




Hamilton

# INFORMATION REPORT

|                           |  |
|---------------------------|--|
| <b>TO:</b>                | Chair and Members<br>Audit, Finance & Administration Committee   |
| <b>COMMITTEE DATE:</b>    | August 16, 2017  |
| <b>SUBJECT/REPORT NO:</b> | Transit Five Year Historical Overview<br>(PW17070) (City Wide)<br>(Outstanding Business List Item)   |
| <b>WARD(S) AFFECTED:</b>  | City Wide  |
| <b>PREPARED BY:</b>       | Nancy Purser<br>(905) 546-2424, Extension 1876   |
| <b>SUBMITTED BY:</b>      | Christine Lee-Morrison<br>Acting Director of Transit<br>Public Works Department  |
| <b>SIGNATURE:</b>         |  |

### Council Direction:

The Executive Director of Human Resources & Organizational Development and the Director of Transit were directed to report back to the August 16, 2017, Audit, Finance and Administration Committee meeting with respect to details on Transit Levy Enhancements; Transit Ridership Numbers; Transit Year-end Variance Reporting; Transit Service Enhancements all over the past five years as well as an explanation of the Transit Over-time Variance.

### Information:

Per Council's request the following table depicts the investments made in Transit since 2012. It should be noted that the figures shown are expenditures net of revenue, therefore indicate the investment made from the levy. The service enhancements include, additional service along Centennial Parkway, increased service on Rymal, Stone Church and the A-Line, and the first two years of the 10 year local transit strategy.

Service enhancements since 2012 amounts to \$7,519,000 gross budget with an accompanying revenue forecast increase of \$6,664,000 due to fare increases leaving a net levy contribution of \$855,000 (see Service Enhancement Total in the table below). As indicated on appendix A, revenues have not met forecast and as a result the levy has funded the shortfall over the period in the amount of approximately \$3,178,000. A fare increase of \$0.15 was implemented on September 1, 2015 and again on

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September 1, 2016. More details of the service enhancements are included in Appendix A to Report PW17070.

Over the period 2012 to 2017, the transit maintenance budget increased by 16.2M or 33.9%. In 2017, the transit net levy budget is \$61.2M, an increase of approximately \$13.7M, or 28.8% over 2012.

| Transit 5 Year Operating Budget Investments |             |             |             |             |             |             |              |
|---|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
|   | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | Total        |
| Service Enhancement                         |             | \$ 50,000   | \$ 450,000  | -\$ 270,000 | \$ 297,000  | \$ 328,000  | \$ 855,000   |
| Maintenance Budget                          | \$3,300,620 | \$4,503,440 | \$1,753,020 | \$3,357,010 | \$2,297,950 | \$ 906,690  | \$16,118,730 |
| Total Investment                            | \$3,300,620 | \$4,553,440 | \$2,203,020 | \$3,087,010 | \$2,594,950 | \$1,234,690 | \$16,973,730 |

Variances to budget over the last five years are shown in the table below:

| Transit 5 Year Reported Levy Variances |      |             |              |              |              |              |
|--|------|-------------|--------------|--------------|--------------|--------------|
|  | 2012 | 2013        | 2014         | 2015         | 2016         | 2017         |
| Variance to Budget                     | \$ 0 | \$1,823,132 | -\$1,110,430 | -\$1,621,196 | -\$1,581,321 | -\$2,499,637 |

Variances are due largely to employee related expenses and unrealized revenues due to lower than anticipated ridership, explanations are provided below.

Employee Related Variance: The three main drivers for the current variance in employee related expenses involve (1) wages, (2) wages overtime and (3) sick time. It is Transit Division's practice to budget zero within the sick time account therefore overtime is a reflection of time worked for the most part, as a result of sickness or other absenteeism. Through this practice the total of (1) wages and (2) wages overtime require that there be sufficient budget for the three drivers identified above to avoid an unfavourable variance at year end. While a number of issues have occurred over the last several years putting upward pressure on overtime costs and include rulings from arbitration, collective bargaining language and changes in provincial regulation, it is evident that there has not been enough budget within the overtime account for the last several years to keep pace with the rise in these expenses. Additionally, the data suggests that overtime due to absenteeism has doubled since 2012 and is the root cause of most of the unfavourable variance. The table below also demonstrates an approximate 50% increase in all overtime in the same period. A number of management actions and planned initiatives have been started in the last several months to reduce these expenses and bring absenteeism rates to an acceptable level; it appears that these are having a positive effect as the year end forecast for overtime is showing a slight decline. While overtime will remain a necessary feature of providing transit services staff remain hopeful that expenses in this regard can be reduced to more traditional levels.

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| Wages and OT for past 5 Years            |         |                  |            |                       |                    |              |
|--|---------|------------------|------------|-----------------------|--------------------|--------------|
| 2012                                     | Account | Description      | Budget     | Historical Accounting | Current Accounting | Net Variance |
|  | 51101   | Wages            | 23,471,280 | 21,812,881            |                    |              |
|  | 51106   | Wages - Overtime | 854,820    | 1,052,453             |                    | 1,460,766    |
| <b>2013</b>                              | 51101   | Wages            | 23,993,100 | 22,972,462            |                    |              |
|  | 51106   | Wages - Overtime | 854,820    | 1,289,652             |                    | 585,806      |
| <b>2014</b>                              | 51101   | Wages            | 24,736,110 | 24,797,089            |                    |              |
|  | 51106   | Wages - Overtime | 812,820    | 1,242,687             |                    | (490,847)    |
| <b>2015</b>                              | 51101   | Wages            | 26,226,000 | 26,070,399            |                    |              |
|  | 51106   | Wages - Overtime | 816,580    | 1,459,867             |                    | (487,686)    |
| Change in accounting practice as of 2016 |         |                  |            |                       |                    |              |
| <b>2016</b>                              | 51101   | Wages            | 27,779,740 | 27,360,831            | 24,293,434         |              |
|  | 51106   | Wages - Overtime | 816,580    | 1,533,698             | 4,601,095          | (298,209)    |
| <b>*2017</b>                             | 51101   | Wages            | 31,017,380 | 30,514,642            | 27,465,181         |              |
|  | 51106   | Wages - Overtime | 1,316,580  | 1,524,731             | 4,574,192          | 294,587      |
| * Projected                              |         |                  |            |                       |                    |              |

| Transit 5 Year Sick Payments |              |              |              |              |              |              |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                              | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
| Short Term Disability        | \$ 1,101,565 | \$ 1,206,648 | \$ 1,288,200 | \$ 1,396,076 | \$ 1,672,797 | \$ 2,162,630 |

Transit 5 Year Ridership & Revenue Variance: Revenue is another large contributor to the transit unfavourable year-end variance over the last couple of years, as ridership continues to perform below original expectations.

| Transit 5 Year Revenue and Ridership |            |            |            |            |            |            |
|--------------------------------------|------------|------------|------------|------------|------------|------------|
|                                      | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       |
| Ridership                            | 21,795,884 | 21,817,842 | 22,250,052 | 21,906,761 | 21,485,776 | 21,447,366 |
| Revenue                              | 270,862    | 728,190    | 747,902    | -1,019,026 | -2,158,926 | -980,000   |

A review of the data indicates that ridership in Hamilton peaked in 2014. Unfortunately, this same ridership level was used to forecast revenue in the 10 year Local Transit Strategy. A number of events occurred in 2015 including a decline in gas prices, a growth in car share and Uber, Sobi bike service was introduced and a \$0.15 fare increase was implemented. These factors appear to be driving lower than anticipated ridership however, as of June 2017 ridership appears to have stabilized, we will continue to monitor through the remainder of the year.

Capital Investment: The following table shows the capital investment made in Transit from all funding, including the capital levy. The second table illustrates the total investment made in fleet expansion during the 5 year time period.

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| 5 Year Transit Capital Investment |                          |               |              |               |              |
|-----------------------------------|--------------------------|---------------|--------------|---------------|--------------|
|                                   | Total Capital Investment | Federal       | Provincial   | Reserve       | Levy         |
| 2012                              | \$ 17,012,490            | \$ 6,000,000  | \$ 1,792,489 | \$ 8,520,001  | \$ 700,000   |
| 2013                              | \$ 10,961,015            |               | \$ 101,745   | \$ 10,406,275 | \$ 452,995   |
| 2014                              | \$ 931,209               |               | \$ 231,209   | \$ 700,000    | \$ -         |
| 2015                              | \$ 18,203,043            | \$ 6,000,000  | \$ 1,213,414 | \$ 513,414    | \$ 700,000   |
| 2016                              | \$ 34,470,265            | \$ 6,155,000  | \$ 3,688,680 | \$ 23,381,585 | \$ 1,245,000 |
| Total                             | \$ 81,578,022            | \$ 18,155,000 | \$ 7,027,537 | \$ 43,521,275 | \$ 3,097,995 |

| 5 Year Transit Fleet Expansion |             |              |
|--------------------------------|-------------|--------------|
| Year                           | Buses Added | Capital Cost |
| 2012                           | 4           | \$ 1,639,300 |
| 2013                           | 0           | \$ -         |
| 2014                           | 0           | \$ -         |
| 2015                           | 13          | \$ 7,512,970 |
| 2016                           | 17          | \$ 9,109,180 |

Staffing: Increases to budgeted FTEs for the 5 year period are shown below.

| 5 Year Transit FTE |           |            |
|--------------------|-----------|------------|
| Year               | Total FTE | FTE Change |
| 2012               | 638.04    | -          |
| 2013*              | 648.04    | 10.00      |
| 2014*              | 663.04    | 15.00      |
| 2015*              | 705.21    | 42.17      |
| 2016               | 704.21    | -1.00      |

\* 10 Transportation Planning FTE added in 2013,  
moved out in 2015

**Appendices and Schedules Attached**

Appendix A: Details of Five Year Service Enhancements

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**APPENDIX A  
REPORT PW17070**

| <b>Summary of Service Enhancements 2012 - 2015</b>                 |  |                         |                     |                      |
|--|--|-------------------------|---------------------|----------------------|
| <b>Area</b>  | <b>Route</b>                                 | <b>Annualized Hours</b> | <b>Gross Cost</b>   | <b>Revenue*</b>      |
| <b>CENTENNIAL PARKWAY REGIONAL SHOPPING CENTRE TRANSIT SERVICE</b> |  |                         | <b>\$ 150,000</b>   | <b>\$ -</b>          |
| Council Direction  | 56 - Centennial                              | 2,879                   |                     |                      |
| <b>2014 TRANSIT SERVICE ENHANCEMENT PLAN</b>                       |  |                         | <b>\$ 1,190,000</b> | <b>\$ -</b>          |
| Transit Service Enhancement Plan                                   | 44 - Rymal                                   | 11,416                  |                     |                      |
|  | 43 - Stonechurch                             | 2,318                   |                     |                      |
|  | 20 - A-Line                                  | 2,016                   |                     |                      |
| <b>2014 TRANSIT SERVICE ENHANCEMENT PLAN Total</b>                 |  | <b>15,750</b>           |                     |                      |
| <b>10 YEAR LOCAL TRANSIT STRATEGY</b>                              |  |                         | <b>\$ 6,179,000</b> | <b>-\$ 6,664,000</b> |
| King / Main / Queenston Corridor                                   | 01 - King                                    | 791                     |                     |                      |
|  | 05 - Delaware                                | 11,124                  |                     |                      |
|  | 51 - University                              | 8,532                   |                     |                      |
| <b>King/Main/Queenston Corridor Total</b>                          |  | <b>20,447</b>           |                     |                      |
| Lower City   | 02 - Barton                                  | 13,149                  |                     |                      |
|  | 03 - Cannon                                  | 4,552                   |                     |                      |
|  | 04 - Bayfront                                | 156                     |                     |                      |
| <b>Lower City Total</b>  |  | <b>17,857</b>           |                     |                      |
| Mountain to Downtown   | 21 - Upper Kenilworth                        | 2,200                   |                     |                      |
|  | 22 / 23 / 24 - Upper Ottawa / Gage / Sherman | 3,451                   |                     |                      |
|  | 25 / 26 - Upper Wentworth / Wellington       | 1,582                   |                     |                      |
|  | 27 - Upper James                             | 696                     |                     |                      |
|  | 27 / 35 - Upper James / College              | 3,276                   |                     |                      |
|  | 33 - Sanatorium                              | 3,554                   |                     |                      |
| <b>Mountain to Downtown Total</b>                                  |  | <b>14,759</b>           |                     |                      |
| Cross Mountain / Suburban  | 16 / 43 - Ancaster / Stone Church            | 1,512                   |                     |                      |
|  | 18 - Waterdown                               | 8,832                   |                     |                      |
|  | 42 - Mohawk East 4 Ice Arena                 | 2,138                   |                     |                      |
|  | 44 - Rymal                                   | 756                     |                     |                      |
| <b>Cross Mountain / Suburban Total</b>                             |  | <b>13,238</b>           |                     |                      |
| <b>10 YEAR LOCAL TRANSIT STRATEGY Total</b>                        |  | <b>66,301</b>           |                     |                      |
| <b>Grand Total</b>   |  | <b>84,930</b>           | <b>7,519,000</b>    | <b>- 6,664,000</b>   |

\*Actual Revenue for 2015 - 2016 10 Year Plan increased \$3,468,000. A shortfall of \$3,178,000 was reported.