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| <p>1. 2021 TRANSIT OPERATING AND CAPITAL BUDGET Q2 STATUS REPORT BUDGETS DE FONCTIONNEMENT ET D'IMMOBILISATIONS 2021 DU TRANSPORT EN COMMUN – RAPPORT D'ÉTAPE DU T2</p> |
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COMMISSION RECOMMENDATIONS

That Council:

1. Receive the 2021 Transit Operating and Capital Budget Q2 Status Report; and
2. Receive the budget adjustments in Document 4 undertaken in accordance with the *Delegation of Authority By-law* (By-Law No. 2020-360), as amended, as they pertain to capital works.

RECOMMANDATIONS DE LA COMMISSION

Que le Conseil :

1. Prenne connaissance du rapport d'étape du 2^e trimestre de 2021 du transport en commun relatif aux budgets de fonctionnement et d'immobilisations; et
2. Prenne connaissance des ajustements budgétaires exposés dans le document 4, effectués en vertu du *Règlement municipal sur la délégation de pouvoirs* (n° 2020-360) dans sa dernière version, en ce qui concerne les travaux d'immobilisations.

Documentation/Documentation

1. Chief Financial Officer, Finance Services Department, dated September 9, 2021 (ACS2021-FSD-FIN-0022)

Cheffe des finances, Direction générale des services des finances, daté le 9 septembre 2021 (ACS2021-FSD-FIN-0022)

2. Extract of draft Minutes, Transit Commission, 20 September 2021

Extrait de l'ébauche du procès-verbal, Commission du transport en commun, le 20 septembre 2021

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**Report to
Rapport au:**

**Transit Commission
Commission du transport en commun
20 September 2021 / 20 septembre 2021**

**and Council
et au Conseil
13 October 2021 / 13 octobre 2021**

**Submitted on September 9, 2021
Soumis le 9 septembre 2021**

**Submitted by
Soumis par:**

**Wendy Stephanson, Chief Financial Officer, Finance Services Department / Cheffe
des finances, Direction générale des services des finances**

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**Ward: CITY WIDE / À L'ÉCHELLE DE LA
VILLE**

File Number: ACS2021-FSD-FIN-0022

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**SUBJECT: 2021 TRANSIT OPERATING AND CAPITAL BUDGET Q2 STATUS
REPORT**

**OBJET: BUDGETS DE FONCTIONNEMENT ET D'IMMOBILISATIONS 2021 DU
TRANSPORT EN COMMUN – RAPPORT D'ÉTAPE DU T2**

REPORT RECOMMENDATIONS

That the Transit Commission recommend that Council:

1. Receive the 2021 Transit Operating and Capital Budget Q2 Status Report;
and
2. Receive the budget adjustments in Document 4 undertaken in accordance
with the *Delegation of Authority By-law (By-Law No. 2020-360)*, as
amended, as they pertain to capital works.

RECOMMANDATIONS DU RAPPORT

Que la Commission du transport en commun recommande ce qui suit au
Conseil :

1. Prendre connaissance du rapport d'étape du 2^e trimestre de 2021 du
transport en commun relatif aux budgets de fonctionnement et
d'immobilisations; et
2. Prendre connaissance des ajustements budgétaires exposés dans le
document 4, effectués en vertu du *Règlement municipal sur la délégation
de pouvoirs (n° 2020-360)* dans sa dernière version, en ce qui concerne les
travaux d'immobilisations.

BACKGROUND

Quarterly operating and capital budget 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. The year-end forecasts are also presented in the second quarter reports. Capital reports provide a listing of:

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- 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 2021 year-end forecast includes the additional costs and revenue shortfalls due to COVID-19.

Document 1 provides operating budget details on year-to-date results for the various service areas and forecasts for 2021.

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

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

Document 4 provides a listing of the capital budget adjustments processed under delegated authority.

DISCUSSION

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

The year-to-date budget figures are prepared on a “calendarized” basis. Departments allocate their annual budgets on a monthly or 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 best estimates available at this point of time.

Table 1: 2021 Q2 Operating Results / 2021 Year-End Forecast (in thousands of dollars)

| | 2021 Q2 Net Surplus / (Deficit) | 2021 Forecast Surplus / (Deficit) |
|--|--|--|
| Conventional & Para Transpo Operations | 6,404 | 12,871 |
| Revenues | (2,610) | (29,825) |
| Total | 3,794 | (16,954) |

Highlights of June 30 Year-to-Date Results

The 2021 Q2 operating results shown in Table 1 indicate a favourable variance of \$3.794 million mainly due to lower compensation costs as a result of vacant positions.

There was a total of \$77 million available from the Safe Restart Agreement (SRA) Transit stream to cover Q2 year-to-date lost revenue and COVID-19 related costs such as cleaning supplies, personal protective equipment, advertising, and enhanced cleaning performed by contractors and staff.

2021 Year-end Forecast

The year-end deficit forecast of \$17 million is made up of \$26.3 million in projected revenue losses and added costs from COVID-19 offset by \$9.3 million savings due to non-COVID-19 pressures.

Non-COVID-19 Surplus

The forecast non-COVID-19 surplus of \$9.3 million is primarily due to lower compensation costs from vacant positions and cost savings from the temporary service reductions which began in June 2021.

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Forecast COVID-19 Deficit for Transit

The year-end forecasted COVID-19 impact is a deficit of \$26.3 million due to insufficient Safe Restart Funding to offset the overall projected revenue shortfalls and COVID-19 related expenditure savings.

The COVID-19 deficit of \$26.3 million breaks down as follows:

- **Revenue variance of (\$72.2) million:** The budget reflected COVID-19 lost revenue of \$60 million, but the revised estimated revenue loss for 2021 is \$132.2 million, which is due to lower ridership and lower than expected advertising revenues.
- **COVID-19 costs variance savings of \$3.4 million:** The budget assumed projected costs of \$12.8 million to cover cleaning supplies, personal protective equipment (PPE) and enhanced cleaning, but the revised estimated cost is \$9.4 million which is lower than budgeted mainly due to lower Para Transpo contract costs as a result of lower ridership.
- **Safe Restart Agreement Funding \$42.5 million:** The Safe Restart Agreement (SRA) funding that was received in 2021 was \$115.3 million as compared to the \$72.8 million budgeted which is to cover both COVID-19 related lost revenue and costs. The \$115.3 million is estimated to be fully allocated in 2021 to cover the revised estimated COVID-19 pressures for Transit to the end of the year, with a remaining unfunded COVID-19 related deficit of \$26.3 million. As part of the overall deficit mitigation strategy, a letter was sent to the Province requesting that funds not applied in 2020 be reallocated to offset 2021 COVID-19 related cost pressures and to fund any additional unfunded deficits.

2021 Q2 Compensation Results

Document 2 provides compensation information for the actual salary/benefits and overtime costs incurred by service areas in Q2 versus the full year budget. Overtime costs as a percent of the annual budget is 69 per cent spent which is mainly the result of vacant positions and the requirement by staff to work additional hours to cover for the vacancies. However, total compensation costs for the second quarter, including overtime balances out to 50 per cent of the full year 2021 compensation budget; this

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was mainly attributable to vacant positions that were offset by compensation for temporary employees funded by capital recovery.

Budget Adjustments and Transfers

Capital budget adjustments processed between May 11, 2021 to August 31, 2021 under the authority delegated to the Chief Financial Officer/Treasurer, as per the *Delegation of Authority By-law (By-Law No. 2020-360)*, are provided in Document 4 for the information of the Transit Commission and Council. SRA funding available for capital projects in the amount of \$10.5 million was claimed and received to help recover the cost of COVID-19 related capital projects such as the operator safety barriers and improvements to the fare control system to accept credit cards. These funds are being returned to source per the details provided in Document 4 helping to offset other pressures.

Capital Projects and Programs

Document 3 provides a list of all active transit capital projects. The list identifies the lead service area and financial status including the approved budget versus actual results and anticipated completion date. The total for capital works-in-progress is \$658 million of which \$115 million is uncommitted to date.

RURAL IMPLICATIONS

There are no rural implications associated with this report.

CONSULTATION

Not applicable.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a citywide report.

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ADVISORY COMMITTEE(S) COMMENTS

Not applicable.

LEGAL IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

FINANCIAL IMPLICATIONS

The financial implications are outlined in this report.

ACCESSIBILITY IMPACTS

There are no accessibility impact implications to implementing the recommendations in this report.

TERM OF COUNCIL PRIORITIES

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

SUPPORTING DOCUMENTATION

Document 1 – 2021 Q2 Operating Results and 2021 Year-End Forecast

Document 2 – 2021 Q2 Compensation Summary

Document 3 – 2021 Q2 Capital Works-in-Progress

Document 4 – Budget Adjustments Processed Under Delegated Authority

DISPOSITION

This report is for information purposes.