

Subject: 2022 Transit Operating and Capital Budget Q2 Status Report

File Number: ACS2022-FSD-FSP-0012

Report to Transit Commission on 14 September 2022

**Submitted on September 2, 2022 by Wendy Stephanson, Chief Financial Officer /
Treasurer**

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Ward: Citywide

**Objet : Budget de fonctionnement et des immobilisations 2022 T2 Rapport
d'étape du Département de services de transport en commun**

Dossier : ACS2022-FSD-FSP-0012

Rapport au Commission du transport en commun

le 14 septembre 2022

**Soumis le par Wendy Stephanson, Cheffe des finances / trésorière, Direction
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Quartier : À l'échelle de la ville

REPORT RECOMMENDATION

That the Transit Commission receive the 2022 Q2 Status Report for information.

RECOMMANDATION DU RAPPORT

Que la Commission du transport en commun prenne connaissance du rapport d'étape du 2 trimestre de l'année 2022.

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 reports. Capital reports provide a listing of:

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

The purpose of this report is to present the June 30 year-to-date operating and capital results for transit tax-supported programs and provide a year-end forecast. A significant portion of the 2022 year-end forecast includes additional costs and revenue shortfalls due to COVID-19. The Province has not confirmed additional Safe Restart Funds (SRA) for 2022, therefore the forecast does not include these revenues. Once further information is received, staff will share the update with Mayor and Council.

Document 1 provides operating budget details on year-to-date results for the various Transit service areas and forecasts for 2022.

Document 2 provides compensation information showing the actual salary, benefits and overtime costs incurred by Transit Services for the first six months versus the full year budget.

Document 3 provides a detailed listing of the status of transit capital projects.

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 2022 budgets on a monthly / quarterly basis based, primarily on experience.

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

Document 1 provides additional details on the June 30 position and the year-end forecast for each service area based on the best estimates available at this point of time.

Table 1 - 2022 Q2 Operating Results / 2022 Year-end Forecast (in Thousands of dollars)

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Variance to Budget	Expenditures			Revenue			Surplus / (Deficit)	Forecast			Forecast Surplus / (Deficit)				
Total Consolidation	Annual Budget	YTD Budget	YTD Actual	Annual Budget	YTD Budget	YTD Actual	YTD Expenditure	YTD Revenue	YTD Net	Annual Expense	Annual Revenue	Net	Annual Expense	Annual Revenue	Net
Normal Operation	683,724	346,763	338,196	(269,910)	(162,889)	(161,119)	8,567	(1,770)	6,797	674,957	(268,140)	406,817	8,767	(1,770)	6,997
COVID Impact	11,725	5,862	3,112	(52,828)	(37,230)	10,388	2,750	(47,618)	(44,868)	7,775	43,643	51,418	3,950	(96,471)	(92,521)
Truck Occupation	-	-	663	-	-	3,834	(663)	(3,834)	(4,497)	663	(663)	-	(663)	663	-
Total	695,449	352,625	341,971	(322,738)	(200,119)	(146,897)	10,654	(53,222)	(42,568)	683,395	(225,160)	458,235	12,054	(97,578)	(85,524)

Highlights of June 30 Year to Date Results

The 2022 Q2 operating results shown in Table 1 indicate a deficit of \$42.568 million. This is made up of \$44.868 million in revenue losses and costs due to COVID-19, \$4.497 million in lost revenue and added costs as a result of the unplanned convoy occupation, and \$1.770 million in lost operating revenue offset by \$8.567 million expenditure savings mainly from normal operations.

Non-COVID-19 and Non-Convoy Occupation Surplus

The surplus of \$6.997 million is mainly attributable to reduced compensation expenditures from current vacancies, and lower fare system expenditures. These savings were partially offset by reduced fare revenues due to the temporary fare freeze, approved by Council ([2022 Draft Operating and Capital Budget-Transit Commission](#)).

COVID-19 Deficit

The current 2022 COVID-19 related deficit is \$44.868 million, mainly related to revenue losses stemming from ongoing pandemic impacts, increased cleaning, and personal protective equipment (PPE) costs, and further health restriction measures due to the Omicron variant. Safe Restart Funding provided by the provincial government to offset the year-to-date revenue shortfall and COVID-19 related expenditures have been confirmed eligible for Phase 3 top up funding of \$10.87 million to cover the January 1 – January 31 of 2022 impact.

The break-down is as follows:

- **Revenue Variance of (\$21.468) million:** The 2022 City Budget projected COVID-19 related lost revenue of \$26.15 million; however, the actual revenue loss was \$47.618 million. This was due to the unanticipated provincial lockdown measures following the resurgence of the Delta and Omicron waves of COVID-19 in the community, which resulted in lower ridership and lower advertising revenues.
- **COVID-19 costs variance savings of \$2.750 million:** The budget included costs of \$5.862 million to cover cleaning supplies, PPE and enhanced cleaning but the actual expenditure totaled \$3.112 million. The reduced cost is mainly related to lower enhanced cleaning costs and fare system savings resulting from lower fare revenue being processed through OC Transpo's contractors.
- **Safe Restart Agreement Funding Variance of (\$26.15) million:** The Safe Restart Agreement (SRA) funding was budgeted for \$37.230 million, however; funding has so far only been confirmed by the Province to cover the January 2022 lost revenue and COVID-19 related costs for \$11.080 million.

Convoy Occupation Variance

The impact of the Convoy Occupation resulted in a \$4.497 million deficit, the result of lost revenue of \$3.834 million and increased costs of \$0.663 million.

The \$3.834 million lost revenue was a result of the routes impacted driven by the road closures as a result of the Convoy Occupation in addition to the no charge fares for O-Train Line 1, 15 bus routes and Para Transpo services in the affected areas as approved on February 17, 2022, Motion 71/7.

The direct cost related to providing bus transportation for Ottawa Police Services (OPS) officers, towing costs and overtime incurred by Special Constables, Station Service Attendants and Customer Service Outreach staff at O-Train Line 1 stations and within the downtown core.

2022 Year-End Forecast

The year-end forecast deficit of \$85.524 million is made up of projected revenue losses and added costs from COVID-19 for \$92.521 million offset by \$6.997 savings due to non-COVID-19 and non-Convoy Occupation.

As previously reported to the Mayor and Council on March 30, 2022, the federal government announced it will invest up to \$750 million in one-time funding across the country for local transit systems to cover pandemic-related fare revenue shortfalls. In addition, as announced as part of the 2022 Ontario budget, the provincial government is committing to matching dollar-for-dollar, in addition to its previous investments. At this time, individual municipal allocations are unknown. As information becomes available, it will be shared with the Mayor and Council.

The \$4.497 million impact of the Convoy Occupation is anticipated to be funded by Public Safety Canada under the Nation's Capital Extraordinary Policing Cost program. The Transit related impacts are included with our OPS partners submission in seeking funding for a full recovery of these direct costs and full recovery of the lost revenue stemming from the extraordinary impacts as a result of the extended Convoy Occupation.

The year-end forecast would be a surplus of \$6.997 million if funding is received to cover all 2022 forecasted COVID-19 lost revenues.

Non-COVID-19 and Non-Convoy Occupation Surplus

The forecast surplus of \$6.997 million is primarily due to lower compensation costs from vacant positions and lower fare system expenditures which were partially offset by higher fuel costs and reduced fare revenues due to the temporary fare freeze, approved by Council.

The year-end forecasted COVID-19 impact currently assumes no additional Safe Restart Funding as no amounts are known. This will result in a forecasted deficit of \$92.521 million. The year-end forecast will be updated once SRA allocations are provided by the Province.

The COVID-19 deficit of \$92.521 million breaks down as follows:

- **Revenue Variance of (\$54.723) million:** The 2022 City Budget projected COVID-19 related lost revenue of \$41.748 million; however, the forecasted revenue loss is \$96.471 million. This was due to the unanticipated provincial lockdown measures following the resurgence of the Delta and Omicron waves of COVID-19 in the community, which resulted in lower ridership and lower advertising revenues.
- **COVID-19 costs variance savings of \$3.950 million:** The budget included costs of \$11.725 million to cover cleaning supplies, PPE and enhanced cleaning but the forecast spending is \$7.775 million. The reduced cost is mainly related to lower enhanced cleaning costs and fare system savings resulting from lower fare revenue being processed through OC Transpo's contractors.
- **Safe Restart Agreement Funding Variance of (\$41.748) million:** The Safe Restart Agreement (SRA) funding was budgeted for \$52.828 million, however funding has so far only been confirmed by the Province to cover the January 2022 lost revenue and COVID-19 related costs for \$11.080 million.

Q2 Compensation Results

Document 2 provides compensation information showing the actual salary / benefits and overtime costs incurred by OC Transpo service areas for Q2 versus the full year budget. Overall total actual overall compensation costs for the first two quarters were 56 percent of the full year 2022 compensation budget which is normal for the Q2 period. Actual overtime costs as a percentage of the annual budget are 97 percent spent, mainly as a result of vacant positions.

Capital Projects / Programs

Document 3 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 \$783 million, of which \$223 million is uncommitted to date.

FINANCIAL IMPLICATIONS

The financial implications are outlined in the report.

LEGAL IMPLICATIONS

There are no legal impediments to receiving this report for information.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

ACCESSIBILITY IMPACTS

There are no accessibility impacts associated with this report..

RISK MANAGEMENT IMPLICATIONS

There are no risk impediments to receiving this report for information.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

TERM OF COUNCIL PRIORITIES

This report supports the City's on-going commitment to financial sustainability and transparency.

SUPPORTING DOCUMENTATION

Document 1 – 2022 Q2 Operating and 2022 Year-End Forecast

Document 2 – 2022 Q2 Compensation Summary

Document 3 – 2022 Q2 Capital Works in Progress

DISPOSITION

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