

SUBJECT: Three-year Service and Financial Strategy (2013/14 – 2015/16)

BACKGROUND

In September of 2012 the Commission will be presented with a draft three-year Service and Financial Strategy for information that will include three-year budgets, expansion scenarios and a fare strategy. The final strategy will be brought forward to the Commission for approval in November 2012. This report is being presented to outline the proposed expansion scenarios, along with a draft base budget, for comment prior to the draft plan being produced.

DISCUSSION

The three-year Service and Financial Strategy will present a base service budget scenario (consistent service hours and vehicles), expansion scenarios and the associated infrastructure required to support the implementation of each scenario over the three year period. The following outlines the draft three-year base budget scenario, draft conventional expansion scenarios and custom expansion scenarios for inclusion in the three-year Service and Financial Strategy.

Draft Base Budget Scenario

Table 1 outlines a draft base budget scenario for 2013/14 – 2015/16.

	Budget	Projection	Projection	Projection
<i>(figures in thousands)</i>	12/13	13/14	14/15	15/16
Expenses				
Operating Costs	\$91,434	\$93,357	\$95,570	\$98,437
Lease Fees (local share)	14,144	15,144	15,944	16,744
Total	\$105,578	\$108,501	\$111,514	\$115,181
Total % Increase		2.8%	2.8%	3.3%
Op Cost % Increase		2.1%	2.4%	3.0%
Local Contribution (Commission share)	\$25,325	\$27,499	\$29,816	\$32,491

❖ The base assumes no increase in service levels, no fare increases, no increase in ridership, fuel increases of 7% per year, no labour cost increases. Lease fee increase are due primarily to vehicle replacements, seismic upgrade and waste water treatment in 13/14.

Draft Conventional Expansion Scenarios

Table 2 shows the draft conventional expansion scenarios under consideration. All expansion scenarios over the three year period include additional peak resources to address pass-ups. Scenario 1 is a bare minimum to address pressing service and operational issues. Scenarios 2 and 3 build towards establishing Frequent Transit corridors, as per the Transit Future Plan. Scenario 3 best aligns with the projected service hours and ridership goals in the Transit Future Plan and CRD's Travel Choices.

The Victoria Service Review findings will guide the detailed implementation and allocation of annual service expansions. The 2013/14 conventional expansion scenarios are more modest to reflect the goal of the Service Review to identify some cost neutral transit improvements as a part of its "Quick Wins" implementation options.

Table 2 – Draft Conventional Transit Expansion Scenarios (incremental costs)

	Projection 13/14	Projection 14/15	Projection 15/16
Scenario 1			
Service Hours	5,000	10,000	10,000
Vehicles Required	2	4	4
<i>Operating Cost</i>	<i>\$375,000</i>	<i>\$776,250</i>	<i>\$803,420</i>
<i>Lease Fee Cost (local share)</i>	<i>\$91,800</i>	<i>\$190,030</i>	<i>\$196,680</i>
Total Cost	\$466,800	\$966,280	\$1,000,100
Total % Service Hour Increase	1%	1%	1%
<i>Local Share (Commission Share)</i>	<i>\$347,930</i>	<i>\$720,210</i>	<i>\$745,420</i>
<i>Local Share, net of revenue</i>	<i>\$212,140</i>	<i>\$403,360</i>	<i>\$428,570</i>
Scenario 2			
Service Hours	10,000	20,000	20,000
Vehicles Required	4	8	8
<i>Operating Cost</i>	<i>\$750,000</i>	<i>\$1,552,500</i>	<i>\$1,606,840</i>
<i>Lease Fee Cost (local share)</i>	<i>\$183,600</i>	<i>\$380,050</i>	<i>\$393,350</i>
Total Cost	\$933,600	\$1,932,550	\$2,000,190
Total % Service Hour Increase	1%	2%	2%
<i>Local Share (Commission Share)</i>	<i>\$695,850</i>	<i>\$1,440,410</i>	<i>\$1,490,820</i>
<i>Local Share, net of revenue</i>	<i>\$424,260</i>	<i>\$806,710</i>	<i>\$857,120</i>
Scenario 3			
Service Hours	10,000	30,000	30,000
Vehicles Required	4	12	12
<i>Operating Cost</i>	<i>\$750,000</i>	<i>\$2,328,750</i>	<i>\$2,410,260</i>
<i>Lease Fee Cost (local share)</i>	<i>\$183,600</i>	<i>\$570,080</i>	<i>\$590,030</i>
Total Cost	\$933,600	\$2,898,830	\$3,000,290
Total % Service Hour Increase	1%	4%	4%
<i>Local Share (Commission Share)</i>	<i>\$695,850</i>	<i>\$2,160,620</i>	<i>\$2,236,240</i>
<i>Local Share, net of revenue</i>	<i>\$424,260</i>	<i>\$1,210,070</i>	<i>\$1,285,690</i>

Draft Custom Expansion Scenarios

Table 3 shows the draft custom expansion scenarios under consideration. The 2013/14 custom expansions are modest for all scenarios to reflect the constraints of the existing handyDART operations and maintenance facility. Additional handyDART hours and vehicles will be used to reduce the amount of unmet trips in the region.

Table 3 – Draft Custom Transit Expansion Scenarios (incremental costs)

	Projection	Projection	Projection
Scenario 1	13/14	14/15	15/16
Service Hours	2,250	4,000	4,000
Vehicles Required	1	2	2
<i>Operating Cost</i>	\$146,250	\$269,100	\$278,520
<i>Lease Fee Cost (local share)</i>	\$20,420	\$42,270	\$43,750
Total Cost	\$166,670	\$311,370	\$322,270
Total % Service Hour Increase	2%	3%	3%
<i>Local Share (Commission Share)</i>	\$74,530	\$141,840	\$146,800
<i>Local Share, net of revenue</i>	\$69,140	\$132,260	\$137,220
Scenario 2 & 3			
Service Hours	2,250	5,000	5,000
Vehicles Required	1	3	3
<i>Operating Cost</i>	\$146,250	\$336,380	\$348,150
<i>Lease Fee Cost (local share)</i>	\$20,420	\$63,400	\$65,620
Total Cost	\$166,670	\$399,780	\$413,770
Total % Service Hour Increase	2%	4%	4%
<i>Local Share (Commission Share)</i>	\$74,530	\$187,860	\$194,440
<i>Local Share, net of revenue</i>	\$69,140	\$175,880	\$182,460

Prior to the September meeting, further work will be completed for each expansion scenario in order to determine the associated infrastructure investments required to support the implementation of additional service (e.g., new operations and maintenance facility).

RECOMMENDATION

It is recommended that the Commission receive this report for **INFORMATION**.

Respectfully,



Manuel Achadinha
President and Chief Executive Officer