

Report to/Rapport au :

Transit Commission
Commission du transport en commun

and Council / et au Conseil

September 10, 2012
10 septembre 2012

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CITY WIDE / À L'ÉCHELLE DE LA VILLE

Ref N°: ACS2012-CMR-FIN-0037

**SUBJECT: 2012 OPERATING AND CAPITAL BUDGET Q2 – TRANSIT
COMMISSION STATUS REPORT**

**OBJET : BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS
2012–T2 – RAPPORT D'ÉTAPE DE LA COMMISSION DU
TRANSPORT EN COMMUN**

REPORT RECOMMENDATIONS

1. That the Transit Commission receive this report for information.
2. That the Transit Commission recommend that Council authorize the closing of capital project 900292 Bus Equipment Replacement Program and the return of the remaining funding of \$1.1 million to the Transit capital reserve fund.

RECOMMANDATIONS DU RAPPORT

1. Que la Commission du transport en commun prenne connaissance du présent rapport à titre informatif.
2. Que la Commission du transport en commun recommande au Conseil d'autoriser l'interruption du projet d'immobilisation 900292, Programme de remplacement d'équipements d'autobus, et le retour de la somme restante de 1,1 million de dollars dans le fonds de réserve pour les immobilisations.

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 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.

Information is also included in this report regarding the exercise of delegated authority (By-law 2009-231 as amended) on items within the Commission's mandate for both Q1 and Q2 2012.

DISCUSSION

Financial Results for Q2 Year to Date and 2012 Year End Forecast

Operating Budget

Transit Services financial results for the six-month period ended June 30, 2012 found expenditures to be largely on target, however, lower fare revenues have led to an overall operating deficit of \$2.38 million or 2.5% over budget. The unfavourable variances consisted of \$1.95 million in Conventional Transit Operations and \$0.43 million in Para Transpo Operations. Transit ridership growth has waned since April, 2012 as prices at the gas pump have improved; prolonged warm & dry weather conditions enticed more people to either walk or cycle, and the federal public service introduced its workforce and expenditure reductions.

Projections to year-end indicate that Transit Services will exceed budget by \$5.2 million or 2.4% of the 2012 Approved Net Operating Budget. Again, this is largely the result of reduced operating revenues. Note that the year-end forecast is not influenced by the delay of the Presto system launch since the City's service provider and partner, Metrolinx, will reimburse the City for incremental related costs incurred and revised fare rates enacted.

Table 1, below, summarizes the operating expenditure and revenue results by branch along with year-end forecasts. The explanations and analysis for the major variances are discussed as follows:

Table 1:

Transit Services 2012 Operating Budget (\$000's)	Q2 YTD				Full Year 2012			
	Actual	Budget	Variance F(U)	Change %	Forecast	Budget	Variance F(U)	Change %
Expenditures:								
Transit Operations	76,836	77,282	446	0.6	153,714	154,369	655	0.4
Transit Maintenance	58,698	58,129	(569)	(1.0)	116,443	115,366	(1,077)	(0.9)
Diesel Fuel	20,853	21,313	460	2.2	42,176	42,639	463	1.1
Capital Projects & Facilities Mgmt	13,252	13,794	542	3.9	25,415	25,629	214	0.8
Management & Admin	13,646	13,266	(380)	(2.9)	26,879	26,238	(641)	(2.4)
Debt Charges	15,976	15,976	-	-	33,023	33,023	-	-
Total Expenditures	199,261	199,759	499	0.2	397,650	397,264	(386)	(0.1)
Revenues:								
Operating Revenues	(94,901)	(97,350)	(2,449)	(2.5)	(174,212)	(178,612)	(4,400)	(2.5)
Transfers from Reserves	(1,796)	(1,796)	-	-	(3,639)	(3,639)	-	-
Provincial Contribution	(11,243)	(11,243)	-	-	(19,318)	(19,318)	-	-
Federal Contribution	(9,919)	(9,919)	-	-	(9,919)	(9,919)	-	-
Total Revenues	(117,859)	(120,308)	(2,449)	(2.0)	(207,088)	(211,488)	(4,400)	(2.1)
Net Requirement Conventional	81,401	79,451	(1,950)	(2.5)	190,562	185,776	(4,786)	(2.6)
Net Requirement Para Transpo	14,755	14,328	(426)	(3.0)	28,490	28,090	(400)	(1.4)
Total Net Requirement	96,156	93,780	(2,376)	(2.5)	219,052	213,866	(5,186)	(2.4)

Conventional Operations – Expenditures

Expenditures are largely on target at Q2 with some smaller variances within categories, these include:

- Transit Operations favourable variance is a timing issue where given O-Train maintenance expenditures will be incurred later than planned
- Transit Maintenance incurred additional costs related to training which will be ongoing through to Q3
- A credit for diesel fuel costs related to a 2011 hedging contract
- Reduced compensation costs incurred in Capital Projects and Facilities Management as a result of staffing vacancies
- Management and Administration one-time expenditures related to the Senior Management reorganization

Expenditures are forecasted to arrive within 1% of budget at year end. Some minor fluctuations in the variances at Q2 are expected as staffing vacancies are being filled and some savings in benefit costs will be realized.

Conventional Operations – Revenues

Revenues at Q2 reflect a reduction in the ridership growth that has been experienced in the past 2 years. This trend has been noted following Q1, and can be attributed to factors such as: improved prices at the gas pump; prolonged warm & dry weather conditions which has enticed more people to either walk or cycle; lower secondary

school enrolment reducing bus pass requirements by school boards; and the introduction of the federal public service workforce and expenditure reductions.

Ridership in the second quarter showed a decline of four per cent compared to the all time high in the same quarter last year. It is expected that ridership levels will remain relatively constant through the balance of the year.

It should also be noted that Transit's year-end forecasted results are not influenced by the delay of the Presto system launch since the City's service provider and partner, Metrolinx, will reimburse the City for incremental related costs incurred and revised fare rates enacted.

Para Transpo Operations

Para has experienced an increased demand for services and has incurred additional taxi trips in order to accomodate the demand.

Operating Budget Adjustments and Transfers

A summary of the budget adjustments and transfers made during the first half of 2012, through the delegated authority given to the City Treasurer or through Council-approved reports, is listed as follows. These adjustments and transfers were to realign program costs and revenues between other City departments to ensure accurate reporting and financial accountability.

Period	Description	\$000's	FTE
March	Service Ottawa Efficiency – Smart Energy Capital Program	(\$128.0)	-
March	Service Ottawa Utility Reductions	(\$198.4)	-
March	Transit Maintenance Efficiencies – Positions vacant over 24 months		(2.0)
June	Return of MPE Settlement provision to Corporate	(\$64.7)	-
	Total	(\$391.1)	(2.0)

Capital Budget

Table 2 below, which provides a summary of the capital projects by category, identifies the authority amount approved by Council, amount spent and/or committed at June 30, 2012, and the overall percentage spent. Specific details by capital project are included in Document 1 appended to this report.

Table 2:

Project #	Description	Total Authority	Project-To-Date Expenditures as at Q2 2012	Total Expenditures & Commitments	Percent
<u>GROWTH</u>					
	Growth	103,368,000	93,421,759	97,047,142	93.89%
<u>RENEWAL</u>					
	Bus Replacment / Equipment	124,251,000	27,609,904	79,830,627	64.25%
	Facilities	58,504,000	16,968,330	22,152,214	37.86%
	IT Related	74,934,000	37,365,563	54,192,504	72.32%
	Other	10,500,000	2,723,916	3,906,617	37.21%
	O-Train	70,626,000	21,722,788	38,685,598	54.78%
	Transitway	26,907,000	9,764,444	11,396,023	42.35%
	Non revenue vehicles	6,876,000	2,156,391	3,523,646	51.25%
		372,598,000	118,311,336	213,687,229	57.35%
	<u>STRATEGIC INITIATIVES</u>	9,512,000	3,415,347	5,168,798	54.34%
	<u>INFRASTRUCTURE PROJECTS</u>	73,860,000	59,826,446	64,442,562	87.25%
	<u>TMP CAPITAL PROJECTS</u>	8,740,000	625,516	2,589,348	29.63%
	TOTAL Capital Projects	568,078,000	275,600,404	382,935,079	67.41%

Capital Project Recommended for Closure

Since the Council approval of the 2012 Capital Adjustments and Closing of Projects (Report # ACS2012-CMR-FIN-0029) staff have been conducting further reviews of transit projects under the Transit Commission's mandate. Upon review, one additional capital project # 900292 - Bus Equipment Replacement has been identified as complete. Of the \$14.9 million approved Capital Budget for this project, only \$13.8 million in expenditures million was required for completion. Therefore, it is recommended to the Transit Commission that City Council authorize the project be closed and the remaining funding of \$1.1 million, which is no longer required, be returned to its funding source - Transit capital reserve fund.

DELEGATED AUTHORITY

The *Purchasing By-law* requires the Supply Branch to report to Council on a quarterly basis. However, the Transit Commission Terms of Reference direct staff to report to Transit Commission on Transit Services' delegated authority. Therefore, the delegated

authority information contained in this report and in Document 2 and Document 3 relate only to Transit Services. Each quarterly report:

1. Contains information on contracts exceeding \$10,000 awarded under delegated authority to Transit Services.
2. Identifies all contracts categorized as:
 - (a) Consulting Services
 - (b) Professional Services
 - (c) Follow-on Contracts (F)
 - (d) Amendments(A)
3. Identifies the reason for outsourcing in accordance with the definitions discussed below.

The contracts approved for the period of January 1, 2012 to March 31, 2012 and April 1, 2012 to June 30, 2012, are listed in Document 2 and Document 3 respectively.

Where appropriate, staff used the following definitions as outlined in the Purchasing By-law to identify the contract category, the outsourcing reason and the non-competitive exception.

Professional Services

Professional Services means services requiring the skills of professionals for a defined service requirement or for a specific project related deliverable including but not limited to the areas of engineering, architecture, design, planning, information technology, financial auditing and fairness commissioners.

Denoted in report as:

- [PE] Professional Services – Specialized Expertise*
- [PO] Professional Services – Business Model required Outsourcing*
- [PI] Professional Services - Independent Third Party Oversight*
- [PR] Professional Services – Regulatory Requirements*
- [PW] Professional Services – Fluctuations in workload or lack of internal resources*
- [PP] Professional Services – Proprietary Service or unique market position*

Consulting Services

Consulting Services means assistance to management, including but not limited to the areas of strategic analysis, organizational design, change management, policy development, feasibility studies and other services intended to assist decision making within the organization.

Denoted in report as:

- [CE] Consulting Services – Specialized Expertise*

Amendment

An amendment is an increase in the scope of an approved contract, which is unanticipated. Those amendments that are both greater than \$50,000 and 50% of the original contract will be identified separately in the quarterly report as directed by Council on 25 October 2006.

Denoted in report as:

[A] Amendment

[A3] Amendment - >\$50,000 and 50% of original contract

Follow-on Contract & Extensions

A follow-on contract differs from an amendment in that the original contract or bid solicitation document recognizes the fact that it is likely that the initial defined contract scope may be expanded to include a number of related phases that are either included in the tender document, or are customary in relation to the work assignment. Rates charged for the follow-on contract are reviewed by the Supply Branch, and must be based on those rates proposed by the service provider in the original competitive bid.

Denoted in report as:

[F] Follow-on Contract

An extension to a contract is not categorized as an amendment or a follow-on contract. An extension is a contract term allowing the City to continue purchasing the good or service for an extended period of time where the option to extend the contract was outlined in the bid document, or is deemed to be in the best interest of the City.

Denoted in report as:

[E] Extension

Where a contract contains no option for renewal, Supply has delegated authority under the Purchasing By-law to extend the contract for a period of time no greater than two years from the date of the expiration provided that:

- (a) Supply and the Director/General Manager agree that based on market conditions or an analysis of future conditions, cost savings or cost avoidance can be obtained by a renewal; and
- (b) The supplier's performance and vendor relations with the supplier have both exceeded the requirements of the Contract.

Denoted in report as:

[E32(2)] Extension – as per Section 32(2) of the Purchasing By-law

Figure 1 below summarizes the total number and value of all contracts awarded for each Department. Figure 2 further identifies the reason for outsourcing of professional and consulting services contracts for each department. Please note the tables exclude purchases made by the Ottawa Public Health Department and by the Transit Services

Department. These are now reported to the Board of Health and Transit Commission respectively on a quarterly basis.

Non-Competitive Purchases

22(1) The requirement for competitive bid solicitation for goods, services and construction may be waived under joint authority of the appropriate Director/General Manager and the Supply Branch and replaced with negotiations under the following circumstances:

- (a) Where competition is precluded due to the application of any Act or legislation or because of the existence of patent rights, copyrights, technical secrets or controls of raw material,
- (b) Where due to abnormal market conditions, the goods, services or construction required are in short supply,
- (c) Where only one source of supply would be acceptable and cost effective,
- (d) Where there is an absence of competition for technical or other reasons and the goods, services or construction can only be supplied by a particular supplier and no alternative exists,
- (e) Where the nature of the requirement is such that it would not be in the public interest to solicit competitive bids as in the case of security or confidentiality matters,
- (f) Where in the event of a "Special Circumstance" as defined by this By-law, a requirement exists,
- (g) Where the possibility of a follow-on contract was identified in the original bid solicitation,
- (h) Where the total estimated project cost for professional services does not exceed \$50,000, or
- (i) Where the requirement is for a utility for which there exists a monopoly.

Document 2 and Document 3 identifies all non-competitive purchases as well as references the appropriate subsection 22(1).

Supply Branch certifies that all the contracts awarded under Delegation of Authority for the period of January 1, 2012 to March 31, 2012 and April 1, 2012, to June 30, 2012, are in compliance with the *Purchasing By-law*.

RURAL IMPLICATIONS

There are no rural implications.

CONSULTATION

The purpose of this report is administrative in nature and therefore no public consultation is required. Transit Services was consulted in the preparation of this report.

LEGAL IMPLICATIONS

There are no legal implications associated with this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications associated with this report.

FINANCIAL IMPLICATIONS

As outlined in the report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report.

TECHNOLOGY IMPLICATIONS

There are no technology implications associated with this report.

TERM OF COUNCIL PRIORITIES

FS2 - Maintain and enhance the City's financial position

TM1 - Ensure sustainable transit services

SUPPORTING DOCUMENTATION

Document 1 – [Transit Capital Works in Progress](#)

Document 2 – [Delegated Authority – Q1 Transit](#)

Document 3 – [Delegated Authority – Q2 Transit](#)

DISPOSITION

The Report is provided for information to Committee and Council. Financial Services will process the approved budget adjustment.