SUBJECT: D.A.R.T.S. 2006 Deficit Funding (PW07046) - (City Wide)

RECOMMENDATION:
That the General Manager of Public Works be authorized to pay D.A.R.T.S. $338,867.00 for services provided in 2006, over and above the approved 2006 budget to offset the DARTS year-end deficit.

EXECUTIVE SUMMARY:
Disabled & Aged Regional Transportation System (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 2006, D.A.R.T.S actual net expenditures were in a deficit of $338,867. Table 1 below sets out budgeted and actual key performance data.
TABLE 1: KEY PERFORMANCE DATA

<table>
<thead>
<tr>
<th></th>
<th>2006 Budget</th>
<th>2006 Actual</th>
<th>Variance</th>
<th>% Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Expenditures</td>
<td>$9,247,910</td>
<td>$9,546,210</td>
<td>($298,300)</td>
<td>-3.2%</td>
</tr>
<tr>
<td>Gross Revenues</td>
<td>($912,780)</td>
<td>($872,213)</td>
<td>($40,567)</td>
<td>4.4%</td>
</tr>
<tr>
<td><strong>Net Expenditures</strong></td>
<td><strong>$8,335,130</strong></td>
<td><strong>$8,673,997</strong></td>
<td><strong>($338,867)</strong></td>
<td><strong>(4.1%)</strong></td>
</tr>
<tr>
<td>Direct Service Hours</td>
<td>142,271</td>
<td>142,043</td>
<td>228</td>
<td>0.2%</td>
</tr>
<tr>
<td>Direct Service Trips</td>
<td>270,315</td>
<td>278,236</td>
<td>7,921</td>
<td>2.9%</td>
</tr>
<tr>
<td>Direct Service Kilometres</td>
<td>2,838,300</td>
<td>2,829,657</td>
<td>(8,643)</td>
<td>(0.3%)</td>
</tr>
<tr>
<td>Subcontracted Service Trips</td>
<td>132,252</td>
<td>134,752</td>
<td>2,500</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

The major driving factors that contributed to the deficit were:

- Driver wages over budget due to underestimated vacation and statutory holiday wage liabilities.
- Subcontracted ambulatory trip costs over budget due to higher than budgeted trips assigned by Accessible Transportation Services (ATS), unbudgeted trip transfers to meter rate taxi, and unbudgeted payments on no-show trips.
- Administrative, Maintenance and Operations salaries and wages over budget due to increased data management requirements and unbudgeted hiring.
- Insurance costs over budget due to higher than anticipated premiums.
- WSIB costs over budget due to unforeseen levels of claim activity and sanctions.
- Vehicle repair and maintenance costs over budget due to unforeseen parts and labour associated with new vehicle technology.
- Legal and audit costs over budget due to continuing negotiation of a Collective Agreement and unforeseen arbitration costs.
- 2006 Vehicle Repair & Maintenance Budget understated relative to 2005 Actual expenditures.

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 2007 service plan as set forward in the 2007 Accessible Transportation Services 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 2006 net expenditure deficit would provide effective cancellation of the agreement.

D.A.R.T.S. and the Transit Division work closely on a monthly basis to analyze service and cost variances, and associated driving factors in budget variances; and there is an ongoing commitment to maintain expenditures within the approved budget levels while maintaining proposed service levels. D.A.R.T.S. variances are included and examined within the reported Transit budget variance reports throughout the year. During 2006, D.A.R.T.S. adherence to budget in staffing related costs was identified as a particular issue for which D.A.R.T.S. must take accountability, and which requires complete correction in 2007. The 2007 D.A.R.T.S. budget has been structured so as to correct those driving factors identified above, which are largely controllable by D.A.R.T.S. through adherence to budgeted staffing levels.
BACKGROUND:
The information/recommendations contained within this report have City wide implications and relate to matters/facilities/programming/property within the entire City.

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, 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 impacting 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 OF ALTERNATIVES:
Non-acceptance of the staff recommendation will seriously impair D.A.R.T.S. financial ability to carry out contracted service in 2007 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:
A liability payable to D.A.R.T.S. was set up at year-end, and approval of this recommendation will allow the City to reimburse D.A.R.T.S. As such, it has been recommended that Council approve the funding deficit of $338,867.

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:
The Agreement between the City and D.A.R.T.S. clearly identifies the discretion of Council in dealing with the deficit outlined.

RELEVANT CONSULTATION:
Staff have reviewed D.A.R.T.S. un-audited financial statements for 2006, and concur that a deficit exists.

Finance and Corporate Services staff have reviewed the report and concurred with the financial implications and funding requirements of this report.

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
In 2006, increased scheduling productivity resulted in more trips being delivered within the same service hours as the prior year.

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