SUBJECT: D.A.R.T.S. 2008 Deficit Funding (PW09051) - (City Wide)

RECOMMENDATION:
That the General Manager of Public Works be authorized to pay D.A.R.T.S. an additional $449,818.72 for services provided for the year 2008.

EXECUTIVE SUMMARY:
D.A.R.T.S. provides specialized transportation services to persons with disabilities under contract with the City. Subject to budgetary constraints, D.A.R.T.S. is obligated to "use [its] best endeavours to provide a good and efficient service for the registered clients within the City." D.A.R.T.S performs trips at a level approved by the City and uses its best efforts to do so in the most efficient and effective manner that it may. 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 2008, D.A.R.T.S was budgeted to deliver approximately 143,474 bus service hours, 420,148 trips, with a 2008 net expenditure of $9,530,030.00. DARTS actually provided about 140,970 bus service hours, 422,397 trips with an actual 2008 net expenditure of $9,979,848.72, resulting in a funding deficit of $449,818.72, as confirmed by D.A.R.T.S. in its audited financial statement. This amount formed part of the overall 2008 Transit year end final budget variance of $0, as previously approved by Council in Report FCS09040.
The major driving factors that contributed to the deficit were:

- Fuel costs were over budget due to unforeseen rise in diesel and gasoline prices during the year.
- Vehicle repair costs were over budget due to extended delays in the fleet replacement schedule as previously reported to Council in report PW07144b.

Total wage and salary compensation and employment costs were over budget due to under-funded vacation and sick day liability. These costs were offset by reduced payments for subcontracted ambulatory trip service, favourable employee benefit costs, and a Trillium Foundation Grant of $14,300.

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 2009 service plan as set forward in the 2009 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 2008 net expenditure deficit would provide effective cancellation of the agreement.

**BACKGROUND:**

The information/recommendations contained within this report have City wide implications.

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.

D.A.R.T.S. has reported positive, neutral and negative net expenditures within the last five years, and in each case the City has absorbed the surplus or deficit.

**ANALYSIS/RATIONALE:**

As reported in the 2008 year end final budget variance report FCS09040, the Transit Division overall net deficit for 2008 included the D.A.R.T.S. deficit of $449,881.72. A liability payable to D.A.R.T.S. was accrued for 2008 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 $449,818.72 deficit.

**ALTERNATIVES FOR CONSIDERATION:**

Non-acceptance of the staff recommendation will seriously impair D.A.R.T.S. financial ability to carry out contracted service or lead to effective cancellation of 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.
FINANCIAL/STAFFING/LEGAL IMPLICATIONS:

The recommendation has no financial implications, as the liability has previously been dealt with as part of the overall financial position of the City as outlined in report FCS09040.

The recommendation has no staffing implications.

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.

POLICIES AFFECTING PROPOSAL:

There are no policies affecting the proposal.

RELEVANT CONSULTATION:

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

CITY STRATEGIC COMMITMENT:

By evaluating the "Triple Bottom Line", (community, environment, economic implications) we can make choices that create value across all three bottom lines, moving us closer to our vision for a sustainable community, and Provincial interests.

Community Well-Being is enhanced. ☑ Yes ☐ No
Participation in community life is accessible to all Hamiltonians.
The Accessible Transportation Services section of the Transit program provides access to the community for those persons with disabilities who are otherwise unable to use regular HSR transit services due to their disability.

Environmental Well-Being is enhanced. ☐ Yes ☑ No
Economic Well-Being is enhanced. ☐ Yes ☑ No

Does the option you are recommending create value across all three bottom lines? ☐ Yes ☑ No

Do the options you are recommending make Hamilton a City of choice for high performance public servants? ☐ Yes ☑ No