

Transportation Report to
SPC on Transportation and Transit
2019 October 23

ISC: UNRESTRICTED
TT2019-1004

Sliding Scale Low Income Transit Pass – Long-Term Funding Options

EXECUTIVE SUMMARY

As part of the direction received from Council for the 2019 sub-service review program (C2019-0883) and TT2019-0637 RouteAhead Update, this report provides analysis and recommendations for a long-term sustainable funding model for the sliding scale Low Income Transit Pass (LITP) program.

Pilot funding from the Provincial government will end in 2019, and the sliding scale fare structure is currently unfunded for 2020 onward. Funding gap scenarios are presented that account for the uncertainty of continued funding from the Provincial government, as well as increased subsidy costs from program growth. The current budget constraints being experienced by The City and direction for 2020 reductions in tax support make it challenging to allocate significant additional tax support towards the program to make up the funding gap. As such, this report includes an analysis of various options of fare structure revisions, additional tax support, and removing tax support from the sliding scale. Revisions to the LITP fare structure are recommended for each funding gap scenario, based on the principles of maintaining a three-band sliding scale and reflecting equity among bands in the proportion of income that would be allocated towards transit. Approved revisions to the LITP fare structure will be reflected in the user fees for the 2019 November budget adjustments, based on the outcome of Provincial funding decisions. The recommended funding model options address the program's 2020 onward funding gap in a sustainable manner, while still providing significant income-based subsidies that are aligned with the ability to pay.

The financial impacts of additional discounts for seniors and youth are also provided, as requested in a Motion Arising to TT2019-0637 RouteAhead Update.

ADMINISTRATION RECOMMENDATION:

That the Standing Policy Committee on Transportation & Transit recommend that Council:

1. Direct Administration to continue advocacy with the Government of Alberta for permanent funding for the sliding scale Low Income Transit Pass program.
2. Direct Administration to address the sliding scale Low Income Transit Pass program funding gap at the 2019 November budget adjustments with a sliding scale fare structure and budget request submission that reflects the recommended options in this report, based on the outcome of Provincial funding decisions.
3. Receive for information Options 3 and 4 under Scenario C, as Administration's final submission for sub-service review of the sliding scale Low Income Transit Pass program.

PREVIOUS COUNCIL DIRECTION / POLICY

See Attachment 1.

BACKGROUND

In partnership with The City, the Government of Alberta is currently contributing \$4.5 million per year (plus a five per cent contingency) from 2017 to 2019 for the sliding scale fare structure for the Low Income Transit Pass (LITP) program. The funding for the sliding scale fare structure was treated as a pilot, intended to inform the future of the program's structure and funding based on program uptake and user benefits. The City's previous single-rate LITP was

Sliding Scale Low Income Transit Pass - Long-Term Funding Options

introduced in 2005, with passes costing \$44 per month prior to the implementation of the sliding scale in 2017 April.

The number of participants in the LITP program has more than doubled since the implementation of the sliding scale, with most of growth occurring in the lowest-price Band A (\$5.30 in 2019; 95% discount off Adult Monthly Pass). Surveys conducted in 2018 have shown that approximately 75 per cent of new LITP customers previously purchased other regular Calgary Transit fare products, and approximately 25 per cent were not previous transit users, including new Calgarians.

The program currently supports more than 66,000 low income Calgarians through the economic recovery by making it easier for them to access employment, supports and services in the community. Low income Calgarians have been clear that the program has made significant positive impacts in their day-to-day lives, and this program has strong alignment with The City's poverty reduction and economic strategies. A comprehensive overview of the current state and benefits of the program was presented in Attachment 5 of TT2019-0637 RouteAhead Update, with key research and data also included in Attachment 2 of this report.

The sliding scale fare structure does not currently have a long-term sustainable funding model as the Provincial grant ends in 2019 and The City has been using one-time funds to cover increasing subsidy costs. Council approved one-time funding of \$4 million in 2018 and \$6 million in 2019 to manage the revenue impacts of the increased program uptake, but funding required to make up this gap has not been identified for 2020 onward. In addition, the Government of Alberta has not yet provided an update on the status of the funding partnership beyond 2019, although active advocacy is taking place at the political and administration levels.

A long-term sustainable funding model for the LITP program is required to cover the approximately \$11 million funding gap for 2020 onward. This funding gap is the annual financial change in Calgary Transit revenues directly resulting from the introduction of the sliding scale. If the Province renews the pilot funding at the current rate of \$4.5 million, the funding gap that will need to be resolved in 2020 will be \$6.5 million. Given the current budget challenges of Calgary Transit (44 per cent Revenue/Cost ratio, \$9.3 million budget reduction in 2019) and The City as a whole tied to the economic downturn, and further reductions of \$26.5 million and \$52.5 million in tax support being evaluated for 2020, a more financially-sustainable sliding scale fare structure needs to be considered.

The analyses and recommendations in this report constitute the sub-service review for the sliding scale LITP funding model.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

LITP Funding Model

The existing Provincial pilot funding provides \$4.5 million per year, ending in 2019. The City has requested a long-term agreement with the Province beyond 2019 as well as funding to cover the program's entire \$11 million cost. A request has been made to provide a funding decision before 2019 November to inform The City's 2019 November budget adjustment submission, but no commitments have been made at this point. As a result, the following funding gap scenarios have been considered, with options and recommendations on a sustainable funding model for each scenario:

Sliding Scale Low Income Transit Pass - Long-Term Funding Options

- **Scenario A:** Government of Alberta provides \$11 million in annual funding for the LITP program from 2020 onward (LITP Funding Gap = \$0)
- **Scenario B:** Government of Alberta renews the pilot annual funding of \$4.5 million for the LITP program from 2020 onward (LITP Funding Gap = \$6.5 million)
- **Scenario C:** Government of Alberta discontinues funding for the LITP program beyond 2019 (LITP Funding Gap = \$11 million)

Administration created principles to guide the development of sustainable funding model options; these principles focused on maintaining a three-band sliding scale fare structure and reflecting equity among bands in the proportion of income that will be allocated towards transit (Attachment 3). This approach recognizes varying income levels in citizens below the Low Income Cut Off (LICO), and provides a 'relative' price to the LITP based on a household's income, while still providing the greatest advantage to those earning the least.

Given the significant total subsidy for the LITP program from other sources (regular fares, tax support, grants) and The City's budget challenges, funding model options focused on making up the funding gap within the program through a more financially-sustainable structure. Adult Single Ride and Adult Monthly Pass fares are proposed to increase by three per cent in 2020 (to \$3.50 and \$109 respectively) to manage increased costs from inflation, parts, technology, utilities and contractual services. Given service reductions implemented in 2019 and carrying forward into 2020, it is not recommended to pursue additional increases across other fares to make up the LITP program funding gap.

Similarly, it is not recommended to implement further service reductions to make up the program's funding gap. A reduction of 80,000 annual service hours was implemented in 2019 September as part of the 2019 July budget reductions, and reduction scenarios are being evaluated for the 2020 budget adjustments. Further service reductions will negatively impact all Calgary Transit customers, but will disproportionately impact low-income Calgarians because lower productivity routes and time periods that provide connectivity for 'captive riders' will see the most severe reductions.

The following scenarios and funding options have been developed to address the funding gap for the LITP program, consisting of combinations of Provincial funding, additional municipal tax support and revised LITP fares. More detailed information on each option is provided in Attachment 4.

Scenario A: Government of Alberta provides \$11 million in annual funding for the LITP program from 2020 onward (LITP Funding Gap = \$0).

In this scenario, the entire funding gap would be made up from Provincial funding, and no further tax support or changes to the LITP fare structure would be required.

Sliding Scale Low Income Transit Pass - Long-Term Funding Options

Scenario B: Government of Alberta renews the pilot annual funding of \$4.5 million for the LITP program from 2020 onward (LITP Funding Gap = \$6.5 million).

Option	Additional Tax Support	Additional LITP Fare Revenue	2020 Pass Price (Bands A/B/C)	Discount off Adult Monthly Pass
1 Current Program	\$6.5 million	-	\$5.45 \$38.15 \$54.50	95% 65% 50%
2 Modified Program	\$3.25 million	\$3.25 million	\$13.10 \$38.15 \$54.50	88% 65% 50%
3 Recommended Modified Program	-	\$6.5 million	\$18.55 \$43.60 \$59.95	83% 60% 45%

Given The City's direction for significant reductions in tax support for 2020, Option 3 is recommended as the most financially sustainable funding model for Scenario B while still maintaining equitable LITP rates aligned with the ability to pay (Attachment 3). The LITP program will continue to be heavily subsidized by tax support, Provincial funding and regular fares under this option. The remaining funding gap will be made up within the program while continuing to provide significant income-based subsidies to low income Calgarians. It should be noted that the proposed 83 per cent discount off the Adult Monthly Pass for Band A is closely aligned with the original Band A recommendation of 85 per cent discount off the Adult Monthly Pass when the sliding scale was introduced (CPS2016-0494 Options for Sliding Scale Implementation). Option 3 also provides certainty on the long-term future of the program by allowing it to be more self-sustaining with a stable funding model.

Scenario C: Government of Alberta discontinues funding for the LITP program beyond 2019 (LITP Funding Gap = \$11 million).

Option	Additional Tax Support	Additional LITP Fare Revenue	2020 Pass Price (Bands A/B/C)	Discount off Adult Monthly Pass
1 Current Program	\$11 million	-	\$5.45 \$38.15 \$54.50	95% 65% 50%
2 Recommended Modified Program	\$4.5 million	\$6.5 million	\$18.55 \$43.60 \$59.95	83% 60% 45%
3 Modified Program	-	\$11 million	\$24.00 \$54.50 \$81.75	78% 50% 25%
4 No Sliding Scale	-	\$11 million	\$54.50	50%

Option 2 is recommended for Scenario C because it maintains LITP fares at rates more aligned with a household's ability to pay, while still revising the fare structure to make significant contributions towards the program's \$11 million funding gap (Attachment 3). As per the sub-

Sliding Scale Low Income Transit Pass - Long-Term Funding Options

service review, this Option provides a material reduction in The City's support for the operating expenditures of the sliding scale compared to 2019. Similar to Scenario B, the recommended revised fare structure will maintain equity among the bands in household transit costs, while retaining rates more aligned with the ability to pay for all bands. It is not feasible to allocate \$11 million in additional tax support to the program under The City's budget constraints, and it will also be challenging to allocate \$4.5 million in additional tax support to make up program's remaining funding gap under Option 2. However, while a funding partnership with the Province is the ideal state and continued advocacy will be undertaken, additional municipal tax support to backstop discontinuation of that funding would be an investment in the significant social, economic and societal benefits from the sliding scale LITP program. Investments in affordable transit for low income citizens have been shown to contribute to the overall vitality of cities, and improves labour supply and mobility, economic and community participation, and reduced use of costly health and emergency services (Attachment 2). The portion of the funding gap from program growth would be made up through the revised fare structure, for a more financially-sustainable and stable funding model.

Financial Impacts of Additional Discounts for Seniors and Youth

As requested in the Motion Arising to TT2019-0637 RouteAhead Update, the financial impacts of additional discounts for Seniors and Youth are as follows:

- The total annual revenue impact for allowing seniors age 70 and over to access transit service at no charge is currently \$1.9 million, expected to grow to \$2.4 million by 2023.
- The total annual revenue from youth fares is \$25.7 million. The annual revenue impacts of additional 25%, 50% and 75% discounts to current youth fares are \$6.1 million, \$12.3 million and \$19.1 million respectively.
- The annual revenue impact of allowing youth age 6-17 to use transit service at no charge on weekends and public holidays is \$0.8 million.

More detailed information and context on the impacts of providing additional discounts to seniors and youth is provided in Attachment 5. Comparisons of Calgary Transit fares with other municipalities are provided in Attachment 6.

Stakeholder Engagement, Research and Communication

Calgary Neighbourhoods (CN) and Calgary Transit have worked very closely with internal stakeholders from various business units to develop and operationalize the sliding scale fare structure through Fair Entry and Calgary Transit's pass sales. The work on a long-term sustainable funding model for the sliding scale LITP has also been undertaken in collaboration with Finance and Corporate Initiatives.

In the development of the initial model, CN held regular meetings to solicit input and feedback from key stakeholders including the community group Fair Fares. Further discussions have also taken place on the funding gap, coordinated Provincial advocacy and options for long-term sustainable funding for the LITP program.

Advocacy and communication with the Government of Alberta over 2019 has included the YYCMatters Provincial election campaign, annual and quarterly program evaluation reports submitted to the Ministry of Community & Social Services, meetings with members of Administration from the Ministries of Transportation and Community & Social Services, and

Sliding Scale Low Income Transit Pass - Long-Term Funding Options

letters from Members of Council and General Managers to the relevant Ministers and Deputy Ministers.

Point-of-application and point-of-sale surveys have been conducted with LITP customers in 2017 and 2018 to quantify usage and outcomes of the program. Detailed surveys will also be conducted in 2020 to monitor the impact of a revised fare structure on customers and outcomes.

Strategic Alignment

The approach outlined in this report is aligned with a number of key priorities and guiding documents, including Council direction for 2020 budget adjustments, Council Priority of a Prosperous City (P4), RouteAhead, the Enough for All poverty reduction strategy, the Social Wellbeing policy, and Calgary's Economic Strategy.

Social, Environmental, Economic (External)

Social: A sliding scale fare structure for the LITP provides fares better aligned to the ability to pay for many low income Calgarians, supporting them during the economic recovery, enhancing their mobility options and social connections, and enabling them to become more active community members. Investments in affordable transit for low income citizens have been shown to contribute to the overall vitality of cities, and improves labour supply and mobility, economic and community participation, and the use of appropriate health and social service agencies rather than more costly health and emergency services (Attachment 2).

Environmental: An affordable transit service for all Calgarians is consistent with achieving The City's environmental goals by providing alternatives to private vehicle use.

Economic: The sliding scale for the LITP has supported low income Calgarians through the economic recovery by making it easier for them to access employment, appointments and services in the community. Access to affordable transit increases the ability of those with low incomes to improve economic self-sufficiency and increase their contributions to our city economically. Affordable transit for all contributes to a city where people want to live, work and invest, and improves Calgary's labour supply and mobility.

Financial Capacity

Current and Future Operating Budget:

The current funding model for the sliding scale LITP program is not sustainable due to the conclusion of the pilot Provincial funding at the end of 2019 and significant increases to The City's subsidy costs from program growth. The sliding scale fare structure is currently unfunded for 2020 onward, with no base funding allocated for sustainment. The recommended funding model options in this report address the program's funding gap in a sustainable manner based on the outcome of Provincial funding decisions. Depending on the scenario, the funding gap is recommended to be significantly or fully covered through a revised sliding scale fare structure, while still providing significant income-based subsidies (\$27 million) to low income Calgarians for affordable access to transit. A \$4.5 million investment in additional tax support is recommended if the Province discontinues the pilot funding beyond 2019. Based on the funding gap scenario that materializes from Provincial funding decisions, the recommended funding model option for that scenario will be brought to the 2019 November budget adjustments to be considered against other City needs and the current financial constraints.

Sliding Scale Low Income Transit Pass - Long-Term Funding Options

Current and Future Capital Budget:

There are no capital budget implications associated with the recommendations in this report.

Risk Assessment

A funding commitment beyond 2019 for the sliding scale LITP program has not been made by the Government of Alberta. Without a long-term sustainable funding partnership, the funding gap for the program is significantly higher, which would require additional tax support, service reductions or greater increases to the sliding scale fares as outlined in this report. Administration will continue advocacy and negotiation efforts leading into the fall budget periods for the Province and The City.

LITP sales have grown at an unprecedented rate since implementation of the sliding scale fare structure in 2017 April; pass sales grew by 44 per cent in 2017 and a further 33 per cent in 2018. While program growth is expected to slow to approximately 14% in 2019 and stabilize between 3-4 per cent in 2021, unforeseen growth beyond projections will continue increasing the program's funding gap. This will increase financial pressures on Calgary Transit's operating budget, and may require further tax support, sliding scale adjustments or service reductions to manage the operating cost gap.

REASON(S) FOR RECOMMENDATION(S):

The current funding model for this program is not sustainable due to significant increases to The City's subsidy costs from program growth and the conclusion of the Provincial grant at the end of 2019. The recommended funding model options in this report address the program's 2020 onward funding gap in a sustainable manner based on the outcome of Provincial funding decisions, while still providing significant income-based subsidies to low income Calgarians that are aligned with the ability to pay.

ATTACHMENT(S)

1. Attachment 1 – Sliding Scale Low Income Transit Pass Program: Recent Council Direction
2. Attachment 2 – Low Income Transit Pass Program Research and Data Summaries
3. Attachment 3 – Principles for Sustainable Low Income Transit Pass Funding Model Options
4. Attachment 4 – Evaluation of Low Income Transit Pass Funding Model Options
5. Attachment 5 – Financial Impacts of Additional Discounts for Seniors and Youth
6. Attachment 6 – Comparison of Calgary Transit Fares with other Municipalities