

Edmonton Transit Response to Office of the City Auditors Recommendations

Fare Policy and Revenue/Cost Ratio

OCA Conclusion (2009) - Recommendation Partially Implemented

Edmonton Transit has developed a fare policy setting out the fare structure up to 2013. However, ETS has advised us that Council has not provided direction on a R/C ratio to guide fare discussions, service planning and identify financial challenges that impact the affordability of transit services.

The fare policy sets out the requirement for review at least once per Council term. It is not updated annually to reflect changes in the environment that could impact Council decision making. This includes changes in the economic climate, projected ridership growth and service delivery. ETS provided us with documents showing they update their ridership, cost and revenue forecasts on a regular basis for use when making decisions internally. We believe that service delivery and financial impacts, including the R/C ratio, need to be presented and discussed with Council at the same time.

We acknowledge ETS' efforts in developing different methods of presenting a R/C ratio and concur with ETS's April 2008 report stressing the importance of the R/C ratio. During our review we were provided a number of different R/C ratios, based on different criteria. Even in our analysis we used different methods to identify trends over different time periods. It is critical that a single method of presenting a R/C ratio be adopted for establishing service standards, service planning, fare increases, budget development and performance monitoring. In developing a meaningful R/C ratio Edmonton Transit will need to consult with internal and external stakeholders who could be impacted by decisions resulting from an approved R/C ratio. This would include the Finance & Treasury Department responsible for all financial related matters and the Office of the Deputy City Manager responsible for strategic planning and "Transforming Edmonton" to achieve Council's vision.

Until Council direction is received on a R/C ratio we suggest that ETS' financial performance be monitored against the R/C ratios included in the approved fare policy and presented in Chart 4 on page 7. We believe these actions will satisfy the 3-year priority goal included in the City's vision "Ensure transit sustainability through appropriate cost recovery ratio".

2009 Management Response and Action Plan

The Audit recommendation is partially implemented. Fare policy was approved by City Council. City Council considered Administration reports on revenue cost ratios in April 2008. A decision was made not to establish a council-approved target for revenue cost ratio.

The matter of a targeted R/C Ratio for transit will be tabled with Executive Committee following the report on Subsidized Programs One-Stop Shop, transit fares and other City services on August 26, 2009.

2010 Management Update

Executive Committee approved a pilot, carried out by Community Services Department using existing resources, for recipients of AISH and low-income Senior Citizens' subsidized fares, to explore their interest in a one stop shop and feasible distribution channels.

Long-Term Strategy

CA Conclusion (2009) - Recommendation Partially Implemented

Edmonton Transit has prepared a ridership growth strategy based on unconstrained resources. The strategy has not been accepted by TPW. Edmonton Transit is currently working on a report to address requests made by TPW.

While an unconstrained ridership growth strategy is aligned with two of the 10-year goals that support Council's vision, specifically "Transform Edmonton's Urban Form" and "Shift Edmonton's Transportation Mode", it contradicts the sustainability principle that supports Council's vision.

We acknowledge that the first step in developing a strategy is identifying an upper limit, in this case the consultant report based on unconstrained growth. However, we do not consider the reports presented to TPW as a strategy that effectively addresses the future needs of the Corporation.

Given the historical trends related to ridership increases, the Service Development and Business Development sections of ETS need to work together to validate projected ridership increases as well as cost and revenue projections. The report on the ridership growth strategy should be restructured to highlight those services that ETS believe can be implemented over the next five years, taking into account the financial and resource constraints the City is facing as well as the R/C ratios included in the approved fare policy, prior to presenting information to TPW in April 2009.

2009 Management Response and Action Plan

Audit recommendation was partially implemented, with the exception of final approval of the service standards. A long-term strategy was developed that addressed ridership growth, fleet requirements and service delivery standards. Proposed service standards recommendations were submitted to City Council in October 2008. Based on Council's direction, additional information was requested, and the report will be considered in May 2009.

2010 Management Update

Within the Growth Strategy, Edmonton Transit projected costs, ridership and revenue based on defined assumptions related to the level of service that would be provided and average fares derived from the Fare Policy.

The Growth Strategy was prepared during a time where rapid growth was occurring and projected to continue.

OCA recommended that "the ridership growth strategy should be restructured to highlight the services that ETS believe can be implemented over the next five years, taking into account financial and resource constraints the City as well as the R/C ratio included in the approved fare policy, prior to presenting information to TPW in April 2009." Issues related to this recommendation include:

The approved fare policy does not identify mandatory R/C targets. For the Operating Budget, financial or resource constraints on the City have not been identified in a five-year period.

On an annual basis, Edmonton Transit develops a five-year service plan, using the transit service standards as a basis for identifying required service enhancements and growth requirements.

Following this work, each year, Administration prepares the Operating Budget for the upcoming year based on guidelines approved in Spring of each year. Service needs are prioritized taking into account the constraints. The recommended budget that is presented to City Council for consideration takes into account the financial constraints and is prepared based on direction from the City Manager.

For the 2010 Operating Budget, service needs were defined using transit service standards, growth projections (including service required to support capital budget infrastructure growth) and existing route performance.

The 2010 Operating Budget was prepared reflecting the limitations on potential service enhancements. Service needs have been prioritized and have been reported to City Council during budget deliberations and to the Transportation and Public Works Committee (March 16, 2010).

In the absence of Corporate direction related to long range operating budget constraints over an extended period, Edmonton Transit will continue to use the general planning process noted above.

Service Standards

OCA Conclusion (2009) - Recommendation Partially Implemented

Edmonton Transit has defined standards that they use in planning, establishing and monitoring transit routes. The proposed standards have not been accepted by Council.

Service decisions affect both the cost efficiency and effectiveness of public transit. In our opinion, the performance standards defined by ETS are interim decision points and do not reflect how ETS measures the efficiency and effectiveness of route performance. Further, the absence of consistently applied, approved pre-determined standards decreases the City's ability to defend decisions that may be unpopular with citizens.

ETS should reassess the proposed performance standards and ensure they can be applied consistently to ensure that services are provided to the greatest number of citizens in a cost effective manner. The potential impact, both in terms of cost and citizen feedback needs to be understood by the Administration and Council to minimize the risk of conflicting messages relative to the level of service the City can afford to deliver.

2009 Management Response and Action Plan

The Audit recommendation was partially implemented with the exception of approval of the service standards. Proposed service standards recommendations were submitted to City Council in October 2008. Based on Council's direction, additional information was requested, and the report will be considered in May 2009.

2010 Management Update

Transit Service Standards Policy C539 was approved by City Council on September 2, 2009.

Although reporting of individual route performance to City Council is not a requirement of the policy, the Transportation Department has presented two reports to TPW in 2009 and 2010 which have responded to inquiries regarding route performance and actions taken or planned to address service issues.