REPORTS

Minute No. 6 Automatic Fare Collection System – Financial Status Report No. 5 for the Period Ending September 30, 2013

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and receives the financial status report of the Automatic Fare Collection System Replacement Project as information.
DECISION MAKING HISTORY:

Moved by Councillor Havixbeck,
    That the recommendation of the Winnipeg Public Service be concurred in.

Carried
ADMINISTRATIVE REPORT

Title: AUTOMATIC FARE COLLECTION SYSTEM – FINANCIAL STATUS REPORT NO. 5 FOR THE PERIOD ENDING SEPTEMBER 30, 2013

Critical Path: STANDING POLICY COMMITTEE ON FINANCE

AUTHORIZATION

<table>
<thead>
<tr>
<th>Author</th>
<th>Department Head</th>
<th>CFO</th>
<th>CAO</th>
</tr>
</thead>
<tbody>
<tr>
<td>T. Dreolini</td>
<td>D. Wardrop</td>
<td>P. Olafson, A-CFO</td>
<td>D. Joshi, A-CAO</td>
</tr>
</tbody>
</table>

RECOMMENDATIONS

That the financial status of the Automatic Fare Collection System Replacement Project as contained in the report be received as information.

REASON FOR THE REPORT

Administrative Standard No. FM-004 requires quarterly reporting to the Standing Policy Committee on Finance.

IMPLICATIONS OF THE RECOMMENDATIONS

The project is currently within budget and on schedule.

HISTORY

On February 22, 2006, Council approved the report submitted by the Transit Department entitled Implementation Plan for Rapid Transit Task Force Recommendations. The implementation plan included a recommendation that the existing fareboxes be replaced with an automated fare collection system. The existing fareboxes date back to the early 20th Century and have been out of production for decades. The implementation of a new fare collection system will modernize and simplify the fare collection process, provide more convenience and options for passengers, and improve the security of fare collection.

The Automatic Fare Collection System has a total budget of $17.74 million; $15.24 million was approved in the 2011 and earlier Capital Budgets and Council approved the transfer of an additional $2.5 million from surpluses in the 2011 Transit Buses Capital Project and the Transit System Funds retained earnings at its meeting of July 20, 2011.
MAJOR PROJECT STEERING COMMITTEE

Administrative policy for projects with capital costs exceeding $10 million requires formation of a Major Project Steering Committee. The Committee has been formed and its members are:

Paul Olafson, Corporate Controller, Corporate Finance Department
Clive Wightman, Director of Community Services
Dave Wardrop, Director of Transit

The Committee has reviewed this report and recommends that the report be sent to the Standing Policy Committee on Finance.

PROJECT STATUS

The project is currently within budget and on schedule.

DESCRIPTION OF PROJECT

Fare collection is a core element of Transit’s business and has an impact on the operations of every division within the department. This is an extremely complex technology project involving the installation of electronic validating fareboxes on Transit’s fleet and the implementation of a smart card based automatic fare payment system that is supported by the necessary financial and information technology hardware and software systems.

The electronic validating farebox will be configured to accept coins only and will collect, secure, reliably count and report all fare payments. It will also be configured to print and validate transfers. The electronic fare card reader will be used to read and update contactless electronic smart cards.

All pre-purchased fare products, including passes and advance trip purchases, will be offered on electronic smart cards. These cards would contain a record of the payment, including the time of payment, and would constitute the “transfer” to permit the passenger to board another bus for free during the valid time period.

Retail outlets located throughout the city, telephone and on-line systems will be used by passengers to conveniently reload transit products or value on to reloadable electronic smart cards.

The new fare collection system will be designed to allow the addition of a variety of future enhancements. This will include the capability to easily adjust or increase the number of fare classes to suit future fare policy or marketing initiatives.

The primary contract for the supply of the automatic fare collection system was awarded to Garival Inc. of Laval, Quebec in the estimated amount of $12,934,470.00 before all taxes in January 2012.

PROJECT SCHEDULE

The Automatic Fare Collection System Project is being delivered in two phases. Phase 1 was completed on June 14, 2013. Phase 1 included the installation of the new fareboxes on the entire bus fleet. The fareboxes are equipped with a coin counter/validator, transfer printer, transfer reader and a ticket chute. Paper tickets and monthly and weekly flash passes will continue to be used during Phase 1 and early in Phase 2.
Smart Card functionality will be implemented in Phase 2 of the project beginning in late 2013. The implementation will commence with a small scale pilot test to verify the performance of the system. On the successful completion of the pilot test, the smart cards will be rolled out to the public in stages by passenger class to minimize any potential problems with the distribution to hundreds of thousands of Transit customers.

The delivery of the project is being accomplished through seven separate contracts, which were awarded as shown in the table below.

<table>
<thead>
<tr>
<th>Bid Opportunity Number</th>
<th>Description</th>
<th>Date of Contract Award</th>
<th>Estimated Completion Date</th>
<th>Award Amount</th>
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</thead>
<tbody>
<tr>
<td>550-2008</td>
<td>Consultant Services for the Update of Transit Fare Collection Systems and Technology</td>
<td>October 27, 2008</td>
<td>December 2011</td>
<td>$86,973.00</td>
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<tr>
<td>345-2011</td>
<td>Integration of On-Board Security Camera and Fare Collection Systems with Existing Advanced Transit Communication and Vehicle Location System</td>
<td>May 13, 2011</td>
<td>November 2012</td>
<td>$919,175.00*</td>
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<tr>
<td>777-2011</td>
<td>Development and Implementation of a Multimedia Public Information Campaign.</td>
<td>November 23, 2011</td>
<td>October 2013</td>
<td>$159,400.00*</td>
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<tr>
<td>878-2011</td>
<td>Implementation Project Manager</td>
<td>November 23, 2011</td>
<td>July 2014</td>
<td>$285,526.00</td>
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<tr>
<td>925-2010</td>
<td>Automatic Fare Collection System</td>
<td>January 1, 2012</td>
<td>July 2014</td>
<td>$12,934,470.00</td>
</tr>
<tr>
<td>877-2011</td>
<td>Professional Accounting/Audit Advisory Services</td>
<td>February 10, 2012</td>
<td>May 2013</td>
<td>$22,750.00</td>
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<tr>
<td>Sole source</td>
<td>Consulting Services</td>
<td>May 7, 2012</td>
<td>May 2013</td>
<td>$85,000.00</td>
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</tbody>
</table>

*A portion of these awards being charged to separate projects as the contract work spanned multiple projects ($461,125.00)

Total Issued Contract Value $14,032,169.00

**RISK AND MITIGATION STRATEGIES**

There have been very few large scale electronic smart card implementations in North America and elements of Transit’s project are still under development. This new technology must undergo extensive testing and verification before it can be introduced to the public. The greatest risk to the project at this point is that the development of the smart card technology is delayed, extending the project schedule.

The risk of a delay in the development of the smart card technology has been mitigated with the two phase implementation. With a phased implementation, the benefits of the coin counting and automated transfer verification technology and the corresponding reduction in fare evasion will occur as early as possible.

The risk of technical or card distribution problems following the smart card implementation have been mitigated by using a phased roll out strategy. Smart cards will be introduced by passenger classes
beginning with Handi Transit registrants, seniors, reduced, full fare, eco pass and post-secondary
customers. During the roll out, paper passes and tickets will not be phased out until the volume of smart
cards sold is sufficient to avoid a surge in demand and excessive line ups at card distribution points.
Cards will also be available to the public at 87 locations throughout the city to minimize line ups. Following
the initial roll out, these same locations will be available to load fare products onto cards in addition to
online and 311 fare product purchases.

FINANCIAL ANALYSIS

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Budget</th>
<th>Value/Cost Estimate</th>
<th>Variance Budget to Contract Value/Cost Estimate</th>
<th>Change in Variance from Last Report</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Services</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>External Contracts</td>
<td>14,680,000</td>
<td>14,680,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Equipment</td>
<td>860,000</td>
<td>860,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td>Overhead and Others.</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>-</td>
<td>-</td>
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<tr>
<td></td>
<td>$17,740,000</td>
<td>$17,740,000</td>
<td>-</td>
<td>-</td>
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</tbody>
</table>

Summary

Contracts Issued to Date: $14,032,169

Other Project Costs

(Provincial Retail Sales Tax, Overheads, Salaries, Communication and Other Contingencies): $3,707,831

Total Approved Budget: $17,740,000

To the end of the previous reporting period, six change orders with Garival were implemented at a total
cost, before taxes, of $745,500 as described in Financial Status Report Number 4.

Between July 1 and September 30, 2013, Change order CO16 for the supply and installation of two cash
vaults and mobile bins for Transit’s new bus parking and servicing garage was implemented at a total cost
of $153,100. The vaults and mobile bins are required to allow revenue collection at the new garage that is
nearing completion. The funding for this change order will be provided for out of the Transit
Building/Replacement project and therefore has no effect on the project’s budget.

Budget revisions will be accommodated in the External Contracts portion of the project.

Professional Services include technical engineering consultation on the design and testing of the fare
collection system, external auditing of systems and procedures necessary to secure revenue and
marketing to effectively communicate the changes to the public.

Other equipment includes infrastructure changes and equipment in Transit garage buildings and treasury
to allow secure revenue servicing and coin handling. It also includes the hardware required for the new
farebox to exchange route and bus stop information with the bus radio system and use the wifi system
within Transit buildings to communicate with data servers to upload revenue collection information from the
bus and download fare structure and smart card update information to the farebox on a daily basis.

The project cash flow is included in Appendix 1.
<table>
<thead>
<tr>
<th>Financial Impact Statement</th>
<th>Date:</th>
<th>October 22, 2013</th>
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<tbody>
<tr>
<td>Project Name:</td>
<td>First Year of Program</td>
<td>2012</td>
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<tr>
<td>Automatic Fare Collection System</td>
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</tbody>
</table>

**Comments:**
There is no financial impact as this report is for information only.

original signed by: Patty Jamieson-Bell, CMA
Acting Manager of Finance and Administration
CONSULTATION

In preparing this report there was consultation with:

None

SUBMITTED BY

Department: Transit
Division: Plant and Equipment
Prepared by: Tony Dreolini, Manager of Plant & Equipment
Date: October 22, 2013
File No. 925-2010
### Appendix I

<table>
<thead>
<tr>
<th>Project Component</th>
<th>Capital Budget</th>
<th>Capital Expenditure Forecast</th>
<th>Surplus (Deficit)</th>
<th>Variance</th>
<th>Change in Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A</strong> Professional Services</td>
<td>$1,200,000</td>
<td>$1,200,000</td>
<td>$766,280</td>
<td>$383,720</td>
<td>$50,000</td>
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<tr>
<td><strong>B</strong> External Contracts</td>
<td>$12,180,000</td>
<td>$14,680,000</td>
<td>$7,290,416</td>
<td>$5,921,584</td>
<td>$1,468,000</td>
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<tr>
<td><strong>C</strong> Other Equipment</td>
<td>$860,000</td>
<td>$860,000</td>
<td>$566,747</td>
<td>$293,253</td>
<td>$860,000</td>
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<tr>
<td><strong>D</strong> Overheads and Other</td>
<td>$1,000,000</td>
<td>$1,000,000</td>
<td>$428,934</td>
<td>$571,066</td>
<td>$1,000,000</td>
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<tr>
<td><strong>Total</strong></td>
<td>$15,240,000</td>
<td>$17,740,000</td>
<td>$9,052,376</td>
<td>$7,169,622</td>
<td>$1,518,000</td>
</tr>
</tbody>
</table>

**Explanatory Notes**

1-Professional Services includes amounts for a communication/advertising campaign.

2-Prevailing market conditions increased expected costs.