

**Subject: 2023 TRANSIT OPERATING AND CAPITAL BUDGET Q2 STATUS
REPORT**

File Number: ACS2023-FCS-FSP-00013

Report to Transit Commission on 14 September 2023

**Submitted on September 5, 2023 by Cyril Rogers, General Manager and Chief
Financial Officer (A), Finance and Corporate Services Department**

**Contact Person: Isabelle Jasmin, Deputy City Treasurer, Corporate Finance,
Finance and Corporate Services Department**

613-580-2424 x21312, Isabelle.Jasmin@ottawa.ca

Ward: Citywide

**Objet : BUDGETS DE FONCTIONNEMENT ET DES IMMOBILISATIONS 2023–
T2 – RAPPORT D'ÉTAPE DU COMMISSION DU TRANSPORT EN
COMMUN**

Numéro de dossier : ACS2023-FCS-FSP-0013

Rapport présenté au Commission du transport en commun

Rapport soumis le 14 septembre 2023

**Soumis le 5 septembre 2023 par Cyril Rogers, Directeur général par intérim et
chef des finances, Direction générale des finances et des services
organisationnels**

**Personne ressource : Isabelle Jasmin, Trésorière municipale adjointe, Finances
municipales, Direction générale des services des finances**

613-580-2424 x21312, Isabelle.Jasmin@ottawa.ca

Quartier : À l'échelle de la ville

REPORT RECOMMENDATION(S)

That the Transit Commission receive the 2023 Q2 Status Report for information.

RECOMMANDATION(S) DU RAPPORT

Que la Commission du transport en commun prenne connaissance du rapport d'étape du 2 trimestre de l'année 2023.

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 and compare them to 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 spend

The purpose of this report is to present the June 30 year-to-date operating and capital results for OC Transpo and provide a year-end forecast. The 2023 year-end forecast is the result of budgeted funds expected to be received from senior levels of government which has not been confirmed, and revenue losses stemming from ongoing pandemic impacts.

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 2023 budgets on a monthly/quarterly basis, based primarily on experience.

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

Document 1 provides additional details on the financial results ending in Q2 2023, and the year-end forecast for each service area based on best estimates available at that point in time.

Table 1 – Q2 2023 Operating Results (in thousands of dollars)

	Expenditures		Revenue		Surplus / (Deficit)		
	YTD Budget	YTD Actual	YTD Budget	YTD Actual	YTD Expenditure	YTD Revenue	YTD Net
Net Operating Impact	352,635	344,883	(219,785)	(219,423)	7,753	(362)	7,391
COVID-19 Impact		7,472	10,424	28,781	(7,472)	(18,357)	(25,829)
Transit Commission Total	352,635	352,355	(209,361)	(190,642)	281	(18,719)	(18,438)

Table 2 – 2023 Year-end Forecast (in thousands of dollars)

	Annual Budget		Year End Forecast		Forecast Surplus/(Deficit)		
	Expenditures	Revenue	Expenditures	Revenue	Expenditures	Revenue	Net
Net Operating Impact	706,203	(330,144)	695,306	(329,782)	10,897	(362)	10,535
COVID-19 Impact	-	13,712	7,472	57,566	(7,472)	(43,854)	(51,326)
Transit Commission Total	-	(316,432)	702,778	(272,216)	3,425	(44,216)	(40,791)

Highlights of June 30 Year-to-Date Results

The 2023 Q2 year-to-date operating results shown in Table 1 indicate that:

- Spending on OC Transpo operations was \$7.391 million below budget.
- The \$25.829 million unfavourable budget variance identified as COVID-19 impact is comprised of:
 - Revenue from customer fares being \$6.326 million below budget, related mostly to lower than budgeted ridership levels and a lower than budgeted average fare, both attributed to the impacts of the COVID-19 pandemic. The lower average fare is the result of customer fare choices and the demographic makeup of current customers compared to pre-pandemic levels.
 - The portion of the \$39 million budgeted to be received from senior levels of government by the end of June, totaling \$19.503 million, but remains unconfirmed.

Net Operating Surplus

The operating surplus of \$ 7.391 million after Q2 2023 is mainly attributable to reduced compensation expenditures from current vacancies, lower O-Train Line 1 service maintenance costs due to performance deductions per the agreement with RTM, and lower fuel costs. These savings were partially offset by higher fleet maintenance Para Transpo costs.

Year-to-Date COVID-19 Deficit

The COVID-19-related deficit after Q2 2023 is \$25.829 million and is attributed to continued revenue losses due to the pandemic. Safe Restart Agreement (SRA) funding of \$7.472 million, which was used to top up the 2022 deficit, was previously identified in the 2022 year-end disposition report and was applied directly against OC Transpo's operating reserve.

2023 Year-End Forecast

The year-end forecast shows a deficit of \$40.791 million. This amount includes forecasted revenue losses of \$51.325 million due to the impact of COVID-19, \$39 million of which was budgeted to come from SRA funding, offset by \$10.534 million in operational savings.

Various strategies will continue to be leveraged to address the forecasted deficit or reduce and/or remove the forecasted year end deficit. These funding strategies to reduce and fund any actual year-end deficit will include a combination of some or all of the following:

- Continued savings related to the discretionary spending freeze and an analysis of other opportunities to reduce spending/identify savings;
- Continued advocacy for SRA funding from upper levels of government;
- A delay to the opening of O Train Lines 2 and 4 (Stage 2) occurring beyond September, as this would result in unspent operating funds in 2023;
- \$5.3 million in funds returned to the Transit Capital Reserve in 2023, as identified in Transit Capital Closure and Adjustment report ([ACS2023-FCS-FSP-0009](#)) approved by Council;
- A second Capital Closure adjustment review to reduce the capital project authority without impacting service delivery;
- Drawing funds from the Transit Operating Reserve.

Forecast Net Operating Surplus

The forecast surplus of \$10.535 million by year-end is heavily based on reduced compensation expenditures from current vacancies and a pause on hiring, lower O-Train Line 1 service maintenance costs due to performance deductions per the agreement with RTM, and lower fuel costs. These savings are estimated to be partially offset by higher fleet maintenance costs and higher Para Transpo costs. The full impact of the closure of O-Train Line 1 in July and August, the reduction in service when O-

Train Line 1 reopened, and the delay of the opening of O-Train Lines 2 and 4 could not be estimated at the time of this report and is not currently reflected in the forecasts within this report.

The City continues to advocate with the province for additional SRA funding to cover lower revenue from customers' fares for 2023 resulting from the COVID-19 pandemic.

Forecast COVID-19 Deficit

The forecasted deficit related to COVID-19 is \$51.325 million, and relates to revenue losses stemming from ongoing pandemic impacts. SRA funding of \$7.472 million, identified in the 2022 year-end disposition report, was applied directly against the Transit Operating Reserve.

Fare revenue is projected to be \$12.325 million below budget, and \$39 million in SRA funding, budgeted to be received from senior levels of government, has not yet been confirmed.

Q2 2023 Compensation Results

Document 1 provides compensation information showing the actual salary/benefits and overtime costs incurred by OC Transpo service areas for year-to-date Q2 2023 versus the full year budget. Overall, total actual compensation costs for the first two quarters were 51 per cent of the full year 2023 compensation budget, which is normal for this period. Actual overtime costs as a percentage of the annual budget were 87 per cent spent, partly a result of vacant positions. Compensation results do not include offsets from recoveries.

Capital Projects/Programs

Document 2 provides a list of capital projects under the purview of Transit Commission. The list identifies the lead department, total spending authority, actual expenditures as of June 30, contractual obligations and unspent balance for each account. The total Council-approved authority for capital works in progress is \$1.14 billion, of which \$682 million is uncommitted to date. The majority of the uncommitted amount (\$500 million) is in the Zero Emission Bus (ZEB) Program account, as this includes multi-year funding from the Canada Infrastructure Bank and from Infrastructure Canada, as well as from other sources.

FINANCIAL IMPLICATIONS

The financial implications are outlined throughout the report.

LEGAL IMPLICATIONS

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

ADVISORY COMMITTEE(S) COMMENTS

There are no comments by an advisory committee required for 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.

RISK MANAGEMENT IMPLICATIONS

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

TERM OF COUNCIL PRIORITIES

This report supports the City's ongoing commitments the current 2023 - 2026 Term of Council Priorities of: a city that has affordable housing and is more livable for all; a city that is more connected with reliable, safe and accessible mobility options; a city that is green and resilient; and a city with a diversified and prosperous economy. The report also promotes the City's commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – 2023 Q2 Operating Results Summary

Document 2 – 2023 Q2 Compensation Summary

Document 3 – Capital Works in Progress

DISPOSITION

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