

Minutes – Standing Policy Committee on Finance – April 6, 2018

REPORTS

Item No. 4 Automatic Fare Collection System

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance concurred in the recommendation of the Winnipeg Public Service and received the report as information.

Minutes – Standing Policy Committee on Finance – April 6, 2018

DECISION MAKING HISTORY:

Moved by Councillor Mayes,

That the recommendation of the Winnipeg Public Service Committee be concurred in and the report be received as information.

Carried

ADMINISTRATIVE REPORT

**Title: Automatic Fare Collection System,
Project ID: 4230001409,
Quarterly Project Status Report No. 22
For the Period Ended December 31, 2017**

Critical Path: Standing Policy Committee on Finance

AUTHORIZATION

Author	Department Head	CFO	CAO
K. Cumming	G. Ewankiw	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

Project On Schedule: Yes No

Project On Adopted Budget: Yes No

Percent of Schedule Complete:

Percent of Adopted Budget Spent:

This is a multi-phase capital project that has updated Transit's fare collection hardware with electronic fareboxes and has introduced a smart card system for fare payments to replace paper tickets and passes. The updated technology has improved flexibility and convenience for passengers to purchase fare products, and enhanced security and data collection over the previous manual fare collection system.

The project remains within amended budget but is behind schedule. This is due to a failure of the contractor, Garival Inc., to deliver on several remaining Phase 2 milestones.

During the period from October 1, 2017 to December 31, 2017, the peggo smart card functionality of the system experienced a period of increased stability. However, the system has not yet reached the level of stability necessary to pay out all milestones to the contractor.

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

RECOMMENDATIONS

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

REASON FOR THE REPORT

The Asset Management Administrative Standard FM-004 requires all projects with a total estimated cost of \$22 million (2018) or more report quarterly to the Standing Policy Committee on Finance. This threshold is adjusted annually for construction inflation as part of the annual Capital Budget approval. The Standing Policy Committee on Finance may also request reporting on any capital project.

IMPLICATIONS OF THE RECOMMENDATIONS

No implications.

HISTORY/DISCUSSION

See Appendix C – Key Project Events (History)

Construction (Update from last report)

No updates since last report.

Table 1 – Contracts

Contracts Table							
Bid Opportunity #	Company Name	Description	Original Contract Award Value (GST & MRST extra as applicable)	Total Approved Over-Expenditures (Over-Expenditure amount only) ²	Date of Award	Date of Completion	Estimated % Complete
550-2008	The Gooderham Group	Consultant Services for the Update of Transit Fare Collection Systems and Technology	\$86,973.00	\$ -	Oct 2008	Dec 2011	100%
345-2011	Infodev Electronic Designers International	¹ Integration of On-Board Security Camera and Fare Collection Systems with Existing Advanced Transit Communication and Vehicle Location System	\$919,175.00	-	May 2011	Nov 2012	100%
777-2011	McKim Cringan George	¹ Development and Implementation of a Multimedia Public Information Campaign	\$159,400.00	-	Nov 2011	Dec 2016	100%
878-2011	The Gooderham Group	Implementation Project Manager	\$285,526.00	-	Nov 2011	Dec 2015	100%
925-2010	Garival Inc.	Automatic Fare Collection System	\$12,934,470.00	-	Jan 2012	Jul 2018	82%
877-2011	Ernst and Young LLP	Professional Accounting/Audit Advisory Services	\$22,750.00	-	Feb 2012	Dec 2014	100%
Sole source	KPMG LLP	Consulting Services	\$85,000.00	-	May 2012	Dec 2014	100%
Sole source	The Gooderham Group	Implementation Project Manager	\$36,000.00	-	Apr 2016	Jul 2018	71%
Total			\$14,529,294.00	\$ -			

Upcoming Procurements:

Description	Anticipated Award Date

Total Award Amount \$14,529,294.00

¹A portion of these awards have been charged to separate projects as the contract work spanned multiple projects (\$461,125.00)

Total Award Amount Applied to Fare Collection \$14,068,169.00

² Historical information. To be updated in future reports.

Garival Contract Details	
Contract Value	12,934,470
Payments to Date	(10,606,304)
Milestone Payments Not Yet Earned	2,328,166

Schedule (Update from last report)

The project remains within amended budget but is behind schedule. This is due to a failure of the contractor, Garival Inc., to deliver on several remaining Phase 2 milestones.

Since September 30, 2017, the peggo system's software and fareboxes have experienced increased stability and reliability, and customer concerns have been significantly reduced. This has allowed the contractor responsible for support of the system to make progress in the outstanding milestones as detailed in the Schedule section. The visitor card has been successfully tested, meaning that milestone 2.2b has been achieved.

However, system stability has not yet been reached for a period of time sufficient to pay out all milestones to the contractor.

Table 2 – Milestones

Milestones					
	Deliverable	Original Targeted Completion Date	Revised Targeted Completion Date	Actual Completion Date	Estimated % Complete
1	2.2 - Successful test of the full system in production environment	2016 Q1	2016 Q1	2016 Q1	100%
2	2.3 - Installation of all devices and system updates in production environment	2016 Q2	2016 Q2	2016 Q2	100%
3	2.4a - Field test of full system in production environment and completion of training programmes	2016 Q2	2016 Q2	2016 Q2	100%
4	2.4b - Launch	2016 Q3	2016 Q3	2016 Q3	100%
6	2.2b - Phase 2B elements (visitor card) testing completed	2016 Q3	2017 Q4	2017 Q4	100%
7	2.3b - Phase 2B elements (visitor card) equipment (functionality) installed	2016 Q3	2018 Q1	-	50%
8	2.5 - Successful completion of Revenue Acceptance Test	2016 Q3	2018 Q2	-	0%
9	2.6 - Successful completion of six month Operational Performance Test and completion of all escrow obligations	2017 Q1	2018 Q4	-	0%

Risk (Update from last report)

Updates reflected in Risk Table 3. On-going system stability issues have meant that Winnipeg Transit information technology staff have taken a greater role in attempting to ensure proper system operation.

Table 3 – Significant Risks and Mitigations Strategies

Significant Risks and Mitigation Strategies	
Risk Statement and Explanation	Risk Mitigation Management Plan
<u>New:</u>	
<u>Ongoing:</u>	
Potential passenger dissatisfaction should system not function as promised	Extensive testing and verification has been performed before being introduced to the public.
	Quick customer service response to customer and agent issues once smart cards are in circulation.
	Delayed removal of paper fare products until technical issues are addressed.
	Winnipeg Transit Information Systems staff work with the contractors to help diagnose any software issues quickly and direct them to appropriate solutions.
<u>Mitigated:</u>	
Risk of card distribution problems if every passenger is allowed to acquire a smart card at the same time.	Smart cards have been introduced by passenger class, specifically Handi-Transit registrants, seniors, youth, full-fare, eco-pass and post-secondary customers.
	Also, paper products will not be phased out until the volume of smart cards sold is sufficient to prevent a surge in demand, and excessive line-ups at card distribution points.

Financial (Update from last report)

For further information, refer to Appendix B – Financial Forecast

No updates from last report.

Funding (Update from last report)

No updates from last report.

Table 4 – Project Funding Forecast and Receivable

Funding Forecast and Receivable			
Funding Source	Adopted Budget (in millions)	Amended Budget (in millions)	Committed (in millions)
Class of Estimate	Class 4	Class 3	
Cash to Capital	8.240	7.557	7.557
Retained Earnings	-	2.850	2.850
Public Transit Reserve	-	0.089	0.089
Federal Gas Tax	-	0.244	0.244
Manitoba Winnipeg Infrastructure	7.000	7.000	7.000
Other Contributions	-	-	-
Total	\$ 15.240	\$ 17.740	\$ 17.740

Property Acquisition (Update from last report)

Not applicable.

Stakeholder Engagements/Communications (Update from last report)

No update.

Subsequent Events after Report Period End Date

Since December 31, 2017, two system issues have affected peggo customers.

In January 2018, there was a problem with U-Passes where some winter U-Passes did not load properly onto some students' cards. The problem was quickly fixed.

In February 2018, there was a problem with the system's "auto-reload" functionality that affected a small number of customers and over-charged their credit cards. The auto-reload function was temporarily disabled and fixed, and all affected customers were refunded.

FINANCIAL IMPACT

Financial Impact Statement **Date:** [March 12, 2018](#)

Project Name:

Automatic Fare Collection System,
Project ID: 4230001409,
Quarterly Project Status Report No. 22
For the Period Ended December 31, 2017

COMMENTS:

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

original signed by

Laurie Fisher, CPA, CA
Manager of Finance & Administration

CONSULTATION

This Report has been prepared in consultation with:

N/A

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1: Provide efficient and focused civic administration and governance. This report supports demonstration of accountability through service performance measurement and reporting.

SUBMITTED BY

Department: Transit

Division: Information Systems

Prepared by: Kirk Cumming, Manager of Information Systems

Date: March 12, 2018

Appendices

Appendix A – Key Project Facts

Appendix B – Financial Forecast

Appendix C – Key Project Events (History)

Appendix A – Key Project Facts

Appendix A – Key Project Facts	
Project Name	Automatic Fare Collection System
Business Owner (Department)	Winnipeg Transit
Project ID	4230001409
Project Sponsor	
	Greg Ewankiw
Department Responsible for Project Delivery	Winnipeg Transit
Consultant Engineer (Company Name)	N/A
Adopted Budget	
	\$15,240,000
Class of Estimate (Adopted)	Class 4
Range of Estimate (Adopted)	-30% to + 60% \$11.723 M - \$24.384 M
Amended Budget	
	\$17,740,000
Class of Estimate (Amended)	Class 3
Range of Estimate (Amended)	-20% to + 30% \$14.783 M - \$23.062 M
<u>Project Scope</u>	
Phase 1	
The design, supply, delivery, installation, commissioning, warranting and servicing of a turnkey automatic farebox fare collection system for conventional and BRT buses operated by Winnipeg Transit	
Phase 2	
Design, supply, delivery, installation, commissioning, warranting and servicing of a smart card system for payment of fares, a purchasing system for merchant partners to sell fare products, a point-of-sale system for Winnipeg Transit to sell fare products, and a web-based system for self-service online purchase of fare products	
Major Capital Projects Advisory Committee Membership:	
<ul style="list-style-type: none"> - Greg Ewankiw, Acting Director of Transit - Kirk Cumming, Manager of Information Systems - Paul Olafson, Corporate Controller, Corporate Finance Department - Cindy Fernandes, Director of Community Services - Laurie Fisher, Manager of Finance & Administration 	

Appendix B – Financial Forecast

Appendix B - Automatic Fare Collection System * As at December 31, 2017

Project Component Deliverables	Budget (in 000's)			Expenditure Forecast (in 000's)					Surplus (Deficit) From Amended Budget	Variance Last Report	Change in Variance	
	Adopted Budget	Council Approved Change **	Amended Budget	Actual Costs To Dec 31, 2017	Projected Costs							Total Forecasted Costs
					2018	2019	2020	2021				
Engineering, Design and Other ¹	\$ 13,715	\$ 2,500	\$ 16,215	\$ 13,405	\$ 2,848				\$ 16,253	\$ (38)	\$ (38)	\$ -
Construction									\$ -	\$ -	\$ -	\$ -
Land Acquisition									\$ -	\$ -	\$ -	\$ -
Internal Financing / Overhead Costs	\$ 999		\$ 999	\$ 661	\$ 300				\$ 961	\$ 38	\$ 38	\$ -
Contingency ²	\$ 526		\$ 526				\$ 526		\$ 526	\$ -	\$ -	\$ -
Total Project Budget	\$ 15,240	\$ 2,500	\$ 17,740	\$ 14,066	\$ 3,148	\$ -	\$ -	\$ 526	\$ 17,740	\$ -		
% of Project Budget Spent (Actual Costs to Date / Adopted & Amended Budget)	92%		79%									

* Amended budget and actual costs to date have been agreed to the City's general ledger and Monthly Capital Expenditures Report.

** Approved by Council July 20, 2011

1 Engineering, Design and Other include amounts previously reported under Professional Services, External Contracts, and Other Equipment

2 Original budget amount per category has been restated to separate the contingency into its own category. The overall project budget remains unchanged. The budgeted contingency disclosed represents the remaining amount as of the end of the reporting period.

Appendix C – Key Project Events (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 fareboxes dated back to the early 20th Century and had been out of production for decades. Implementation of a new fare collection system was intended to 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.

The Automatic Fare Collection System Project was delivered in two phases. Phase 1 was completed in June 2013 and consisted of the installation of the new fareboxes on the entire bus fleet. Paper tickets and monthly and weekly flash passes are continuing to be used in Phase 2 of the project.

Phase 1 of the project consists of the installation of the great majority of the hardware necessary for the project including all fareboxes and cash vaults. The payment for this phase makes up 60% of the total value of the contract. The reliability of farebox transfer printers has improved, and the requirement to achieve a specified reliability level has been transferred to one of the remaining Phase 2 milestones. A written agreement regarding this specified reliability levels and the transfer of this requirement to a Phase 2 payment milestone has been accepted by Garival Inc.

Smart cards have been implemented as Phase 2 of the project. The smart card system has been in development since 2013. The complexity of the implementation has required more system development, verification and rework than was initially anticipated and this has caused the project to fall behind schedule.

As an enhancement to this project, Transit has introduced a single ride token that is used exclusively by schools and social service agencies. The tokens were produced by the Royal Canadian Mint and have a unique electro-magnetic signature that are verified by the new fareboxes to prevent counterfeiting. The tokens should last a minimum of 10 years. Tokens were introduced into service on August 4, 2016.

The smart card system was implemented for seniors on July 4th, 2016 with Full Fare and Youth passengers commencing August 8, 2016. The University of Winnipeg rolled out peggo for U-Pass in September 2016, and the University of Manitoba rolled out peggo for U-Pass in September 2017.