Audit and Finance Standing Committee
January 30, 2013

TO:	Chair and Members of the Audit and Finance Committee
	Original Signed
SUBMITTED BY:	Greg Keefe, Director of Finance & ICT, CFO
DATE:	January 23, 2013
SUBJECT:	Metro Transit 13/14 Preliminary Budget Presentation

ORIGIN

At the December 4, 2012 Committee of the Whole, Regional Council directed staff to present the 2013/14 draft Budget and Business Plans to the Audit and Finance Committee for review and discussion prior to consideration by Regional Council.

RECOMMENDATION

It is recommended that the Audit & Finance Committee approve the Metro Transit recommendation as the guide for 2013-14 budget preparations and make technology a short term priority

It is recommended that the Audit & Finance Committee forward a recommendation to Halifax Regional Council to begin the planning process for a new Five-Year Strategic Framework

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BACKGROUND

As part of the design of the 2013-2014 Proposed Budget, the Audit and Finance Committee is reviewing each Business Unit's high level budget and proposed plans in advance of detailed Budget and Business Plan preparation.

At the December 4, 2012 Committee of the Whole Regional Council considered their Strategic Priority Outcomes and directed staff to: "*present the 2013/14 draft Budget and Business Plans to the Audit and Finance Committee for review and discussion prior to consideration by Regional Council following the priority outcomes described in Attachment "A" having regard to the changes and additional priorities raised by Council during the course of discussion in Committee of the Whole.*"

DISCUSSION

Staff has prepared a draft Business Unit Budget and Business Plan presentation consistent with the fiscal direction received from the Audit and Finance Committee on December 19, 2012 and aligned with the Council Priorities discussed at the December 4th Committee of the Whole.

Following direction from the Audit and Finance Committee, staff will proceed to prepare the detailed Budget and Business Plan for inclusion in the proposed HRM 13/14 Budget and Business Plan documents to be presented to Audit and Finance Committee as per the process and schedule endorsed by Regional Council on December 4, 2012.

BUDGET IMPLICATIONS

The recommendations in this report will lead to the development of a proposed budget for 2013-14. There are no immediate financial implications from these recommendations. The broader financial implications will be discussed and debated as the budget is developed in more detail.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

None are associated with this report.

ENVIRONMENTAL IMPLICATIONS

None

ALTERNATIVES

The Audit and Finance Standing Committee can choose to amend the Budget and Business Plan as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the Budget and Business Plan for inclusion in the proposed HRM Budget and Business Plan documents.

ATTACHMENTS

None

A copy of this report can be obtained online at http://www.halifax.ca/council/agendasc/cagenda.html then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by: Eddie Robar 490-6720

Original Signed

Report Approved by: Eddie Robar 490-6720

HALIFAX
REGIONAL MUNICIPALITY

MetroTransit

Audit & Finance Committee

January 30, 2013

Agenda

HALIFAX
REGIONAL MUNICIPALITY

- Business Unit Overview
- Recommendation
- Where are we now?
- Planning for the Future
- Alternatives

Business Unit Overview

HALIFAX REGIONAL MUNICIPALITY

Metro Transit

- 25 million riders annually
- 258 conventional 40’ and 60’ buses
- 3 Ferries
- 30 Access-a-Buses
- 20 MetroLink buses
- 19 MetroX vehicles
- 853 employees
- 2 transit centres
- 3 ferry terminals
- 11 bus terminals

Replacement Value of Vehicle Assets

- $183,000,000

Metro Transit by Classification

Classification	Total
ATU Acc-A-Bus	63
ATU Conv Trans	529
ATU Equipment	118
ATU Ferry	30
Director	1
Manager	10
Non Union Admin	6
Non Union Non Supervisor	11
NSUPE 13	18
Supervisor	66
Temp Admin	1
Grand Total	**853**

Council Priority Direction December 4, 2012

HALIFAX REGIONAL MUNICIPALITY

- Transit Technical Solutions Roadmap
- Transit Strategic Framework
- Transit State of Good Repair
- Transit Financial Roadmap

Budget Recommendation

HALIFAX
REGIONAL MUNICIPALITY

In this budget recommendation you will see;

- Prioritization of Technology
- Measured growth and replacement of transit fleet
- Defer the need for a garage expansion in 2015/16 ($30M pending requirement definition)
- Fare increase of $0.25 in 2013/14
  - Shift enhancements to user pay vs. tax rate
  - Funding to increase rider experience (Technology)
- No tax rate increase for 3 years

12/13 Operating Budget Overview

HALIFAX REGIONAL MUNICIPALITY

Cost Element Groups	2011-12	2012-13	2012-13
	Budget	**Budget**	**Q3 Projection**
Expenditures			
Compensation and Benefits	53,648,434	59,733,400	59,120,300
Office	712,100	723,000	831,800
External Services	528,541	591,000	678,300
Supplies	935,600	983,000	1,039,600
Materials	3,500	0	0
Building Costs	77,900	75,000	177,200
Equipment & Communications	584,400	652,000	678,600
Vehicle Expense	15,516,683	19,038,000	19,431,300
Other Goods & Services	3,274,181	3,066,900	819,900
Interdepartmental	0	1,969,000	2,426,700
Debt Service	6,349,850	6,765,000	6,765,000
Other Fiscal	11,304,000	7,869,000	7,830,000
Total	92,935,189	101,465,300	99,798,700
Revenues	**Budget**	**Budget**	**Q3 Projection**
Tax Revenue	(28,066,000)	(29,997,000)	(29,949,000)
Area Rate Revenue	(35,855,000)	(38,368,000)	(38,743,000)
Fee Revenues	(31,663,100)	(32,332,300)	(30,264,700)
Other Revenue	(760,300)	(768,000)	(842,000)
Total	(96,344,400)	(101,465,300)	(99,798,700)
Net Surplus/Deficit	(3,409,211)	0	0

Service Area Budget Overview

HALIFAX REGIONAL MUNICIPALITY

Metro Transit Expenses by Service Area	11/12 Budget	12/13 Budget	Q3 Projection
Access-A-Bus Service	3,846,300	4,073,000	4,723,100
Community Transit Service	503,000	613,000	254,300
Conventional Service	63,932,200	74,348,000	72,855,600
Ferry Service	3,847,300	3,808,000	3,909,000
Fiscal Transit	20,806,400	18,623,300	18,056,700
Total Metro Transit Expenses	92,935,200	101,465,300	99,798,700

Service Budget Overview

HALIFAX REGIONAL MUNICIPALITY

- 2012/13 Operating Budget $101.4m
- 2013/14 Annualized growth in service cost is $2.8m
  – Portland St High Frequency Corridor
  – Airport/Fall River MetroX Service
  – Sheldrake Lake MetroX
  – Schedule Reliability Implementations
  – Dartmouth Bridge Terminal

High-Level Operating Efficiencies

HALIFAX REGIONAL MUNICIPALITY

Operating Efficiencies 13/14

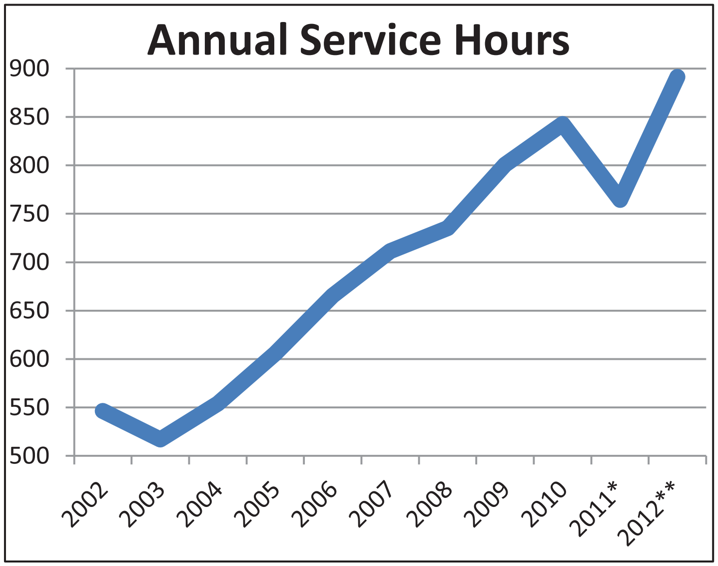
- 88 new hires 12/13 = $1m saved through wage steps
- 64 new hires 13/14 = $550k saved through wage steps
- Absenteeism reduction 13/14= $190k
- Rostering/overtime reduction 13/14 = $500k
- **Overall efficiencies approximately = $2.2M**

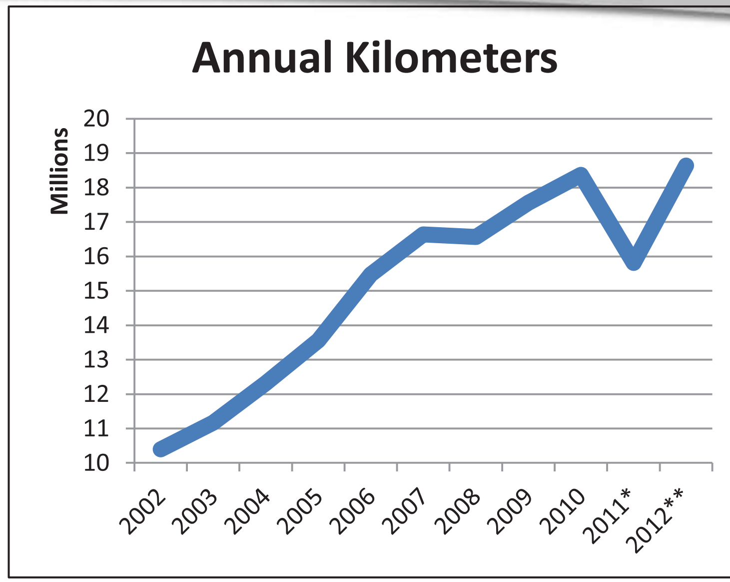
Current Challenges

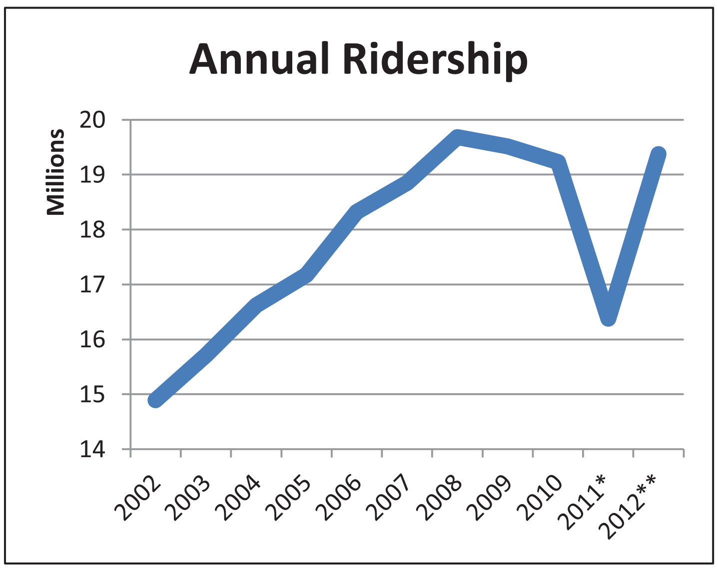
HALIFAX REGIONAL MUNICIPALITY

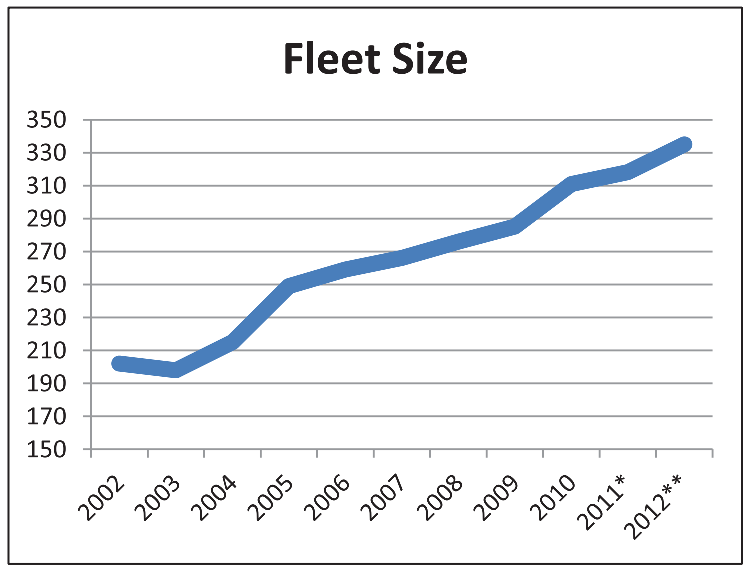
- Technology
- Financial Stability
- Recovery of Ridership
- Growth of service – Garage Capacity

Transit Growth



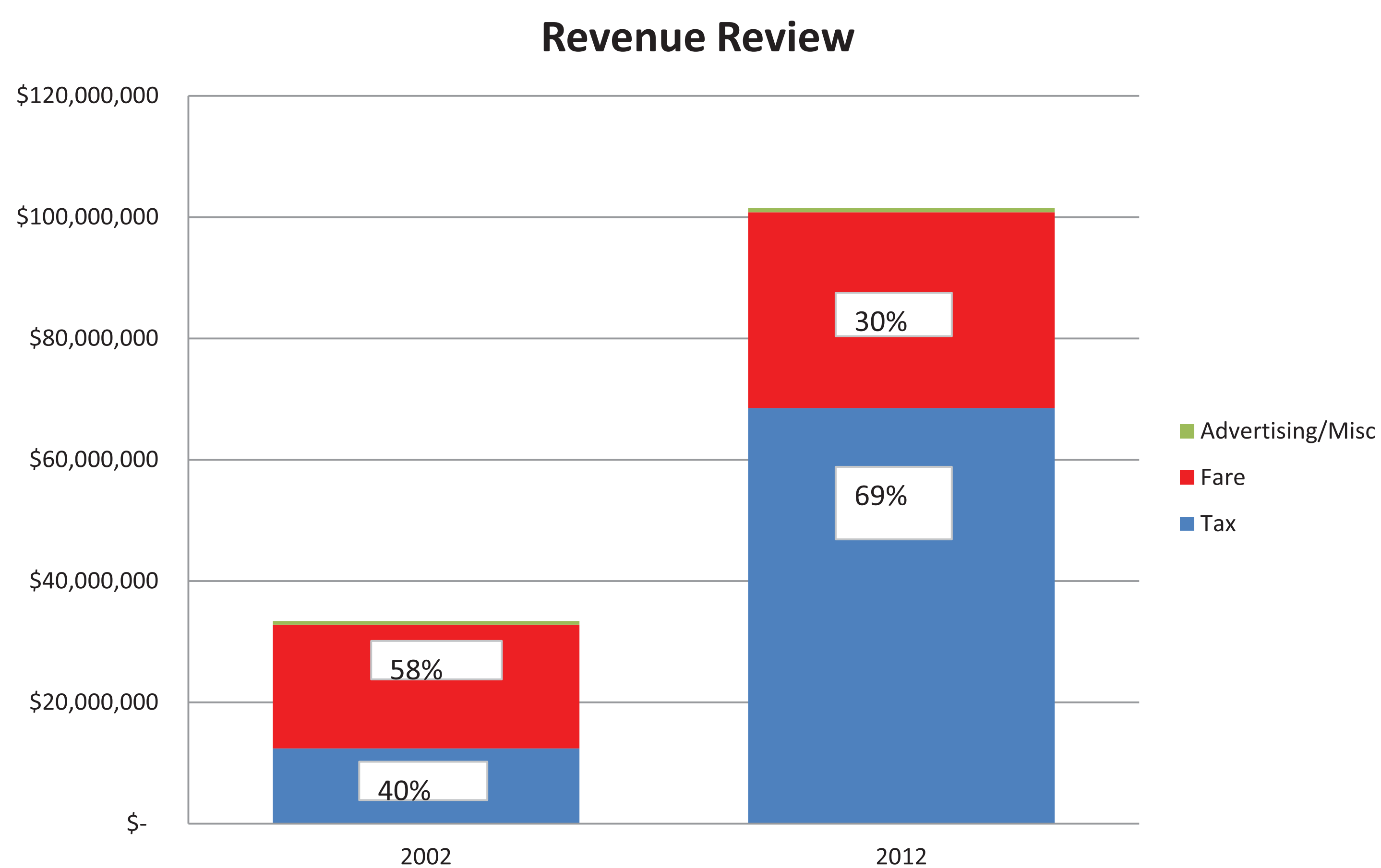






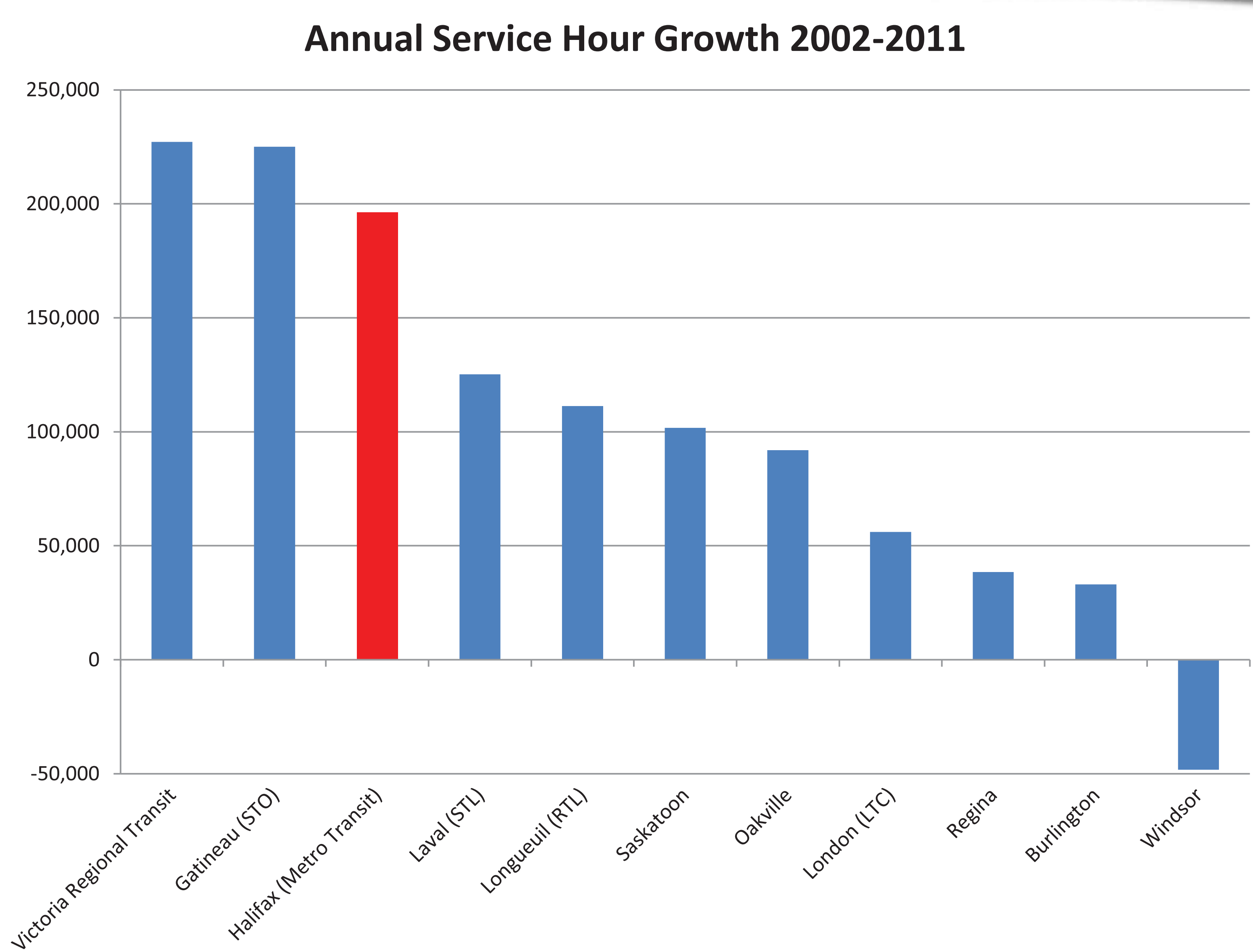
Revenue History

HALIFAX REGIONAL MUNICIPALITY

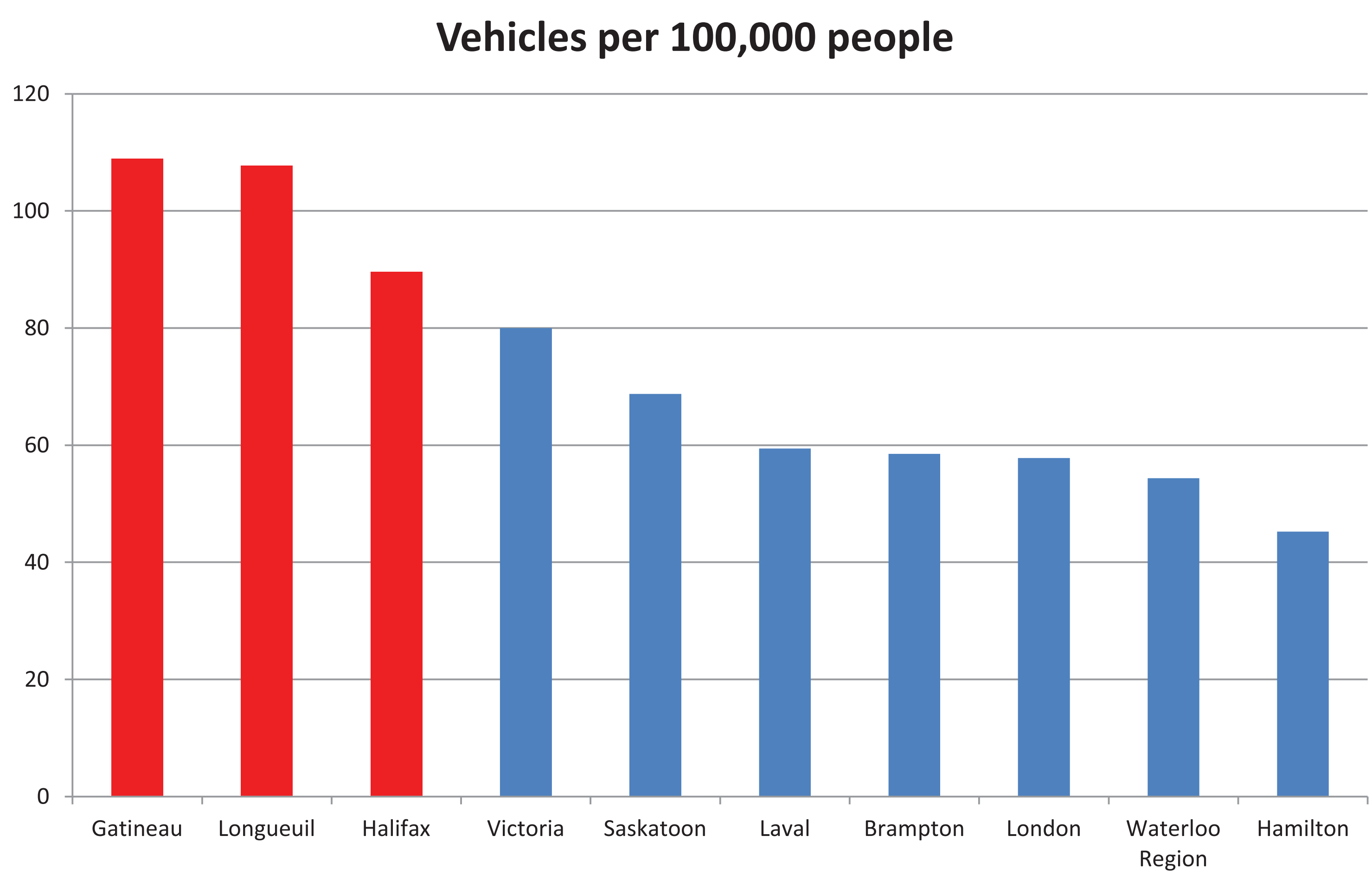


Service Growth Comparison

HALIFAX REGIONAL MUNICIPALITY

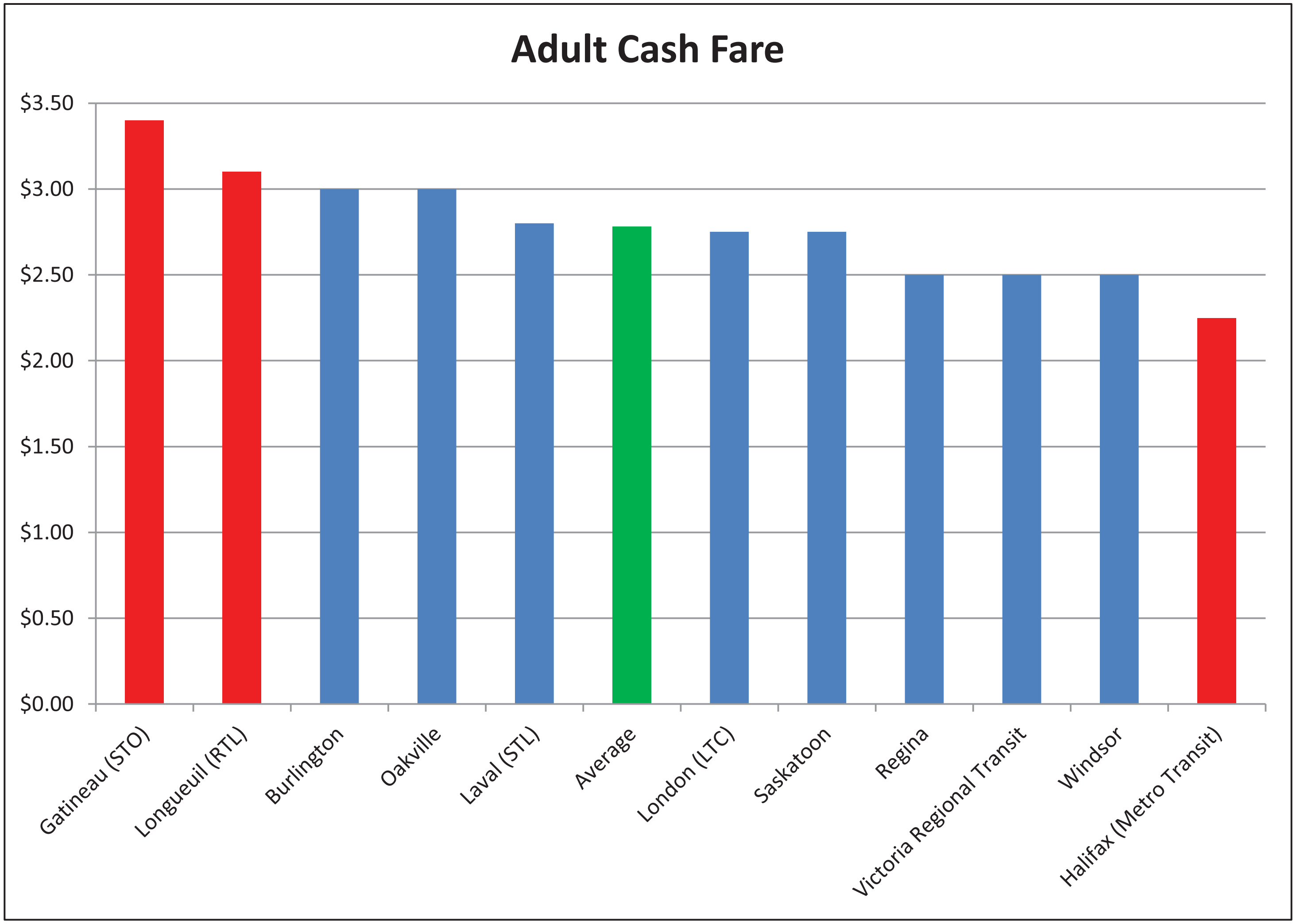


Fleet Per Capita



Fare Comparison

HALIFAX REGIONAL MUNICIPALITY



Council Priority Direction December 4, 2012

Halifax Regional Municipality

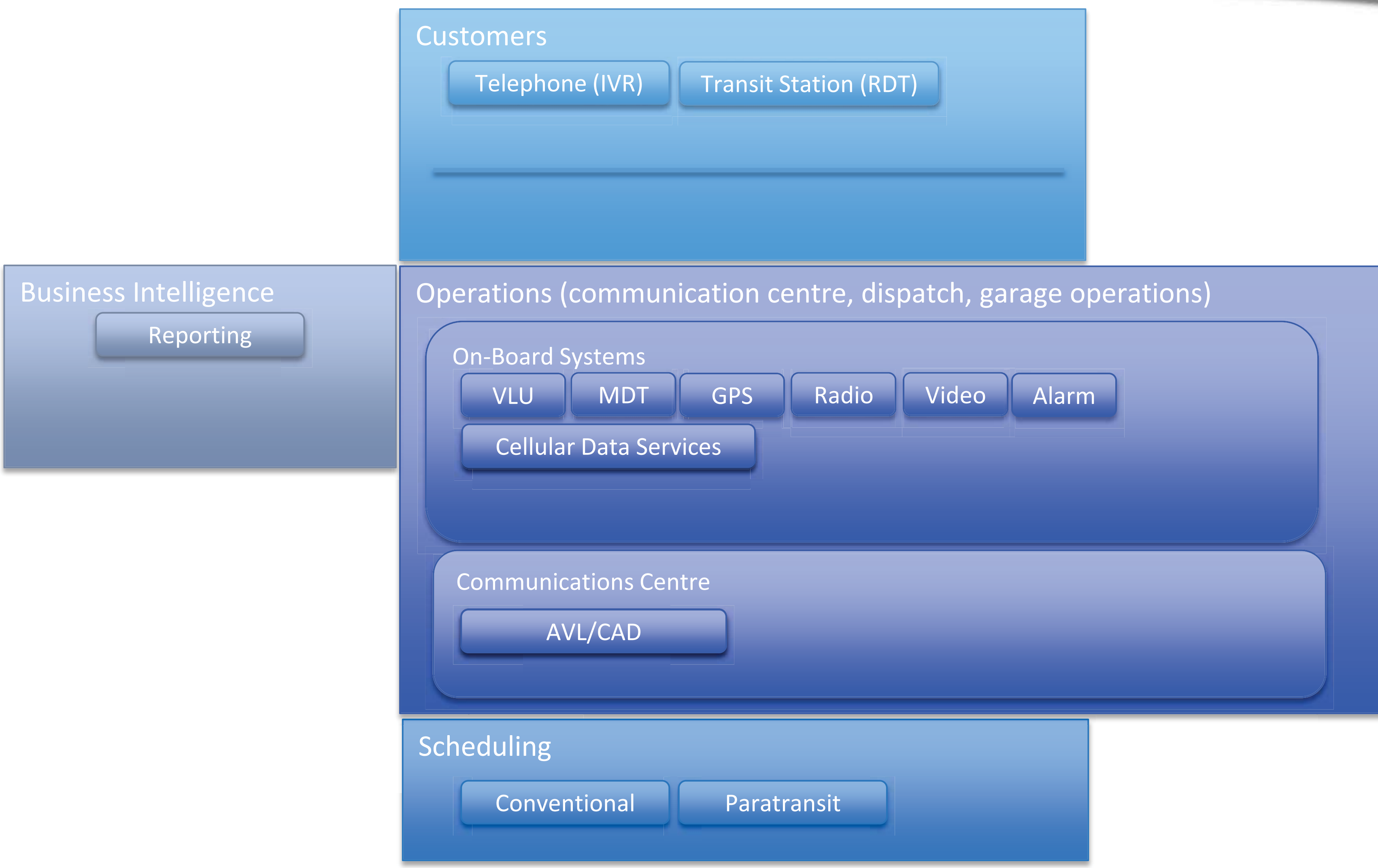
- Transit Technical Solutions Roadmap
- Transit Strategic Framework
- Transit State of Good Repair
- Transit Financial Roadmap

Priority Initiatives – Technical Solutions Roadmap

HALIFAX REGIONAL MUNICIPALITY

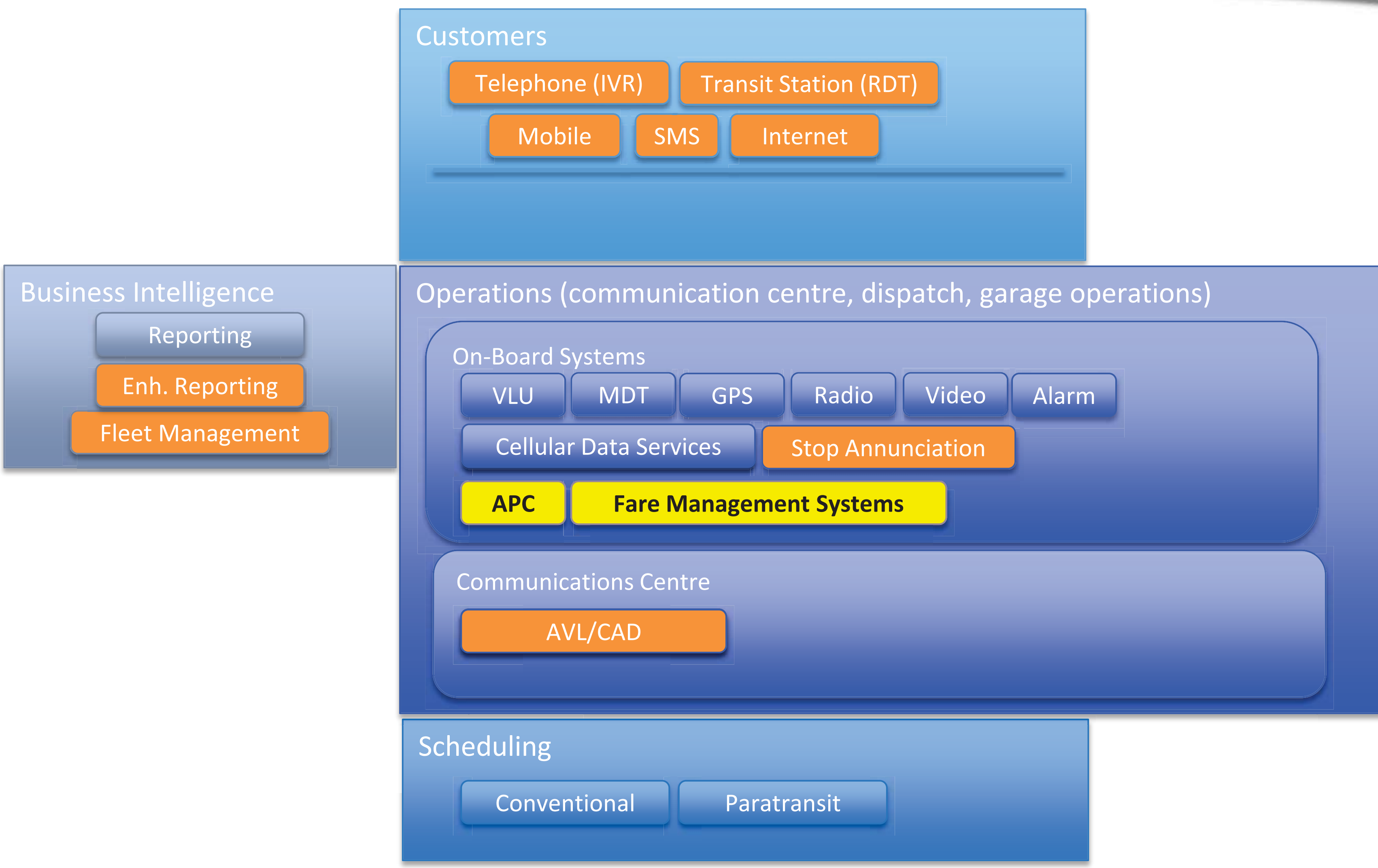
- Enhanced reporting
- Improved customer service
- Improved customer convenience
- Data driven decision making
- Improve the customer experience

Priority Initiatives – Technical Solutions Roadmap
Current vs Desired State

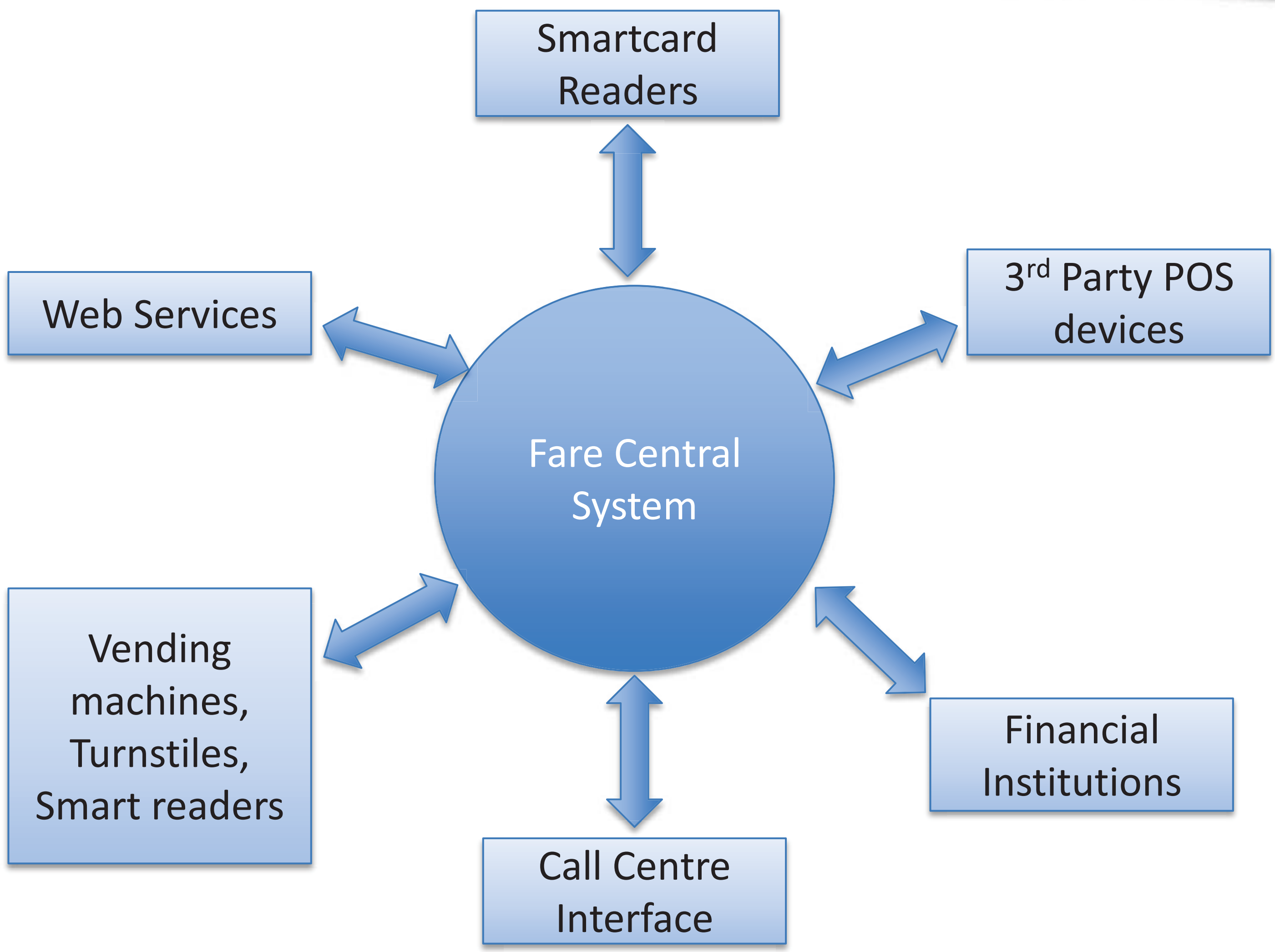


Transit PII Comprehensive Roadmap

Priority Initiatives – Technical Solutions Roadmap Current vs Desired State

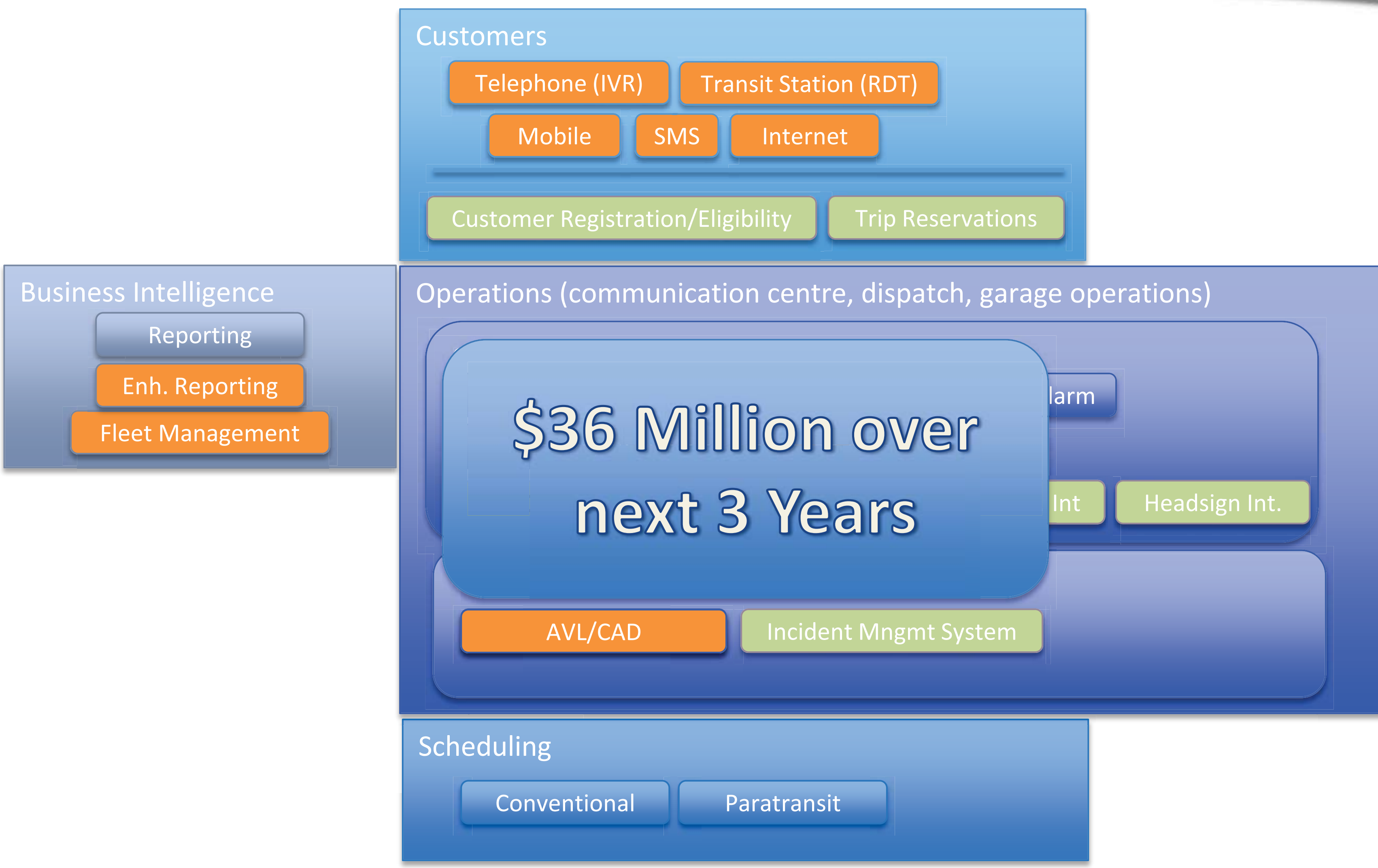


Fare System Overview 2015-16



Priority Initiatives – Technical Solutions Roadmap
Current vs Desired State

HALIFAX REGIONAL MUNICIPALITY



Priority Initiatives - Transit Strategic Framework

TRANSPORTATION

IBI GROUP

HALIFAX

MetroTransit

Five-Year Strategic Operations Plan – *Taking Transit to the Next Level*

Submitted to Halifax Regional Municipality by IBI Group

October 7, 2009

Five-Year Strategic Growth Plan

HALIFAX REGIONAL MUNICIPALITY

- To be completed internally
- One year process
- In conjunction with RP+5
- Two rounds of public consultation
  - Stage I - Values questions
    - Ridership vs Coverage
    - Connections vs Direct
  - Stage II - Detailed service planning
- Recommendation to begin work

Priority Initiatives – State of Good Repair

- Greater focus on asset condition
  - Aging infrastructure
- Fleet recapitalization plan
  - Service reliability
  - Efficiency
- Reserves created to assist with recapitalization
  - Bus
  - Ferry

Priority Initiatives – Financial Roadmap

HALIFAX REGIONAL MUNICIPALITY

- Creation of transit funding model
  - Allow for data driven decisions
  - Financial forecasting and greater predictability
  - Stable transit funding
- Metro Transit Operational Funding
  - Revenue generation
    - Fares
    - Local and Regional Transit Tax

Capital Project Cost 2013-14 to 2015-16

HALIFAX REGIONAL MUNICIPALITY

Projects	Cost (Millions)
AVL System Replacement*	$9.0
New Transit Technology*	$26.7
Lacewood Terminal	$8.0
New Ferry	$6.0
Ragged Lake Transit Centre Expansion*	$3.7
Burnside Transit Centre Expansion*	$0.0
Highfield Terminal Upgrade	$1.0
Ferry Terminal Pontoon State of Good Repair	$4.0
Conventional Bus Expansion	$9.9
Conventional Bus Replacement	$8.5
Access-A-Bus Expansion	$0.8
Access-A-Bus Replacement	$1.4
New Transit Map*	$0.1

* New transit projects not yet approved

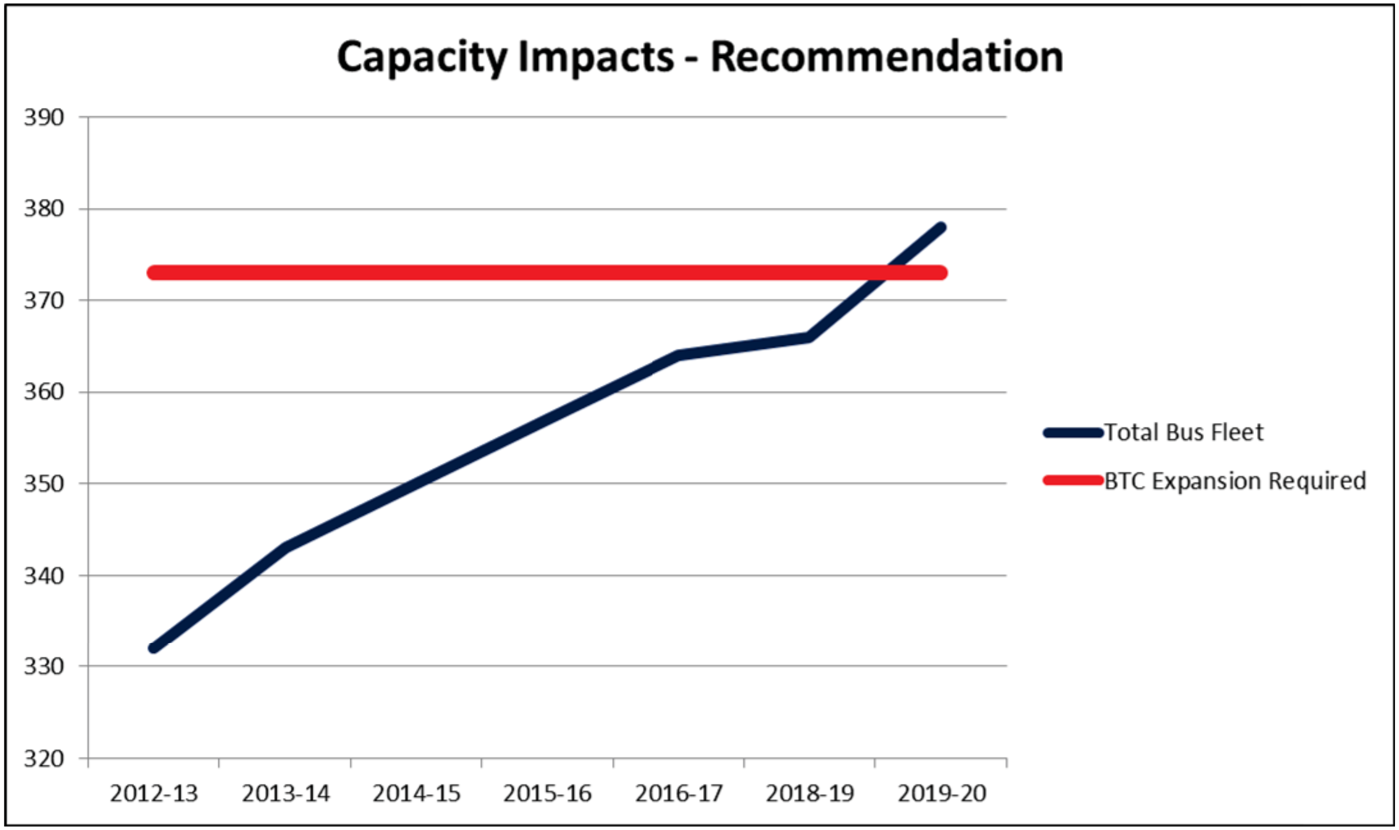
Recommendation

HALIFAX REGIONAL MUNICIPALITY

Projects	2013-14	2014-15	2015-16
AVL System Replacement			
New Transit Technology			
Lacewood Terminal			
New Ferry			
Ragged Lake Transit Centre Expansion			
Burnside Transit Centre Expansion			
Highfield Terminal Upgrade			
Ferry Terminal Pontoon State of Good Repair			
Conventional Bus Expansion	9	5	5
Conventional Bus Replacement	10	7	4
Access-A-Bus Expansion	2	2	2
Access-A-Bus Replacement	0	4	10
New Transit Map			

Delivered   Reduced   Not Delivered   Not Required

Recommendation



Recommendation

HALIFAX REGIONAL MUNICIPALITY

	2013/14	2014/15	2015/16
Funding Gap (13/14 Operating Costs $104.8M)	-$700,000	$4,300,000	-$1,900,000
Tax Decrease			- 1/2 cent
$ Decrease to Average Household			-$10
Fare Increase	25 cent		
Additional Debt			
Additional Recap Reserve Funding	$600,000		$1,500,000

Recommendation assumes full lift on assessments

Alternative Summary

HALIFAX REGIONAL MUNICIPALITY

	All In	$20M Capital	Measured Growth
Council Priorities	**Alternative 1**	**Alternative 2**	**Alternative 3**
Transit Technical Solutions Roadmap			
Transit Strategic Framework			
Transit State of Good Repair			
Transit Financial Roadmap			
Capital $'s 2013-14 to 2015-16	129.8M	$73.2M	$94.5M
Funding Method and Year	**Alternative 1**	**Alternative 2**	**Alternative 3**
Fare Increase 2013-14	25 Cents		25 Cents
Tax Increase 2013-14	1.6 Cent	-1/2 Cent	
Fare Increase 2014-15			
Tax Increase 2014-15	1.7 Cent		1/2 Cent
Fare Increase 2015-16			
Tax Increase 2015-16		-1/2 Cent	

All options assume a full lift on property assessment

Meets Meets Some Objectives Does Not Meet

Metro Transit Recommendation

HALIFAX REGIONAL MUNICIPALITY

1. **It is recommended that the Audit & Finance Committee approve the Metro Transit recommendation as the guide for 2013-14 budget preparations and make technology a short term priority**

2. **It is recommended that the Audit & Finance Committee forward a recommendation to Halifax Regional Council to begin the planning process for a new Five-Year Strategic Framework**

Questions?

Appendix

Alternative #1 – All Projects Delivered

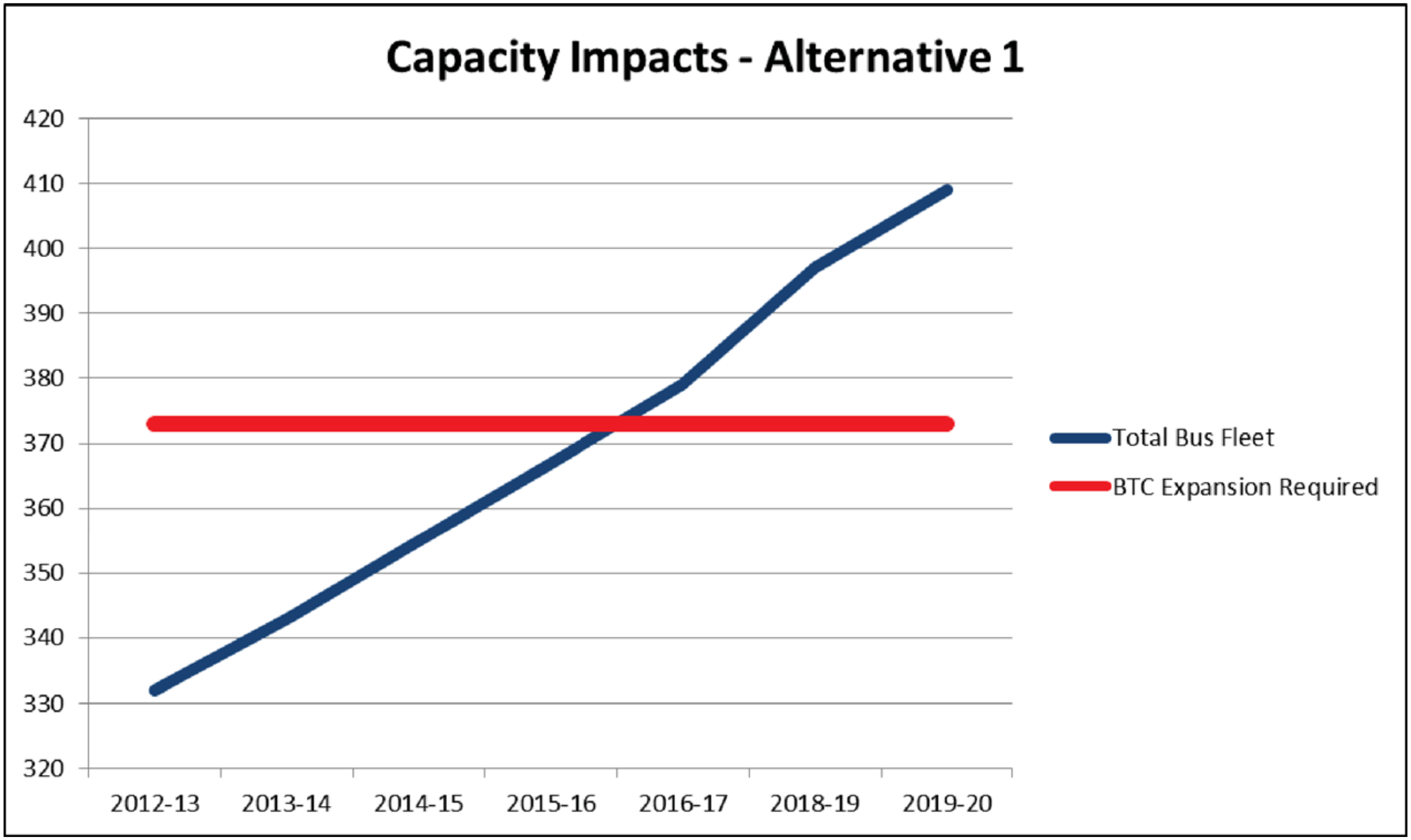
HALIFAX REGIONAL MUNICIPALITY

Projects	2013-14	2014-15	2015-16
AVL System Replacement			
New Transit Technology			
Lacewood Terminal			
New Ferry			
Ragged Lake Transit Centre Expansion			
Burnside Transit Centre Expansion			
Highfield Terminal Upgrade			
Ferry Terminal Pontoon State of Good Repair			
Conventional Bus Expansion	9	10	10
Conventional Bus Replacement	10	14	13
Access-A-Bus Expansion	2	2	2
Access-A-Bus Replacement	0	4	10
New Transit Map			

Delivered Reduced Not Delivered Not Required

Alternative #1 – Transit Centre Impacts

HALIFAX REGIONAL MUNICIPALITY



Alternative #1 – Financial Impacts

HALIFAX REGIONAL MUNICIPALITY

	2013/14	2014/15	2015/16
Funding Gap (13/14 Operating Costs $103.4M)	-$600,000	$11,000,000	$36,700,000
Tax Increase	1/2 cent	1/2 cent	
$ Increase to Average Household	$10	$10	
Fare Increase		$.25 Cent	
Additional Debt			$30,000,000
Above may require adjustment to debt policy if adjustment not approved			
Tax Increase	1.6 Cent	1.7 Cent	
$ Increase to Average Household	$30	$30	
Fare Increase	$.25 cent		

Alternative assumes full lift on assessments

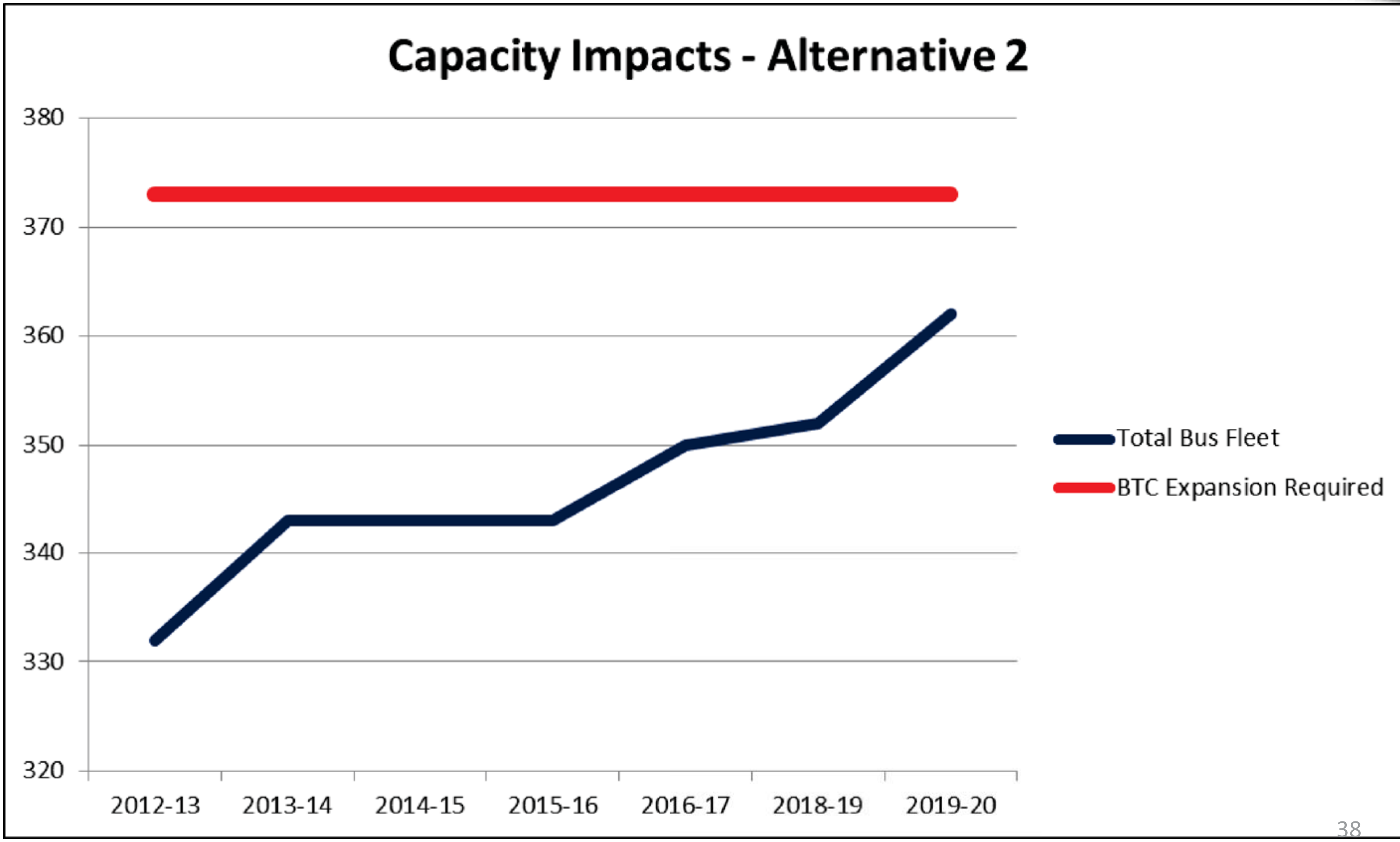
Alternative #2 – Reduced Capital $20mil/Year

HALIFAX REGIONAL MUNICIPALITY

Projects	2013-14	2014-15	2015-16
AVL System Replacement			
New Transit Technology			
Lacewood Terminal			
New Ferry			
Ragged Lake Transit Centre Expansion			
Burnside Transit Centre Expansion			
Highfield Terminal Upgrade			
Ferry Terminal Pontoon State of Good Repair			
Conventional Bus Expansion	9	0	0
Conventional Bus Replacement	10	7	4
Access-A-Bus Expansion	2	0	0
Access-A-Bus Replacement	0	4	10
New Transit Map			

Delivered Reduced Not Delivered Not Required

Alternative #2 – Transit Centre Impacts



Alternative #2 – Financial Impacts

HALIFAX REGIONAL MUNICIPALITY

	2013/14	2014/15	2015/16
Funding Surplus (13/14 Operating Costs $102.6M)	$3,600,000	$4,100,000	$8,000,000
Tax Decrease	-1/2 cent		-1/2 cent
$ Decrease to Average Household	-$10		-$10
Fare Increase			
Additional Debt			
Additional Recap Reserve Funding	$1,250,000	$1,650,000	$2,900,000

Alternative assumes full lift on assessments

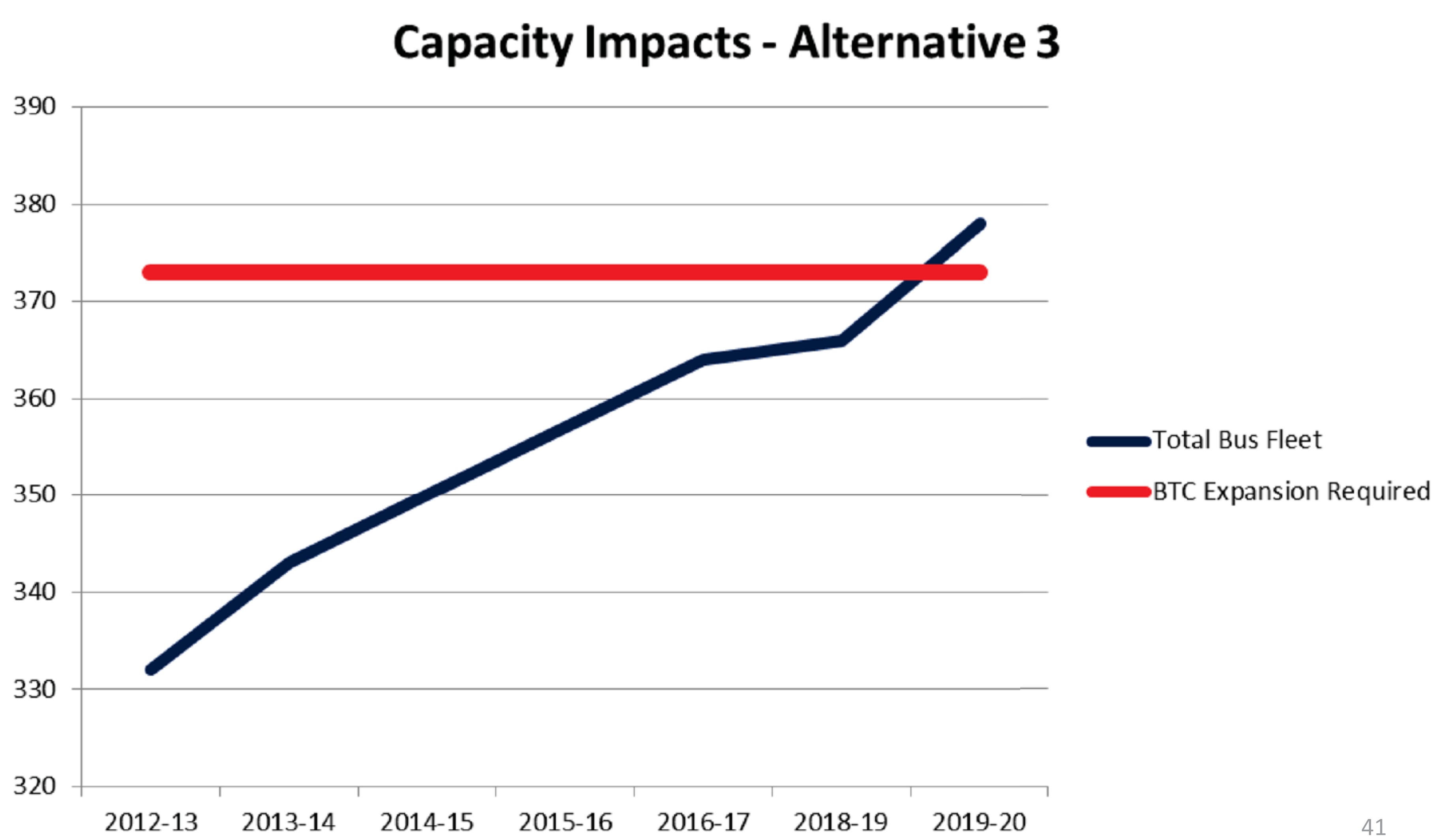
Alternative #3 – Reduced Growth

HALIFAX REGIONAL MUNICIPALITY

Projects	2013-14	2014-15	2015-16
AVL System Replacement			
New Transit Technology			
Lacewood Terminal			
New Ferry			
Ragged Lake Transit Centre Expansion			
Burnside Transit Centre Expansion			
Highfield Terminal Upgrade			
Ferry Terminal Pontoon State of Good Repair			
Conventional Bus Expansion	9	5	5
Conventional Bus Replacement	10	14	13
Access-A-Bus Expansion	2	2	2
Access-A-Bus Replacement	0	4	10
New Transit Map			

Delivered Reduced Not Delivered Not Required

Alternative #3 – Transit Centre Impacts



Alternative #3 – Financial Impacts

HALIFAX
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	2013/14	2014/15	2015/16
Funding Gap (13/14 Operating Costs $104.3M)	-$600,000	$7,500,000	$2,100,000
Tax Increase		1/2 cent	
$ Increase to Average Household		$10	
Fare Increase	25 cents		
Additional Debt			
Additional Recap Reserve Funding			$2,500,000

Alternative assumes full lift on assessments