



CITY OF HAMILTON

PUBLIC WORKS DEPARTMENT
Transportation, Energy & Facilities Division

TO: Chair and Members Public Works Committee	WARD(S) AFFECTED: CITY WIDE
COMMITTEE DATE: May 7, 2012	
SUBJECT/REPORT NO: D.A.R.T.S. 2011 Deficit Funding (PW12039) - (City Wide)	
SUBMITTED BY: Gerry Davis, CMA General Manager Public Works Department	PREPARED BY: George Brovac Acting Manager, Accessible Transportation Services (ATS) (905) 546-2424 x1666
SIGNATURE:	

RECOMMENDATION

That the General Manager of Public Works be authorized to pay D.A.R.T.S. an additional \$205,101.51 for services provided for the year 2011, over and above those funds approved under the 2011 Transit budget allocation.

EXECUTIVE SUMMARY

D.A.R.T.S. provides specialized transportation services to persons with disabilities, under an Agreement with the City. As in past years, City staff monitors D.A.R.T.S expenditures and service levels on a monthly basis to ensure that any variance to proposed levels are credible and reflect the best effort philosophy.

In 2011, D.A.R.T.S. was budgeted to deliver approximately 141,183 bus service hours, and 443,721 direct or subcontracted trips, with a 2011 net expenditure of \$10,713,550.00.

D.A.R.T.S. actually provided about 143,778 bus service hours, and 431,823 trips, with an actual 2011 net expenditure of \$10,918,651.51 resulting in a funding deficit of \$205,101.51, as confirmed by D.A.R.T.S. in its audited financial statement. This amount forms part of the overall 2011 Transit year end final budget variance, which will have a \$0.00 year-end balance.

The major driving factors that contributed to the deficit were the cost of fuel and insurance. The fuel costs were over budget due to an unforeseen rise in diesel and

gasoline prices during the year. The insurance costs were due to standard industry premium increases that were greater than anticipated and additionally, passenger settlement payouts that arise as claims are finalized and closed. The fuel issue, which had also been a major driver within the 2008 and 2009 D.A.R.T.S. budget overrun, is remedied through the 2012 D.A.R.T.S. final budget. In an attempt to lower insurance premiums and reduce passenger claims the City installed a full surveillance camera system on all D.A.R.T.S. vehicles.

As a not-for-profit organization, D.A.R.T.S. maintains no reserves to deal with budget variances. The staff recommendation will allow D.A.R.T.S. to carry out its 2012 service plan as set forward in the 2012 Transit budget submission. Under the terms of the agreement between the City and D.A.R.T.S., Council has the discretion to deny funding of expenditures other than those approved as part of the annual budget process, but such denial of funding of the 2011 net expenditure deficit would provide effective cancellation of the agreement.

Alternatives for Consideration - See Page 3

FINANCIAL / STAFFING / LEGAL IMPLICATIONS

Financial: The recommendation has no financial implications, as the liability is dealt with as part of the overall financial position of the City within the Transit section of Public Works.

Staffing: None

Legal: Approval of the recommendation has no legal implications, although failure to approve funding of the deficit may be cause for effective cancellation of the agreement between the City and D.A.R.T.S.

HISTORICAL BACKGROUND

Under the terms of the contract between the City and D.A.R.T.S., Council retains full discretion in matters including budget, service levels, fares and eligibility. While D.A.R.T.S. makes every effort to carry out service delivery within approved budget, circumstances outside of the control of D.A.R.T.S. such as variations in service demand, increased fuel and labour costs based on potential for service efficiency, and the age and condition of the fleet, have impacts on the cost of services which cannot be mitigated or otherwise absorbed within the proposed operating budget without having an impact on service availability.

POLICY IMPLICATIONS

There are no policies affecting the proposal.

RELEVANT CONSULTATION

Consultation has been undertaken with the Finance & Administration Division of Corporate Services.

ANALYSIS / RATIONALE FOR RECOMMENDATION

The overall 2011 financial position for Transit includes the D.A.R.T.S. deficit of \$205,101.51. A liability payable to D.A.R.T.S. is accrued for 2011 year-end, and approval of this recommendation will allow the City to reimburse D.A.R.T.S. As such, it is recommended that Council approve the funding of the outstanding \$205,101.51 deficit.

The major driving factors that contributed to the deficit were the cost of fuel and insurance, the fuel costs were over budget due to an unforeseen rise in diesel and gasoline prices during the year. The insurance costs are due to standard industry premium increases that were greater than anticipated and additionally, passenger settlement payouts that arise as claims are finalized and closed. The fuel issue, which had also been a major driver within the 2008 and 2009 D.A.R.T.S. budget overrun, is remedied through the 2012 D.A.R.T.S. final budget. In an attempt to lower insurance premiums and reduce passenger claims the City installed a full surveillance camera system on all D.A.R.T.S. vehicles.

ALTERNATIVES FOR CONSIDERATION

Non-acceptance of the Recommendation will effectively serve to cancel the agreement between the City and D.A.R.T.S., as D.A.R.T.S. maintains no reserves to deal with a net expenditure deficit; as such, there are no alternatives to the Recommendation.

CORPORATE STRATEGIC PLAN

Focus Areas: 1. Skilled, Innovative and Respectful Organization, 2. Financial Sustainability, 3. Intergovernmental Relationships, 4. Growing Our Economy, 5. Social Development, 6. Environmental Stewardship, 7. Healthy Community

Social Development

- Residents in need have access to adequate support services
- People participate in all aspects of community life without barriers or stigma

APPENDICES / SCHEDULES

None