

## **PROPOSED SLIDING SCALE OF FEES FOR LOW INCOME CALGARIANS**

---

### **EXECUTIVE SUMMARY**

Administration has reviewed a proposal for a sliding fee scale for Calgary Transit fares submitted by Fair Fares. Administration believes that the proposal has merit since it is based on treating all low income Calgarians equitably and would be more inclusive for those households living just above the poverty line. Additional time is required to work with all low income and senior citizen advocacy groups as well as affected City business units to develop a sliding scale program proposal for low income subsidies that is fair, affordable and can be resourced appropriately.

### **ADMINISTRATION RECOMMENDATION(S)**

That the SPC on Transportation and Transit recommend that Council direct Administration to develop a sliding scale fee proposal for low income Calgarians that would apply to City of Calgary low income subsidy programs and return to the SPC on Community and Protective Services no later than 2015 September with this proposal that would identify a time line for implementation, requirements/options for funding and administrative requirements.

### **PREVIOUS COUNCIL DIRECTION / POLICY**

On 2014 July 28 Council approved the SPC on Transportation and Transit Recommendations contained in Report TT2014-0583 as amended, as follows:

That Council:

1. Approve the proposed Calgary Transit Fare Structure in Attachment 1 to be used for setting fare prices; after amendment to Attachment 1, as follows:

That Administration be instructed to maintain the current senior fare discounts for 2015 and return with a fare strategy (with a possible tier structure), based on a sliding scale of fares relative to incomes and to report back to Council through the SPC on Transportation and Transit no later than 2014 October; and

2. Direct Administration to return to budget deliberations in 2014 November with proposed fare product pricing for 2015 through 2018, based on the approved Fare Structure.

### **BACKGROUND**

On 2014 July 28, Council approved the amended Calgary Transit Discount Structure to be used for setting future Calgary Transit fare prices (Attachment 1). As directed, the amended discount structure will maintain the current (2014) senior citizen fare discounts for 2015. Administration was directed to investigate a sliding scale of fares relative to incomes. The approved fare discounting strategy includes a new single ride fare for low income Calgarians based on the same eligibility criteria (100% LICO) as the current low income monthly transit pass for Adult and Youth customers.

This report provides information on the initial review of a proposal submitted by Fair Fares for a sliding scale of transit fare discounts for low income Calgarians.

### **INVESTIGATION: ALTERNATIVES AND ANALYSIS**

## PROPOSED SLIDING SCALE OF FEES FOR LOW INCOME CALGARIANS

Due to time limitations, investigation into a possible “sliding scale” for transit fares has been limited to discussions with Fair Fares representatives who have developed the attached proposal “Fair Fares -Sliding Scale Fare Strategy Proposal” (see Attachment 2).

Fair Fares is a community action group that is composed of citizens living on low-income, community organizers and service providers who work together to address the affordable transportation needs of people living on low incomes.

The Fair Fares proposal is based on offering significantly discounted transit fares for all persons with low incomes without regard to age. The proposed sliding scale would extend fare discounts to persons living close to the poverty line, i.e., up to 123 percent of the Low Income Cut Offs (LICO). It is also proposed that the sliding scale should be expanded to include all City of Calgary low income subsidy programs through the new single entry system being developed by Community and Neighbourhood Services.

Administration has reviewed the Fair Fares initial sliding scale proposal and, in general, supports the concept of a sliding scale that would treat all low income Calgarians (including seniors) equitably and that there should not be a single cut off line since there are varying levels of need for financial assistance within the community.

Current Low Income Monthly Fares		Low Income Monthly Fares Proposed by Fair Fares		
Up to 100% LICO			Up to 100% LICO	101-123% LICO
Adult	\$44	All ages	\$4.50 (\$54 per year)	Sliding scale up to \$96 per month
Youth	\$44			
Senior	\$1.25 (\$15 per year)			

However, Administration has identified several concerns with the initial Fair Fares sliding scale proposal:

- Eligibility for subsidized transit fares (and other City of Calgary income based subsidies) would expand from those persons with incomes falling below 100 percent of LICO to individuals with household incomes of up to 123 percent of LICO – an estimated additional 62,300 Calgarians would be eligible. Additionally, increased affordability of a more deeply subsidized Transit pass and resulting awareness increase would result in more ‘uptake’ for those persons below 100 percent LICO but not current Low Income Pass users. This level of increased eligibility and resulting increased demand would require a phased approach and additional resources for the administration of single entry application intake and processing. Initial estimates based on demand increases are for 9.0 additional FTEs.
- The proposed price for monthly transit passes would be approximately one-tenth of the current price for those persons below 100 percent of LICO rising to full adult pass prices at 123 percent of LICO. This proposed significant increase in monthly pass subsidies would

## **PROPOSED SLIDING SCALE OF FEES FOR LOW INCOME CALGARIANS**

---

result in fare revenue loss of approximately \$10 million based on reduced income from the current low income transit pass sales and expansion of eligibility to additional Calgarians. For 2014, the revenue decrease associated with the current low income transit pass is estimated at \$7 million since nearly all low income pass customers have switched from using regular priced fares. The proposed sliding scale contains approximately 400 income and pricing categories for persons whose household income is between 100 and 123 percent of LICO since it addresses single and multiple person households. This level of complexity can be incorporated into the software being developed for the single point of entry system; however, additional time and resources would be required to adjust software and systems on top of the current software being developed for single entry.

- Expansion of a sliding scale to other programs provides a consistent approach to subsidy access for Calgarians in financial need. Highlights of potential implications for other subsidy programs include program revenue and resource impacts to program providers, sector impacts for Civic Partners and other recreation providers, as well as administrative impacts of updating technology (e.g. Recreation's CLASS system) to new sliding scale.

Additional time is required to evaluate the financial impact associated with the sliding scale including implications for other City business unit budgets. An exploration of funding models and options should occur, including resource implications, merits, risks and mitigations / contingencies associated with these options. Discussions should also occur with the Provincial government regarding possible funding support for low income subsidies similar to the previous funding for seniors supports. The administrative and technical requirements to implement a sliding fee scale need to be evaluated to enable a detailed presentation to City Council.

Community and neighbourhood Services is currently preparing to initiate a single entry program. A phased implementation plan has been developed. The first phase of the single entry system will be in place by 2014 December. Phase two will be launched by 2015 May.

As outlined in the Fair Fares proposal, it is anticipated that a sliding scale structure will be applied universally across subsidy programs. Further, expansion of a sliding scale to other programs provides a consistent approach to subsidy access for Calgarians in financial need. Examining the implications and engaging with both internal and external stakeholders is required to ensure a full assessment.

### **Stakeholder Engagement, Research and Communication**

Stakeholder engagement on the possibility of a sliding scale of transit fares for low income Calgarians has been limited to discussions with representatives of Fair Fares.

### **Strategic Alignment**

The Fair Calgary Policy (2006) supports a need (or income) based approach. A sliding fee scale, applied globally and based on income for City of Calgary subsidy programs, is aligned with the Fair Calgary Policy. A sliding scale approach would align with the Fair Calgary Policy, "...so that all Calgarians are capable of using the programs, services, facilities and public spaces provided directly by The City of Calgary."

## **PROPOSED SLIDING SCALE OF FEES FOR LOW INCOME CALGARIANS**

---

A sliding scale would be consistent with the 2020 Sustainability Direction of, “100 per cent of low-income Calgarians having improved access to low-income programs and services.”

### **Social, Environmental, Economic (External)**

An expanded approach to subsidized fees is consistent with an inclusive city. It will support more citizens to become active community members through increased access to subsidy programs.

Enhanced access to City services will increase the ability of those with low incomes to improve their personal outcomes and increase their contribution to our city economically as well as socially.

### **Financial Capacity**

#### **Current and Future Operating Budget:**

Attachment 3 provides a summary of the low income and seniors transit pass programs. These special passes provide significant transit fare discounts compared to regular Adult and Youth fares. Since 2005, when low income transit passes were introduced, the number of approved applicants has increased from 3,200 to 24,500 and pass sales have increased substantially with 2014 sales estimated to reach nearly 190,000 passes.

The growth of low income transit sales have impacted transit revenues (less revenue from pass sales) since the majority of low income pass users are switching from purchasing regular priced fares. Previous fare use is determined via information provided by low income pass applicants which has found that only four percent of these applicants did not use Calgary Transit before obtaining a low income pass. In 2014, the impact to total transit fare revenue (lost revenue) is estimated at \$7.3 million as a result of increasing sales of low income passes.

Since 2005, the number of annual seniors transit passes has remained relatively stable and there has been a recent decline in the sale of passes to non-low income seniors. It is estimated that the sale of the annual seniors passes (regular and low income) results in transit revenue being approximately \$10 million lower than if seniors had purchased regular adult fares. This figure is based on information provided annually by senior citizen pass holders who indicate how they would travel and what fares they would use if the annual seniors pass was not available.

For the 2015 to 2018 Action Plan and budget, Adult and Youth fares will need to increase by approximately six per cent annually in order to support modest service growth and maintain the 50 to 55 per cent revenue / cost (R/C) ratio. Further upward pressure on other customer fares will result if current seniors annual pass prices are maintained.

Calgary Transit is unable to recommend further discounting of fares for low income Calgarians without additional budget adjustments and changes to the R/C ratio targets. The already heavily discounted transit passes for seniors and low income persons reduce Calgary Transit revenue potential and necessitate higher fares for other customers. The introduction of additional discounts would require either higher fares for other customers, an increase in property taxes (meaning a lower R/C ratio) or a reduction of transit services.

## **PROPOSED SLIDING SCALE OF FEES FOR LOW INCOME CALGARIANS**

---

### **Current and Future Capital Budget:**

There is no impact to capital budgets.

### **Risk Assessment**

The ability for Calgary Transit to achieve RouteAhead goals depends, in part, on the sustainability of Calgary Transit fare revenues. Modest changes to the current fare pricing structure (discounts) combined with small incremental fare increases are required to help achieve these goals. By maintaining significant discounts for some customers the funding of improved transit services will be difficult.

### **REASON(S) FOR RECOMMENDATION(S):**

Additional time is required to work with low income and senior citizen advocacy groups to determine if a sliding scale of subsidies can be developed to better meet the needs of low income Calgarians within the City's ability to support such a program both administratively and financially.

### **ATTACHMENT(S)**

1. Approved Calgary Transit Fare Structure Changes (as approved in TT2014-0583)
2. Fair Fares – Sliding Scale Fare Strategy Proposal
3. Summary of Low Income and Senior Transit Pass Programs