 – 2018 Q1 Compensation Summary

Document 3 – Capital Works in Progress

DISPOSITION

Staff will implement the report recommendations as outlined in the report.