

Subject: 2024 Transit Operating and Capital Budget Q2 Status Report

File Number: ACS2024-FCS-FSP-0013

Report to Transit Commission on 12 September 2024

Submitted on September 3, 2024 by Cyril Rogers, Interim General Manager and Chief Financial Officer, Finance and Corporate Services Department

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Ward: Citywide

Objet : Budgets de fonctionnement et des immobilisations 2024 - T2 – Rapport d'étape du Commission du transport en commun

Numéro de dossier : ACS2024-FCS-FSP-0013

Rapport à la Commission du transport en commun le 12 septembre 2024

Soumis le 3 septembre 2024 par Cyril Rogers, Directeur général par intérim et chef des finances, Direction générale des finances et des services organisationnels

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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Transit Commission receive the 2024 Q2 Transit Operating and Capital Status and 2024 Year-end Forecast for information as detailed in Documents 1 to 3.

RECOMMANDATION DU RAPPORT

Que la Commission du transport en commun prenne connaissance des dépenses de fonctionnement et d'immobilisations du T2 et des prévisions de fin d'exercice

2024, exposées dans les documents 1 à 3.

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 quarter report. Capital reports provide a listing of:

- Capital projects and programs
- Authorized expenditure budgets
- Actual expenditures and commitments incurred to date
- Remaining amounts available to be spent

The purpose of this report is to present the June 30, 2024 (Q2) year-to-date operating and capital results for OC Transpo and provide a year-end forecast.

DISCUSSION

June 30 Year-to-Date Results/Year-End Forecast

The year-to-date budget figures are prepared on a calendarized basis. Departments have allocated their 2024 budgets on a monthly / quarterly basis, based primarily on experience.

A high-level summary of year-to-date operating results and a year-end forecast for OC Transpo is summarized below in Table 1 and Table 2, followed by an explanation of significant budget variances.

Document 1 provides additional details on the financial results ending in Q2 2024 and the year-end forecast for each service area based on best estimates available at that point of time.

Table 1 - 2024 Q2 Operating Results (in Thousands of dollars)

	Expenditures		Revenue		Surplus / (Deficit)		
	YTD Budget	YTD Actual	YTD Budget	YTD Actual	YTD Expenditure	YTD Revenue	YTD Net
Total	368,745	355,195	(209,705)	(184,605)	13,550	(25,100)	(11,550)

Table 2 - 2024 Q2 Year-End Forecast (in Thousands of dollars)

	Annual Budget		Year-End Forecast		Forecast Surplus / (Deficit)		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	Net
Total	731,210	(322,243)	724,386	(289,773)	6,824	(32,470)	(25,646)

Highlights of June 30 Year-to-Date Results

Expenditures are favourable by \$13.6 million, mainly due to the delay in the opening of O-Train Lines 2 and 4, lower debt charges and lower facility costs, partly offset by higher compensation, fleet maintenance, Para Transpo and insurance claim costs. The higher compensation cost is mainly due to the delay in implementing the workforce adjustment savings that were part of the administrative process review and approved by Council as part of the 2024 operating budget offset by vacant positions to reduce costs.

The revenue shortfall of \$25.1 million is primarily due to lower than budgeted fare revenue, resulting from a combination of ridership being lower than budgeted and a larger portion of transit customers using a discounted fare (\$9.7 million) and a reduced requirement for federal gas tax and operating reserve funding due to budgeted debt that has not been issued to date (\$15.2 million) which is offset by lower debt charges.

As of Q2 2024, the O-Train Line 1 performance deductions have totalled \$2.0 million, which was partially offset by replacement bus costs of \$0.6 million.

2024 Year-End Forecast

The year-end forecast shows a deficit of \$25.6 million.

The additional projected revenue shortfall of \$7.4 million is due to lower than budgeted fare revenue, as the result of lower than budgeted ridership and a higher proportion of customers using discounted fares.

The additional incremental expenditure of \$6.7 million forecasted for the second half of 2024 is primarily due to the continuing trend of higher fleet maintenance, insurance claims and Para Transpo costs offset by a further delay in the opening of O-Train Lines 2 and 4 to later in the year.

Q2 Compensation Results

Document 2 provides staff compensation information showing the actual salary/benefits and overtime costs incurred by each of OC Transpo's service areas for year-to-date Q2 2024 versus the full year budget. Overall, the total actual compensation costs for the

first two quarters were 55 per cent of the full year budget mainly due to some unbudgeted temporary positions, the delay in the implementation of the workforce savings budgeted as part of the administrative process review and offset by some vacant positions. Actual overtime costs were 82 per cent of the full year budget, mainly due to additional work to cover vacant positions. It is important to note from capital.

Capital Projects / Programs

Document 3 provides a list of active transit capital projects. identifies anticipated completion date. The total amount of capital works in progress is \$1.184 billion, of which \$569 million is unspent or uncommitted to date.

FINANCIAL IMPLICATIONS

The Financial implications are outlined throughout the report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving the information in this report.

ACCESSIBILITY IMPACTS

Finance and Corporate Services adheres to the requirements of the *Accessibility for Ontarians with Disabilities Act, (2005)* in its operations, programs and initiatives. This report is administrative in nature and has no associated accessibility impacts.

TERM OF COUNCIL PRIORITIES

This report supports the current 2023-2026 Term of Council Priorities as well as the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – 2024 Q2 Operating Results Summary

Document 2 – 2024 Q2 Compensation Summary

Document 3 – Capital Works in Progress

DISPOSITION

There are no disposition requirements as this is an administrative report.