

# BMA

Management Consulting Inc.

## Transit Charter Bus Service City of Kingston – Service Review



## Report of Draft Recommendations

## ***Table of Contents***

Introduction	1
Program/Service Overview	5
Public Policy Objectives	9
Analysis	12
Assessment	21
Clarity of Purpose Test	22
Public Interest Test	24
Role of Government Test	26
Strategic Value Test	30
Cost/Benefit Test	31
Performance Test	33
Summary of Assessment	34
Options Under Consideration/Recommendation	36
Appendix A - Financial Detail	
Appendix B - Survey Comments	
Appendix C - Comment Cards and Submissions	
Appendix D - Open House Comments	

## **Section 1—INTRODUCTION**

**The Review of Services** is a long-term strategy, which is being conducted in two phases, to identify sustainable solutions to ongoing budget challenges and ensure municipal services and programs are provided in the most efficient, effective manner to best meet the needs of the community.

**Phase 1**, which is the focus of this report is to:

*The Review of Services is being undertaken in a 2 phased approach...this draft report addresses the objectives identified in Phase 1*

- ◆ Develop a better understanding to what extent the services identified help achieve public policy goals
- ◆ Determine the degree of fit or necessity of those services and programs in terms of the achievement of public policy and strategic value
- ◆ Investigate why the City provides a service, how the service is delivered and whether or not the City should continue providing a service.
- ◆ Identify any services that do not serve the purpose of achieving public policy and/or strategic intentions
- ◆ Assess financial implications of discontinuing any services that do not serve the public policy objectives
- ◆ Create an exit strategy as required for those services that are deemed to be non-essential

This plan was developed on the principles of openness, transparency, inclusion and accessibility. The following statements put those principles into the context of the **Review of Services**:

- ◆ City of Kingston employees, who take pride in delivering municipal services and programs, deserve to be informed and consulted about the Review of Services.
- ◆ Members of the public, who live, work and play in the City of Kingston and receive the services, deserve to be informed and consulted about the Review of Services

*An assessment of the process will be undertaken to refine as required for future service reviews*

Five services/programs were selected for review, including transit charter bus services/programs, currently provided by the City's transit operations.

By looking at a limited number of smaller services areas, the expectation is that the City will be able to assess and refine the process and testing before engaging in a review of larger service areas. Phase I of the Review of Services will not necessarily result in fewer services and will not address contracting out or other Alternate Service Delivery models. The Review of Services will allow the municipality to confirm and clarify the reason it has decided to continue to deliver a service or services.

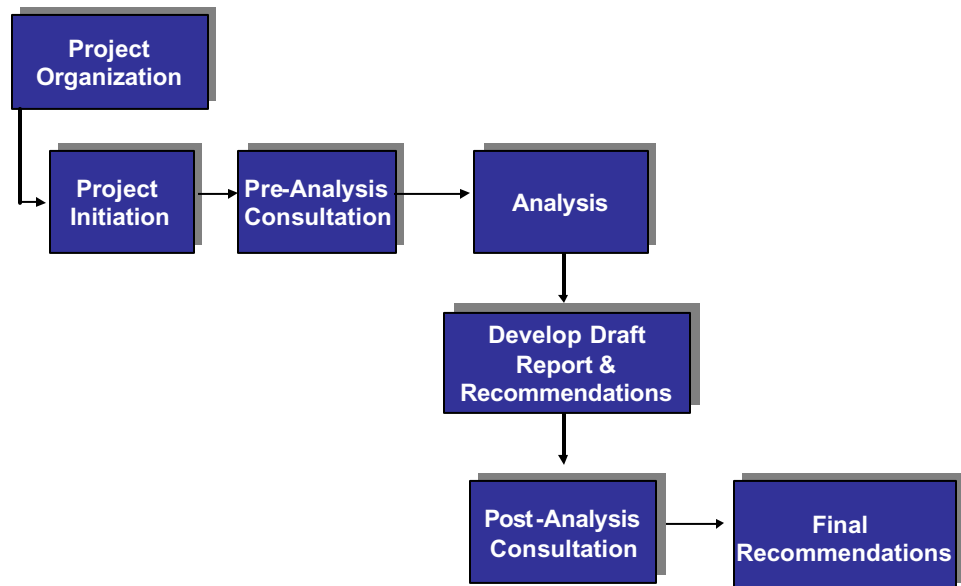
Phase 2, which would be the next phase of the project, focuses on:

- ◆ What level of services should be provided?
- ◆ How the services should be provided?
- ◆ How the service could be improved?

This focuses on ensuring that the most appropriate management and service delivery models are being used.

The following provides a high level overview of the review process undertaken in Phase 1.

*Extensive consultation was undertaken in Phase 1...additional consultation will be held after the release of the draft recommendations*



***Pre-analysis included gathering information from stakeholders, the general public as well as from other municipalities that provide similar services***

Pre-Analysis Consultation included:

- ◆ Meetings with staff providing the service to gather information
- ◆ Focus group session with staff providing the service
- ◆ Open house sessions for all staff within the municipality
- ◆ Open house sessions with the general public and users of the service
- ◆ Citizen surveys and comment cards
- ◆ Confirmation of Council's public policy objectives
- ◆ Received correspondence by email and regular mail

Every effort was made to provide ample opportunities to provide input into the service review. Staff developed a detailed communication plan to ensure that the public were well informed of the process and were given preliminary information upon which to understand the service under review. This included brochures, radio advertisements, extensive use of the City's website, newspaper notification of meetings and direct mail out to identified stakeholders.

The information gathered during the pre-analysis consultation phase sessions has been documented and included as appendices to the report. Highlights have been included throughout the report to assess the alignment of the service with public policy objectives.

In addition to the information gathered during the pre-consultation phase, information was gathered from other municipalities to better understand the rationale of other municipalities in the charter bus service as well as to identify those municipalities that do not operate charter bus services.

This report presents draft recommendations and the analysis conducted to date. Further consultation will be undertaken in January/February. Following the post-analysis consultation, final recommendations will be presented to Council for consideration.

*An evaluation was undertaken using 6 distinct tests*

To ensure consistency, internal data gathering for each service followed a predetermined general framework. This format was also used in the assessment section of the report to evaluate the service in the context of 6 separate and distinct tests.

**1. Clarity of Purpose Test**

This includes defining the primary clients and stakeholders, defining other departments that are impacted by the provision of service, defining the purpose or intent of the service.

**2. Public Interest Test**

To determine how important the service is to meet the needs of the primary clients and stakeholders. Is there sufficient public interest?

**3. Role of Government Test**

Is there a legitimate and necessary role for municipal government in this service (public policy)? Determine if the service is legitimate and necessary to meet the municipality's legal/policy mandate. Who else is involved in the delivery of the service? Can the public interest needs be met if service was no longer provided by municipal government?

**4. Strategic Value Test**

Is the service important and necessary for the municipality to achieve the strategic objectives defined in the community and/or corporate vision?

**5. Cost/Benefits Test**

What is the net cost/revenue of the service? How is it funded? Is it affordable? Are city assets required to provide this service? How are they accounted for in the net cost/revenue calculation? What are the expenditures, revenues and staff associated with providing this service?

**6. Performance Test**

What is the evidence that this service is meeting its intended policy and public needs objectives as identified above? Are there established service levels for this service? Are there performance measures in place to monitor the achievement of established service levels?

## **Section 2—PROGRAM/SERVICE OVERVIEW**

### **Transit Charter Bus Services**

**Service can be segmented into two categories; shuttles between point A and point B and tours of the City**

The transit charter bus service has provided service to the Kingston community and surrounding areas since the early 1960's. Charter service is provided using the **existing fleet** of transit buses when not in use providing regular transit service. Service is available 7 days a week, 24 hours a day, subject to availability of buses and drivers. The service is provided within a 40 kilometre radius of the City.

Service is provided to external clients as well as City departments requiring shuttle services or tours of the City. Clients over the years have varied but include university/college groups, private sector groups and City departments. There are basically two types of service provided:

1. Shuttle service for groups between two locations
2. Tours of the City

#### 1. Shuttles

The vast majority of the City's charter business is to shuttle groups between two locations with a pick up and a delivery point. The majority of the shuttle business serves university/college students, however, the service has also been used for major tourist events held in the City. To date, the largest charter shuttle service provided was during the 2-week CORK component of the Olympic Games (1985-86) when athletes were shuttled back and forth from Queens University residences to Portsmouth Olympic Harbour Pavillion for their events. In August of 2002, City transit charter bus services provided 110 hours of shuttle service to various locations within the city during the Ontario Senior Games (Kingston ACTIFEST2002). In addition, transit charter bus services provided shuttle service for viewers of the Tall ships; a major community event in the City.

#### 2. Tours

The remaining charter business is to provide tours within the City of Kingston. Tour clients are largely from the private sector; when a conference is in town or orientation tours for new university/college students.

***When fee for service increased in 2003, there was a significant reduction in the number of charters booked***

Fee for Service

There is a minimum 3-hour charge for the charter services. According to Transit staff, drivers are paid for hours worked and more recently, 90% of the charters are being performed by part-time staff.

There are two fee structures; one provided for external clients and the other for City Departments/Utilities which is a lower rate.

In February of 2003, the “external” hourly rate was increased to \$70/hour from \$55/hour plus GST. This was the first fee increase in 6 years. The “internal” charter rate also increased at the same time to \$50/hour plus GST from \$40/hour plus GST.

Activity and Client Information

The following table summarizes the number of charters booked between 2001-2003. Information on 2004 was not readily available and, according to Transit staff, would require extensive work to gather the information, therefore, has not been included in the analysis. Also, limited information is available to further segment and summarize the market.

Charters	2001	2002	2003	% change (2001-2003)
City Departments/Utility	1	3	11	1000%
University/College	90	70	23	-74%
Seniors	1	3	2	100%
Adults	12	7	9	-25%
<b>Total</b>	<b>104</b>	<b>83</b>	<b>45</b>	<b>-57%</b>

Overall, there has been a 57% reduction in the number of charters between 2001 and 2003. There has been a significant decrease in the number of university/college bookings from 90 in 2001 to 23 in 2003, which may be due to the fare increase in 2003, however, the Transit operations have not followed up to find out the reason for this decline in usage. As will be shown later in the report, there are other private sector operators that are able to provide similar services at a lower cost than the City. While there is an overall decrease in the number of charters, there has been a significant increase in the use of services by City Departments/Utility from 1 booking in 2001 to 11 in 2003.

<p><i>The transit charter bus service typically operates at a break even basis</i></p> <p><i>Direct costs as well as administrative overhead and capital have been calculated to provide the cost to the municipality of operating the Transit Charter Bus Service</i></p> <p><i>Department linkages were identified in the provision of transit charter bus services</i></p>	<p><b>Financial Information</b></p> <p>A review of the revenues and expenditures was undertaken to determine the net position of the transit charter bus services operations on an annual basis.</p> <p>A review of the <b>actual</b> revenues and expenditures over the past 3 years was undertaken. Consistent with current financial practice across the City of Kingston, indirect administrative costs are not allocated to the individual operating Department's, nor are capital depreciation costs specifically allocated to departmental budgets. In assessing the cost of service delivery, these expenses must be identified and considered as part of full costs.</p> <p>The allocation of administrative costs is a component of the Financial Information Return (FIR) that every municipality is required to report to the province on a yearly basis. The issue of indirect costs deals with the operating expenses that are identified as "General Government" on the FIR and include such expenditures as Corporate Services, Accounting, Payroll, Taxation, Communications, Human Resources and IT. The FIR uses an allocation model to apportion these costs. The allocation model, referred to as a "Modified Percentage" basically allocates the costs proportionately, based on the percentage of department expenses to total expenses for each department.</p> <p>As such, to show the actual cost of operations, capital costs have also been included and cost allocation methodology has been employed, consistent with accounting practices used by Ontario municipalities to allocate administrative overhead.</p> <p>Through the course of the study, a number of departments were identified as providing direct/indirect support for LOP Campgrounds. These include:</p> <ul style="list-style-type: none"><li>◆ Fleet</li><li>◆ Finance</li><li>◆ Client Services</li><li>◆ Communications</li></ul> <p>As such, the allocation of administrative overhead costs is justified.</p>
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City of Kingston  
Transit Charter Bus Services—Report of Draft Recommendations

Summary - Transit Charter Bus Services	2001	2002	2003	3 year Average
Direct Revenues	\$20,707	\$24,306	\$11,313	\$18,775
Direct Expenditures	\$11,433	\$8,322	\$5,125	\$8,293
Net Direct Operating Position	\$9,274	\$15,984	\$6,188	\$10,482
Capital Requirements	\$7,279	\$8,639	\$4,117	\$6,679
Net Direct Operating Costs + Capital	\$1,995	\$7,344	\$2,071	\$3,803
Administrative Overhead	\$2,686	\$1,803	\$1,699	\$2,063
Total Net Position	(\$692)	\$5,541	\$372	\$1,741

***On average, the transit charter bus services generate a small profit on an annual basis***

Charter bus services are typically run with a small surplus or on a break-even basis. Over a 3 year period, transit charter bus services operated, on average, with a net operating profit of approximately \$1,700.

Over the past 3 years, the average net direct operating position for the transit charter bus service has shown a profit of approximately \$10,500 annually. The inclusion of \$6,700 in capital depreciation requirements reduces the average net operating profit to approximately \$3,800. The inclusion of administrative overhead results in an annual net operating profit of approximately \$1,700.

While administrative costs should be allocated to show the true position of the operations, if the charter business was no longer operated, the majority of these costs would likely not be eliminated, however, it is important to recognize the full cost of the service provided. The detailed financial information is provided in Appendix A.

The majority of the direct operating costs are associated with salaries and wages. The approach recently has been to largely provide the service through part-time staff to reduce over time costs.

### ***Section 3—PUBLIC POLICY OBJECTIVES***

Municipal governments exist to serve two primary purposes: To determine public interest, we can assess the extent to which a service or program helps Council to address broad community needs. We refer to these broad community needs as “Public Policy Objectives”.

1. To act as a political mechanism through which a local community can express its collective objectives for community development; and
2. To provide various services and programs to local residents.

Every municipal service or program should support, to some extent, the ability of Council to fulfill the following six common Public Policy Objectives

1. Public Health and Safety
2. Environmental Sustainability
3. Wealth Redistribution
4. Program and Services Accessibility
5. Economic Sustainability
6. Community Development

[Note: These objectives are not listed in order of priority or importance.]

These public policy objectives help define and set objectives for our municipal services and programs. To determine what services to provide, the municipality should determine the extent to which services and programs fulfill each of the public policy objectives.

For each of the services under review, it was necessary to identify, in principle, the public policy objectives that each of the services supports. To do this the Task Force to Review Services and some members of Council considered the provision of **City Transit Charter Bus Services** and the extent to which it fulfills the above public policy objectives.

*Council identified two public policy objectives that are intended in the provision of transit charter bus services....one of the key objectives of Phase 1 of the Service Review is to determine the degree of fit or necessity of those services and programs in terms of the achievement of public policy and strategic value*

Through this exercise Council approved the following motion:

On October 26, 2004, Council passed the following resolution with respect to the Review of Services:

**WHEREAS** Council has adopted a set of Public Policy Objectives that will be used to help us define and review our municipal services and programs

AND WHEREAS The Task Force to Review Services and some members of Council participated in a workshop to identify what Council wants to achieve through the delivery of the five services and programs under review

THEREFORE BE IT RESOLVED

THAT Council adopt in principle the following Public Policy Objectives that will be communicated to the public and staff as part of the consultation exercise.

AND FURTHER it being understood that the Public Policy Objectives will be brought back for final approval after public consultation.

***Transit Charter Bus Services***

That the provision of the Transit Passenger Charters contributes minimally to the achievement of Environmental Sustainability and Economic Sustainability within the community.

Rationale:

- ◆ Reduces personal use of automobiles.
- ◆ Buses use bio-diesel fuel which is environmentally friendly.
- ◆ Encourage larger functions to select the City of Kingston as a host city because they can use the service to travel between venues and explore the City.
- ◆ The service is available as transportation for groups who are touring current business establishments or considering Kingston as a location to locate their business.

***Transit charter bus services contributes to environmental sustainability by improving pollution control***

As defined by Council, Environmental Sustainability is one that:

- ◆ Ensures the establishment and maintenance of a clean, healthy environment in which environmental factors support the physical and mental well-being of the community;
- ◆ Directly contributes to the municipality’s ability to control pollution, reduce resource consumption and protect nature;
- ◆ Reuses otherwise discarded resources;
- ◆ Minimizes, controls or reduces the environmental impact of activities on the air, water and/or land; and/or;
- ◆ Actively protects, conserves and promotes the management of the City’s natural environment, wetlands, watercourses and waterbodies for the purposes of providing a healthy environment;
- ◆ Address such concerns as water, air, and soil contamination, and noise and vibration exposure.

***An objective of the transit charter bus service is to promote or expand tourism and promote new business to Kingston***

Economic Sustainability is one that:

- ◆ Encourages and provides for the growth and expansion of the City’s various economic sectors including commerce, industry, tourism, government administration and health, educational, corrections and military institutions;
- ◆ Directly or indirectly attracts new businesses to the City;
- ◆ Directly or indirectly retains or enhances the viability of existing businesses;
- ◆ Directly contributes to the maintenance of a balanced City assessment base and strengthened employment base;
- ◆ Strengthens the prosperity of the citizens of Kingston;
- ◆ Facilitates an environment that attracts new business and promotes economic development;
- ◆ Facilitates diversification of the local economy and provides for a functional mix and balanced representation of commercial activities within the municipality.

## ***Section 4—ANALYSIS***

The next section of the report summarizes the information gathered during the pre-analysis consultation and through discussions with other municipal service providers. The appendices included in this report provide the full detail that supports the analysis undertaken.

This section includes:

- ◆ Summary of Citizen Survey
- ◆ Summary of Comment Cards/comments Received
- ◆ Summary from Open House Session
- ◆ Other Municipal Experiences

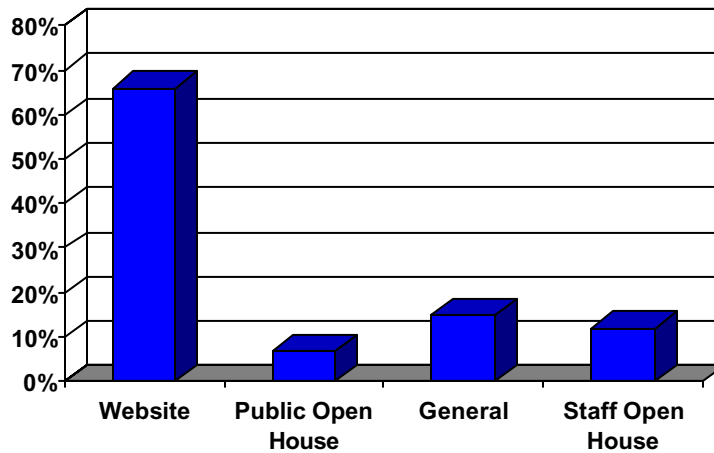
This information will be used extensively in the assessment of the service provided and the alignment to public policy objectives

**The website proved to be an effective means of receiving preliminary feedback**

**Summary of Citizen Survey**

In total, 90 surveys were completed:

- ◆ 66% were completed on the website
- ◆ 7% were completed during staff open house sessions
- ◆ 14% from the public open house sessions
- ◆ 11% were completed in general

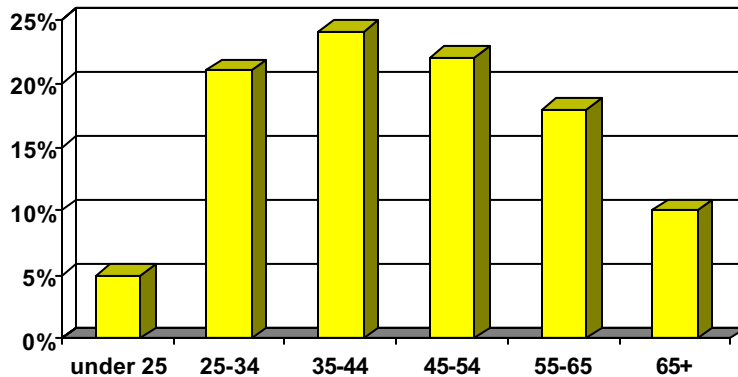


General Information

While not a statistically valid sample, clear trends were identified. Of the surveys completed, 14% were by individuals that used the service in the past 12 months (referred to in the report as “users”), with the remaining 86% not having used the service in the past 12 months (referred to in the report as “non-users”). In order to track the difference in opinions between these

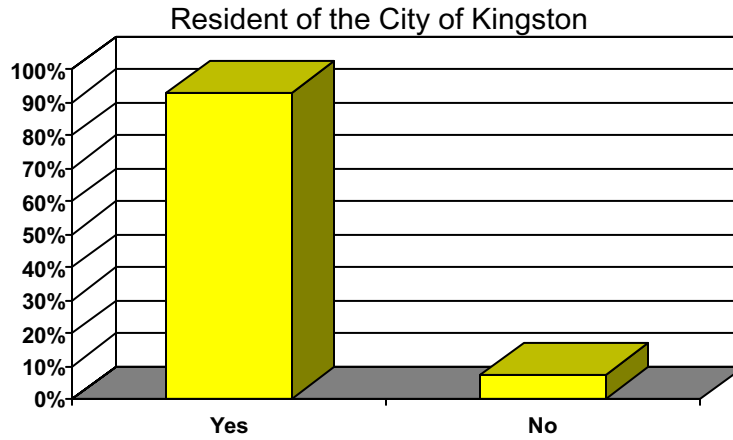
two groups, the charts reflect the results separately.

Age Profile of Respondents

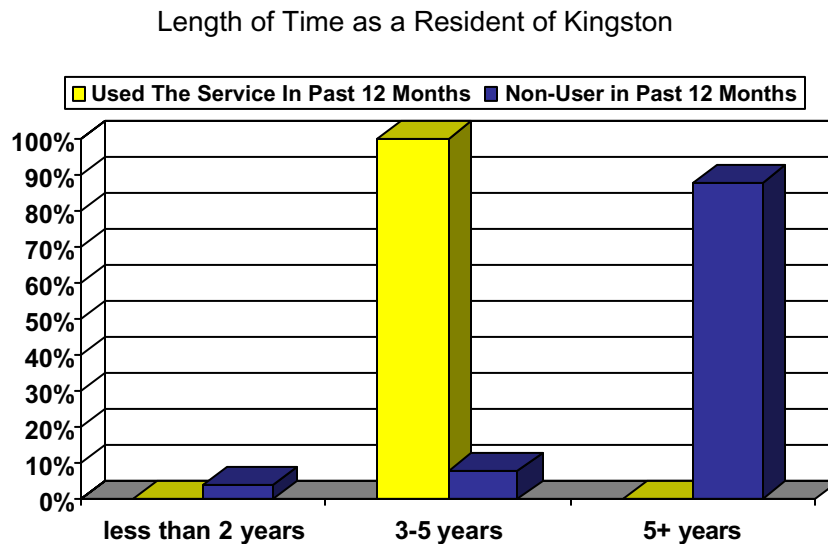


In general, there is good representation from all age groups.

*The survey was mainly completed by long time residents of the City of Kingston*



Approximately 93% of those that completed the survey are residents of the City of Kingston. As shown below, the 88% of the “non-users” completing the survey have lived in the City 5 years or more, while it is interesting to note that 100% of the “users” have only lived in the City between 3- 5 years.



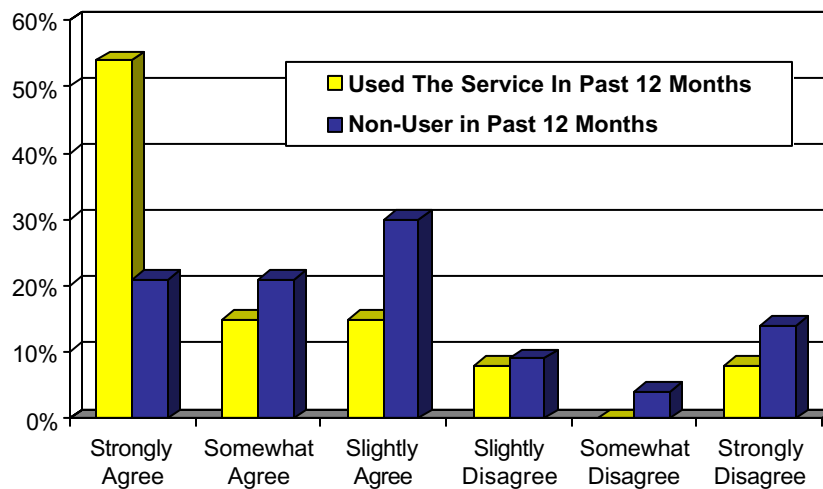
Promotion and Expansion of Tourism

Opinions were sought to test the public policy objectives identified by Council for each of the services. One of the key public policy objectives identified for the provision of transit charter bus services is to promote and expand tourism in the City.

***There was stronger support from users of charter bus services that the service promotes and expands tourism***

While 54% of the respondents that used the chartered bus services in the past 12 months strongly believe that this service promotes and expands tourism in the City, only 21% of the “non-users” strongly supported this statement.

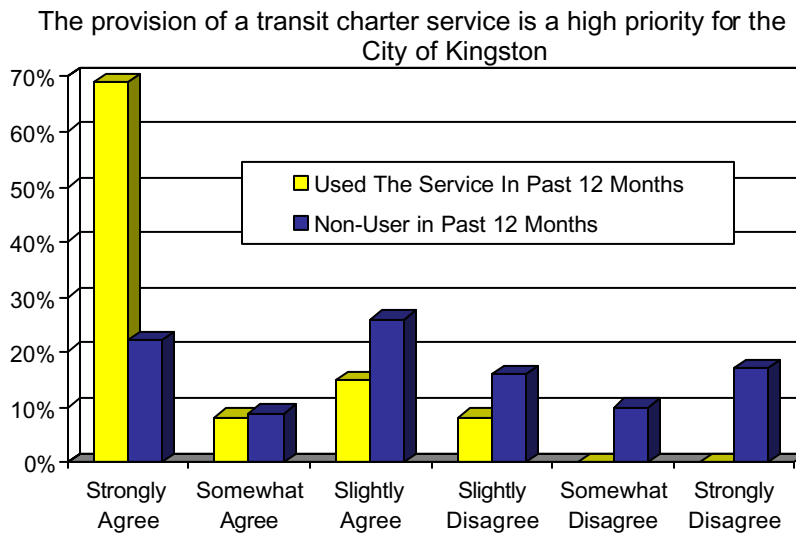
The transit charter bus service promotes and expands tourism in the City



In total, 75% of the respondents to the survey believed that the charter transit bus services promote and expand tourism (either strongly, somewhat or slightly agree). The balance, 25%, did not believe that this service expanded or promoted tourism.

There was a significant difference between “user” and “non-user” responses to the question of whether transit charter bus services are a priority for the City. Approximately 69% of the “users” strongly agree that the provision of this service is a high priority for the City while only 22% of the “non-users” surveyed strongly agree that this is a high priority.

***While there was good support for this service from users of the service, only 22% of the respondents that have not used the service felt that this was a high priority for the City***



In total, 63% of the total respondents agreed (strongly, somewhat or slightly) that this service is a high priority for the City.

**Summary of Survey Comments - Transit Charter Bus Services**

The following provides some of the key advantages identified on the survey from survey respondents. The fully transcribed comments have been included in appendix B.

Favourable Comments For Continuing the Service

- ◆ It makes sense to use buses to their maximum capacity and the service pays for itself
- ◆ If the service is break-even, why is it problematic
- ◆ If the service is provided at a break-even basis, then it is a good service to promote tourism and valuable for a variety of citizens
- ◆ Quality of service is better than touring in a school bus

Comments Supporting the Discontinuation of the Service

- ◆ The City should not be competing against the private sector—there are ample private sector providers to meet the demand
- ◆ There are other companies providing a more efficient service to the public and the City should not compete against local businesses
- ◆ Questionable benefits to the City given that there has been a significant decline in use of private sector
- ◆ City should focus on its core services—this is not a core service

Operational

- ◆ City should focus on revamping regular transit system, especially accessible service
- ◆ Use buses on high volume routes instead of special programs
- ◆ Outdated existing bus system—too slow, regular service needs improvement
- ◆ Investigate why university/college use has declined while at the same time City use has increased

Note: comments not listed in any specific order

***Because there is no cost to the taxpayer in providing this service, respondents did not have a strong position on whether the service should be discontinued***

***Competition with the private sector was raised as a concern***

***While outside the scope of this study, operational issues were raised with respect to the regular bus service provided***

***Summary of Comments Cards and Comments Received By Letter/ Email***

There were limited comments submitted. Every comment card, letter and email has been included in appendix C. These comments were consistent with those expressed by users on the survey.

- ◆ Service was well provided to an out of town user that benefited from the City's shuttle service
- ◆ This appears to work under the goals of the community

***Summary of Open House Comments***

A summary of the meeting has been included in appendix D.

- ◆ Question as to why the revenues and usage at the university/college have declined
- ◆ Opportunity to help drivers generate additional revenues
- ◆ Are there problems with the accounting of this service as many of the clients are internal but taxpayers also pay for these services

Note: comments not listed in any specific order

City of Kingston  
Transit Charter Bus Services—Report of Draft Recommendations

**The majority of the municipalities surveyed provide transit charter bus services, although none felt that this is a core service**

**Municipal Experiences**

The focus in reviewing experiences in other municipalities was to identify which municipalities operate transit charter bus services and why the municipality elected to do so.

The information contained in this section of the report is not intended to be an operational review or a comparison of who is operating most efficiently or effectively, as this is not the purpose of Phase 1 of the Service Review. The following table summarizes a number of municipalities with populations greater than 70,000 that operate transit services to identify who also provides charter bus services.

Municipality	Est. Stats Canada		Set Min hours	Hourly Charge	Estimated # of annual charters	Comments
	Population	Yes/No				
Toronto	2,611,661	Yes		\$268 first two hours then \$90/hr	N/A	Only available on weekends and after 7:30 pm
Mississauga	687,437	Yes	2 hours	\$ 100.00	5	Exiting the business
Hamilton	516,776	Yes	3 hours	\$56/hr to \$70/hr	500	Contract to charter seniors to grocery stores, subsidized service, use some retired bus drivers to do some of the driving
Region of Waterloo	438,500	Yes	No	\$ 60.00	180-240	
Brampton	375,956	No				
Windsor	221,091	Yes	2 hours	\$156 first 2 hrs then \$68/hr	N/A	
Burlington	165,965	Yes	2 hours		N/A	
Oakville	160,765	Yes	3 hours	\$56/hr or \$80/hr on weekends and after 8 pm.	60	Seniors groups, organizations, children tours
Sudbury	160,113	Yes	2 hours	\$ 69.50	minimal	
Oshawa	146,206	Yes	3 hours	\$ 75.00	10-12	Run by Commission
Kingston	120,848	Yes	3 hours	\$ 70.00	45	Internal charge is \$50/hr
Barrie	118,950	Yes	3 hours	\$65	10	Very limited service, only local events
Guelph	113,457	Yes	3 hours		10	
Thunder Bay	111,710	Yes	1 hour	\$ 70.00	50-60	
Chatham-Kent	109,714	No				Private Operator of Transit Services
Whitby	97,065	Yes	2 hours	\$ 64.00	10	Contracted to Canada Coach
Brantford	90,673	No				
Niagara Falls	82,734	Yes	2 hours	\$ 70.00	120	
Peterborough	75,406	Yes	1 hour		100-150	
Sarnia	73,930	Yes	1.5 hours	\$ 60.00	35-55	

<p><b><i>Most services provided are reactive, with no established program objectives</i></b></p> <p><b><i>Focus tended to be on residents as opposed to tourists</i></b></p> <p><b><i>Volumes are minimal, with minimal impact on existing fleet of buses</i></b></p> <p><b><i>Operations are similar to the City's with a minimum number of hours required for bookings and fees set to recover the cost of service</i></b></p>	<p><b><i>Highlights from Other Municipalities</i></b></p> <p>As shown in the table on the previous page, the majority of municipalities surveyed operate a transit charter bus service. None of the municipalities surveyed considered chartered bus services as a core service.</p> <p>Municipalities tend to be in the charter bus service business simply because they own a fleet of transit vehicles, with no identified goals and objectives associated with charter services.</p> <p>In some municipalities, free shuttles are offered by the municipality for attendance at municipally operated functions such as Canada Day celebrations, festivals of lights, downtown and waterfront events. This is done to reduce traffic congestion and increase access.</p> <p>The majority of the charter operations are relatively small, largely focused on providing service for City operated special events. Therefore, there is limited impact on the fleet. Services are typically offered in off-peak hours due to the limitations associated with the existing fleet.</p> <p>In a few municipalities, weekly contracts have been established to provide service to a segment of the market, which increases the number of charters operated. For example, weekly contracts have been established in the City of Hamilton and the Region of Waterloo where grocery stores pay for to shuttle seniors to their stores. The focus of these services is on residents, not tourism.</p> <p>Only one municipality indicated that it markets its services, with the rest relying strictly on word of mouth. One municipality surveyed has made a conscious decision to exit the business and is doing so gradually, others indicated that they are also considering eliminating this service. The majority indicated that efforts are made to limit the number of charters provided to extend the useful life of the fleet. One municipality indicated that it uses the services of retired bus drivers to reduce the overall cost of service.</p> <p>Consistent with the practice in Kingston, the majority of the municipalities set a minimum number of hours that must be booked and establish their rates to recover the full cost of service. In cases where there is no minimum, such as the Region of Waterloo, the volumes are higher as the cost of service is lower than the private sector. The fees are typically set to recover the cost of service, with the exception of the free shuttles offered for special event programming.</p>
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*Assessment of transit charter bus services in Kingston considered all input gathered during the pre-analysis phase of the project, along with information gathered through reviewing other municipal experiences*

## **Section 5—ASSESSMENT**

This section of the report focuses on:

- ◆ Developing a better understanding to what extent the services identified help achieve public policy goals
- ◆ Determining the degree of fit or necessity of those services and programs in terms of the achievement of public policy and strategic value
- ◆ Investigating why the City provides a service, how the service is delivered and whether or not the City should continue providing a service.
- ◆ Identifying any services that do not serve the purpose of achieving public policy and/or strategic intentions
- ◆ Assessing financial implications of discontinuing any services that do not serve the public policy objectives
- ◆ Creating an exit strategy as required for those services that are deemed to be non-essential

The assessment is based on all the information gathered in the study including:

- ◆ Staff input from within the department and across the organization
- ◆ Council approved public policy objectives for the service
- ◆ Information gathered from the department
- ◆ Client (user) input from the surveys and open house sessions
- ◆ Public input from the surveys and open house sessions
- ◆ Research
- ◆ Other municipal experiences

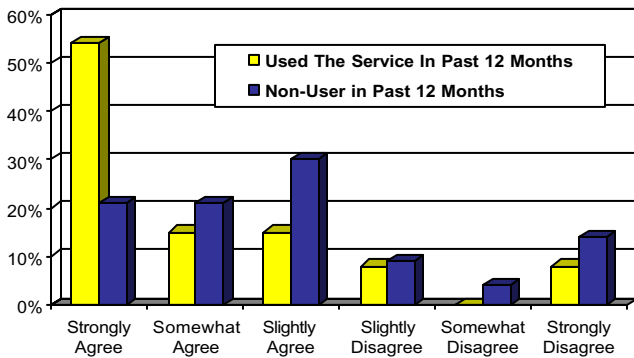
The approach to the assessment is to review each of the evaluation criteria developed:

1. Clarity of Purpose Test
2. Public Interest Test
3. Role of Government Test
4. Strategic Value Test
5. Cost/Benefit Test
6. Performance Test

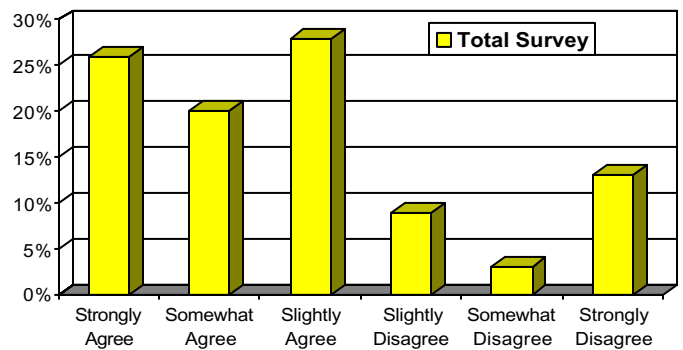
<p><i>While the transit charter bus services have the potential to provide a supportive role in tourism, the current use of the service for this purpose is minimal</i></p> <p><i>While the purpose is defined largely around tourism initiatives, the actual use of the service is more typically used as a shuttle service for residents</i></p>	<p><b>1. Clarity of Purpose Test</b></p> <p>This includes defining the primary clients and stakeholders and defining the purpose or intent of the service. The <b>purpose or intent</b> of the service is to:</p> <ul style="list-style-type: none"><li>◆ Promote and expand tourism</li><li>◆ Encourage larger functions to select the City of Kingston as a host city because they can use the service to travel between venues and explore the City</li><li>◆ The service is available as transportation for groups who are touring current business establishments or considering Kingston as a location to locate their business.</li><li>◆ Reduce personal use of automobiles</li><li>◆ Provide environmentally friendly option (bio-diesel fuel)</li></ul> <p>The primary intended purpose of the City providing transit charter bus service is to promote and expand tourism. While this is the main stated objective, the majority of the clients are not what would typically be defined as “tourists.” Therefore, while the purpose is defined, this does not align with the actual use of the service.</p> <p>The main uses of City charter services are for shuttling university/college students to and from local establishments as well as internal City clients. For example, in 2003, almost 25% of the charters were booked by City Department/Utilities. In addition, approximately 50% of the clients in 2003 were used to shuttle university/college student between two locations. The remaining 25% (11 charters) were private sector bookings. There were no major events in 2003 that were supported by City operated charter bus services. The City’s service has been used over the years to support large events which supports tourism. Therefore, the intent to promote and expand tourism is met to <b>some extent, particularly for large special events</b> by the City’s operations, however, there are other service providers the have indicated they have the capacity to a similar service.</p> <p>The objective of reducing personal use of automobiles can also be met by other service providers, but is certainly supported by the City service. The seasonal use of bio-diesel fuel by the transit buses helps to control pollution. The number of Charters currently operating are minimal, therefore, the overall impact on the environment would not be significant . However, the use of buses for special events and shuttles reduces the congestion of traffic and use of automobiles.</p>
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As shown previously in the report, there is overall support that the charter bus service promotes and expands tourism. However, the majority of the charters are not directly supporting tourists visiting the municipality, but rather are used by residents or temporary residents (students). This is consistent with the usage patterns seen in other municipalities where the majority of the users are residents.

The transit charter bus service promotes and expands tourism in the City



The transit charter bus service promotes and expands tourism in the City



***Exiting the business would have limited, if any, impact on the market or the City's ability to achieve its public policy objectives***

If the City were to exit the transit charter bus service, it is anticipated that this would not restrict access to similar services, some of which are more affordable than the City's service.

The largest users which includes university/college students and City departments are almost exclusively using these services to shuttle to and from destinations thereby reducing City traffic. However this does not directly contribute to promoting tourism. These services could be provided by the private sector.

Discussions with KEDCO staff indicated that in their recollection, City charters have not been used to shuttle or provide tours of the City prospective investors.

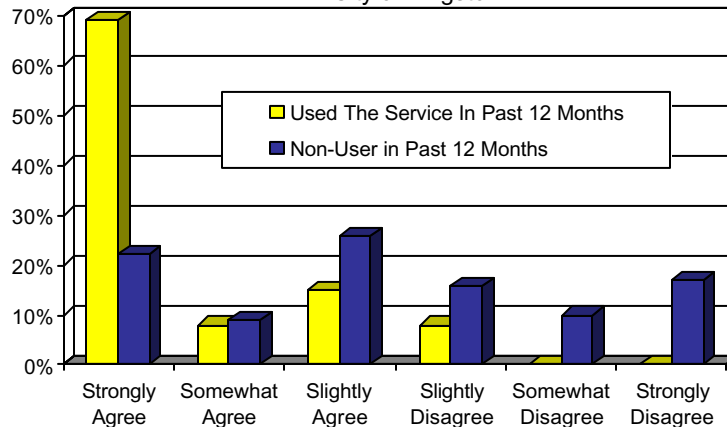
**2. Public Interest Test**

The second area in which an assessment was conducted focused on determining **how important the service** is to meet the needs of the primary clients and stakeholders.

Opinions were sought from users and non-users of the service. The majority of those responding to the survey were non-users. While approximately 69% of the “users “ strongly agree with the provision of this service as a high priority for the City, only 22% of the “non-users” surveyed strongly agree that this is a high priority.

***The majority of those surveyed did not strongly support the notion that transit charter bus services are a high priority***

The provision of a transit charter service is a high priority for the City of Kingston

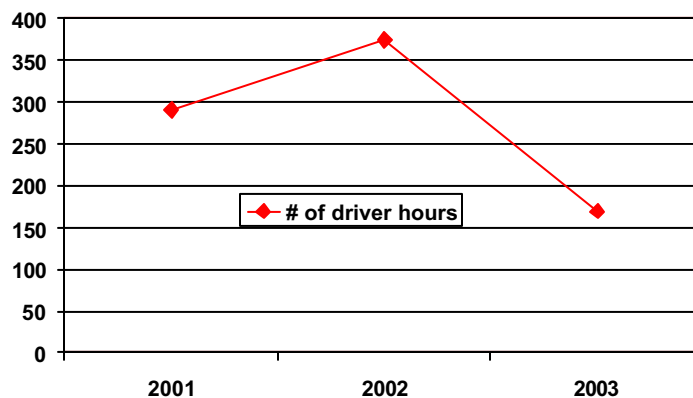
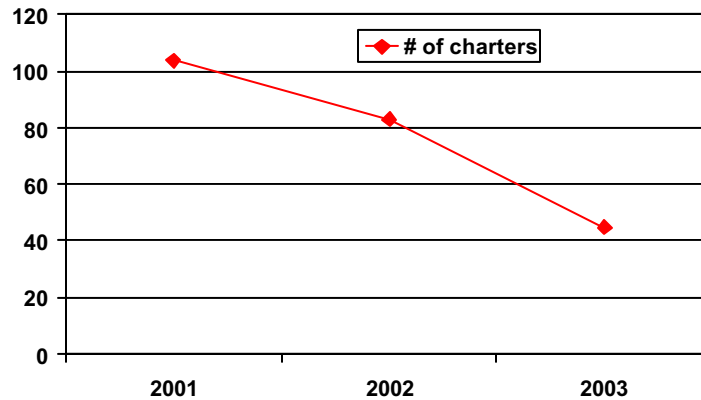


The majority of the survey respondents did not see this service as core to the City and did not consider it a high priority. However, some felt that because the service is offered at break even, then it should be continued. Others however felt that the City should focus its attention on the regular transit bus service and leave the operation of charter services to the private sector.

While there is some support that this is an important service provided by the City, the majority of evidence suggests that this is not a high priority (e.g. limited marketing efforts, significant decline in number of charters). Assuming that the City were to continue to provide these services, there is a need to clarify in which circumstances these services should be provided. That is, should the City be limiting their provision of charter services only to tourist-related activities and leave the rest of the market open to the private sector?

*The number of charters provided by the City has declined as a result of market forces...City's fees have increased resulting in a reduction in the number of charters*

The decline in use also suggests that there is a decline in interest for City operated charter bus services or that the services are being provided by the private sector. The peak in number of hours in 2002 is attributed to a special event in the City where shuttle services were provided (Actifest).



There appears to be limited evidence to support the importance of the City operating charter bus services, particularly for shuttles. While the City's volume of activity is limited in providing tours as such, should the City exit the market altogether, there may be some unmet needs in the community. In addition, there may be a role for the City to play in supporting local tourist related special events.

**3. Role of Government Test**

The next form of evaluation focused on whether there is a legitimate and necessary role for municipal government in the charter transit bus service. This included an assessment of whether the service is legitimate and necessary to meet the municipality’s legal/policy mandate, who else is involved in the delivery of the service and whether the public interest needs could be met if service was no longer provided by municipal government.

*There are other service providers*

As part of the **role of government test**, other charter bus services in the vicinity were identified. The following table identifies similar services provided in the City of Kingston and surrounding areas.

Service Provider	Rate	Minimum Hours	Hourly rate thereafter minimum	Bus Seating Capacity	Accommodate Disabled	Comments
City of Kingston	\$210/Charter	3 hours	\$50 - \$70	50	low floor buses	\$50/hr City departments, \$70/hr public
Chamber of Commerce	\$325/Charter	2 hours	\$ 125	45	no	One vehicle (trolley), \$125 for every hour thereafter, also, service is available on individual basis ranging from \$10-\$12.
Coach Canada	\$620-\$682/Charter	6 hours		47 and 55	2 buses available	Coach bus
James Reid Transportation	\$100/Charter	3 hours	\$ 27.50	48	no	School buses, \$27.50 thereafter per hour
Laidlaw	\$131/Charter	3 hours	\$ 46	48	no	School buses, large fleet
McCoy	\$150/Charter - \$600/Charter	3 - 4 hours	\$50 - \$150	40-56	no	Upgraded school bus is \$50/hr with 40 capacity and min. 3 hours; coach for \$100/hr, minimum of 4 hours and capacity of 47; coach \$150/hr, minimum of 4 hours, capacity of 56
Regan	\$600/Day	daily - 12 hrs		47	no	Coach, only available in town by the day
Stock	\$110/Charter	3 hours	\$ 35	48	no	School buses, has a driver that can also act as tour guide

*Given the user profile available, the most comparable services to that of the City are school bus operations such as JRT, Laidlaw, McCoy and Stock*

As shown above, a number of other service providers were identified that operate charter bus services. The market includes coach line services, which would be considered a higher end service than that provided by the City’s transit buses as well as service available through more traditional school bus services, which are priced at the lower end of the market. The shuttle and touring services are available through these providers, with an extensive fleet of vehicles to serve the local market. As shown in the table, the price of the City’s external service (\$70/hour, minimum charge of \$210) is in the mid range of the survey, consistent with the type of service provided. Given that there are **less expensive options** for local shuttles between two destinations in the City, which is the mainstay of business, it is likely that this has contributed to the reduction in the use of City services by university/college students. This is particularly evident when the fees were increased in 2003 during which time there was a significant decrease in the number a charters and the hours of operation of the City’s charter service.

*Public interest could likely be met if the City were to exit this business*

There is no legal or mandatory requirement that the City provide transit charter services. As shown previously in the report, the vast majority of the municipalities surveyed do not provide transit charter bus services.

***Can the public interest needs be met if service was no longer provided by the City?***

One of the key questions, given that charter bus service is not a mandated service of the City is whether the interests of the public could be met by the private sector if the municipality exited the business. A review of the objectives as to why the municipality has elected to be in the business is included below to identify any issues with respect to the City existing the business.

- ◆ Promote and expand tourism
- ◆ Reduce personal use of automobiles
- ◆ Bio-diesel fuel is environmentally friendly
- ◆ Encourage larger functions to select the City of Kingston as a host city because they can use the service to travel between venues and explore the City.
- ◆ The service is available as transportation for groups who are touring current business establishments or considering Kingston as a location to locate their business.

From the perspective of promoting and expanding tourism and reducing personal automobile use, there appears to be sufficient service providers to meet the existing needs within the City. For example, in 2003, only 45 charters were booked.

From an affordability perspective, there are other services available that are in fact priced lower than that offered by the City, specifically some of the school bus providers.

While there are competitive services available with capacity to serve large groups, there may be some issues in meeting demand for **very large events** held in the City. However, these occur very infrequently and could be dealt with on a case-by-case basis if the private sector is unable to meet the demand.

*The City's transit charter bus services directly compete against the private sector service providers*

If the City were to exit the business, internal City departments would be required to select another form of group transportation. However, the cost to the taxpayer should not increase as a number of the other service providers are offered at rates below that of the City's internal rate. Therefore, it is concluded that the public interest could be met for this segment of the market as well if the City were to exit the business.

Specifically, there are no concerns with respect to meeting the needs of the majority of the shuttle service business and tours that are provided on a periodic basis. Flexibility to provide service for **large events** may still require some role for the City to play on a case-by-case basis.

***Does Transit Charter Bus Services directly compete with the private sector?***

The City's transit charter bus services competes directly with other service providers in the area. While there is some difference in terms of the type of buses available, the service of transporting people and providing information about the City to the tourist sector is the same.

Examples were given through discussions with the private sector providers that the client base is similar to that of the City's. Specifically, one of the City's largest clients has historically been the university and college sector, however, use of the City's service has declined as the price of the service increased. A number of the private sector service providers also indicate that the university and college sector is a key market. Private tours are also available through other service providers. Based on discussions with large coach lines, there is limited interest in providing local shuttle services and their pricing is such that this would not be affordable. However, there is significant interest from more traditional school bus service providers.

Some of the comments from respondents of the survey indicated a reluctance of the City to compete against the private sector. As well, some of the respondents believed that the City Transit operations should focus on their core service of providing regular transit services rather than on non-core activities such as operating charters.

***The current pricing of the City transit charter services are appropriate but need to be maintained on an annual basis***

***Is Transit Charter Bus Services pricing their product appropriately?***

Controversy over pricing is an issue when municipally operated services are in direct competition with private sector operators. For the most part, the services provided by the City compete with the private sector services. As shown earlier in the report, the fees charged by the City are recovering the **full cost of service** to external clients, however, a reduced rate is charged to internal departments. The consolidated net position for all charters offered by the City is break-even which indicates that the City is pricing the service appropriately to break-even. This includes administrative overhead, capital and operating costs.

In comparison to other municipal operators, the rates charged for transit charter services by the City of Kingston are consistent with the majority of the other municipal service providers. Rates in the survey were typically around the \$60-\$70 range per hour and included a requirement to provide a minimum booking charge of 3 hours, consistent with the City's policies. This ensures that there is no unfair competition with the private sector.

The rates charged by the City exceed that of some of the private sector operators.

**Staff identified 4 community objectives that are served by transit charter bus services**

#### **4. Strategic Value Test**

The City has defined a number of community objectives. The following summarizes the community objectives that transit charter bus services supports based on feedback from staff and the consultant's observations.

##### **Access to Information & Services**

*Ensure citizens can easily access community support information and tap into leisure and recreational opportunities available in the community.*

The provision of transit charter bus services supports large open venue events which allows tourists and residents to easily access special events. While these events do not happen on a regular basis, the ability to provide the fleet required to service such events supports access to services in an efficient and effective manner and avoids increased traffic associated with major events.

##### **Economic Prosperity**

*Improve economic wealth while enhancing the social & environmental goals of our community.*

According to staff, the City's transit charter bus services helps to retain the viability of local businesses by providing charter services to conferences held at the City as well as to help familiarize students with the City. This however, is a small proportion of the total City charter service.

##### **The Environment**

*Improve air, water, and land quality.*

This goal is supported by reducing the number of vehicles on the road. In addition, bio-diesel emits less air pollution and is not available on some other private charter company buses. While the provision of charter services addresses this community objective, this could also be met by some other private sector operators.

##### **Planning: Official Plan and Transportation Master Plan**

*Develop policies related to the development and conservation of land, protection of heritage buildings, and an effective transportation system.*

This objective is marginally supported by the provision of transit charter services in that it increases the use of the City's transportation system.

**5. Cost/Benefits Test**

The cost/benefit test explores the following questions:

- ◆ What is the net cost/revenue of the service?
- ◆ How is it funded?
- ◆ Is it affordable?
- ◆ Are city assets required to provide this service?
- ◆ How are they accounted for in the net cost/revenue calculation?
- ◆ What are the expenditures, revenues associated with this service?

*The benefits of the service appear to outweigh the costs*

As shown earlier in the report, the average net direct operating position for the transit charter bus service over the past 3 years is a profit of approximately \$1,700 annually. This includes the administrative costs, operating costs and a contribution to capital associated with the useful life of the vehicles. The services are provided by the existing transit fleet of buses. The average age of the transit fleet is 12 years, with a useful life of 18 years.

Because the number of charters operating is low, the use of the existing fleet for charter services has minimal impact on the useful life of the vehicles. However, if the City were to operate charter bus services on a more frequent basis, it is anticipated that the existing charge out rates would need to be increased as the allocation of depreciation costs would increase.

Summary - Transit Charter Bus Services	2001	2002	2003	3 year Average
Direct Revenues	\$20,707	\$24,306	\$11,313	\$18,775
Direct Expenditures	\$11,433	\$8,322	\$5,125	\$8,293
Net Direct Operating Position	<u>\$9,274</u>	<u>\$15,984</u>	<u>\$6,188</u>	<u>\$10,482</u>
Capital Requirements	<u>\$7,279</u>	<u>\$8,639</u>	<u>\$4,117</u>	<u>\$6,679</u>
Net Direct Operating Costs + Capital	<u>\$1,995</u>	<u>\$7,344</u>	<u>\$2,071</u>	<u>\$3,803</u>
Administrative Overhead	<u>\$2,686</u>	<u>\$1,803</u>	<u>\$1,699</u>	<u>\$2,063</u>
Total Net Position	<u>(\$692)</u>	<u>\$5,541</u>	<u>\$372</u>	<u>\$1,741</u>

Given that the service is operated at a break-even basis, with a typically small surplus, there is general support for continuing the service however based on feedback from the community, this service should not be provided at a cost to the taxpayer.

**6. Performance Test**

The Performance Test queried the following areas:

- ◆ What is the evidence that this service is meeting its intended policy and public needs objectives?
- ◆ Are there established service levels for this service?
- ◆ Are there performance measures in place to monitor the achievement of established service levels?

*There are no pre-established performance targets or measures used or reported by the City*

The City currently does not have any performance measures or targets to measure success in the provision of charter bus services. For example, no targets are set in terms of number of charters operating or the number of individuals using the service. In fact, the City's transit operations had a very difficult time providing historical information on the number of charters, the costs, associated revenues, clients and the purpose of the booking. Information for 2004 could not be readily provided as this information is not tracked.

With no targets and performance measurements established, it is difficult to evaluate the performance of the service. There are no satisfaction surveys developed or implemented by the Department, therefore, there was limited ability to assess why users select the City's services as opposed to other private sector service providers. This is needed to better understand the target markets and how better to serve these markets moving forward, should the City remain in the business of operating charters.

While the main purpose of providing the service was identified as a support to tourism, limited evidence currently exists that this is in fact the public that is being served. Historically, however, the service has provided significant benefit for large events, to promote tourism and to reduce traffic congestion.

Without a formal process to evaluate the costs and revenues associated with the operations, the establishment of rates appears to be based on trial and error rather than 100% cost recovery. This is evidenced by the fact that the fees were not updated for approximately 6 years.

## **Summary—Assessment**

### **1. Clarity of Purpose**

- ◆ Moderately meets the Clarity of Purpose Test

#### Pros

- ◆ Meets intended purpose during large special programming

#### Cons

- ◆ Minimal use by tourists of existing services
- ◆ Largely used by City departments and university/college students for shuttling between two destinations, with minimal tours provided
- ◆ Not used by KEDCO to tour prospective investors

### **2. Public Interest Test**

- ◆ Marginally meets the Public Interest Test

#### Cons

- ◆ Most respondents did not strongly support the notion that this non-core service is a high priority
- ◆ Significant decline in usage over past few years indicates a decline in interest

### **3. Role of Government Test**

- ◆ Marginally meets the Role of Government Test

#### Pros

- ◆ Support for the role of the City in large venue events
- ◆ Priced appropriately to compete against the private sector

#### Cons

- ◆ No legal mandate, not a core service
- ◆ Other service providers offering similar services

#### **4. Strategic Value Test**

- ◆ Marginally Meets Strategic Value Test

##### Pros

- ◆ Reduced traffic congestion and air pollution
- ◆ Enhances social and environmental goals

#### **5. Cost/Benefits Test**

- ◆ Meets Cost/Benefit Test

##### Pros

- ◆ No taxpayer subsidy required
- ◆ Fees must be maintained
- ◆ General support for continuing the service
- ◆ Current low usage does not pose problems with existing useful life of fleet
- ◆ Service should not compromise regular transit operations

#### **6. Performance Test**

- ◆ Marginally meets Performance Test

##### Pros

- ◆ Some evidence that service is meeting its intended policy objectives

##### Cons

- ◆ No service levels or target established
- ◆ There are currently no performance targets or measures to define success in the service

## **Section 6—OPTIONS UNDER CONSIDERATION**

Three options were considered:

1. ***Exit the Service***
2. ***Maintain the Status Quo***
3. ***Next Steps – explore opportunities to better achieve the community objectives***

### **1. Exit the Service**

It is recommended that the City exit some services currently provided by the charter bus services:

- ◆ Exit the local shuttle business for non-tourist related activities such as shuttles of residents or student to bars as there is sufficient private sector operators to provide this service
- ◆ Do not compete where service needs can be met by the private sector in an efficient and cost effective manner
- ◆ Use City charter bus services to shuttle City departments/Utilities only when the cost of service is less than that available by the private sector and/or when the service needs cannot be met by the private sector. Pricing of service by the City should be set to recover the full cost of service.
- ◆ Maintain and clearly define operations/services that support tourism and economic development related activities for large special events that cannot be accommodated by the private sector.

### **2. Maintain the Status Quo**

The status quo is not recommended for the following reasons:

- ◆ There are no performance targets or service levels developed to measure the effectiveness of meeting the City's public policy objectives
- ◆ No business plan upon which to operate and measure performance
- ◆ Currently not appropriately tracking use and purpose of service provided
- ◆ Competing against the private sector

### 3. Next Steps

We recommend the following steps be undertaken:

- ◆ Clearly identify the purpose or intent of the service—defining tourism as the target market
- ◆ Ensure that the policy statements address the need for full cost recovery or when subsidies are acceptable—while the department has been doing an effective job at recovery the full cost of service, there is no policy statement to support that this is in fact Council’s intention. Without such a statement, this could lead to accountability problems
- ◆ Policy statements developed must clarify in which circumstances charter services should be provided. That is, limiting their provision of charter services only to tourist-related activities and leave the rest of the market open to the private sector. Focus attention only on providing support for tourist activities only such as large special events that cannot otherwise be met by the private sector
- ◆ Prepare a business plan and develop performance measures, standards and mandatory reporting mechanisms