



**SLIDING SCALE IMPLEMENTATION UPDATE**

**EXECUTIVE SUMMARY**

In 2017 April, The City of Calgary introduced the sliding scale fare structure for Calgary Transit's Low Income Monthly Pass. The new price structure has resulted in current forecasts for 2018 that represent a greater than 50% increase in pass sales compared to 2016 and that surpass initial pass sale projections by 30%. The increased uptake in the Low Income Monthly Pass has demonstrated the need for fares that are more aligned with a low income Calgarian's ability to pay. In addition, the new sliding scale price structure has served to put money in the pockets of low income persons and to allow them greater access to the community through the use of public transportation.

The pass sales growth has exceeded original forecasts, resulting in a funding gap over and above the \$4.5 million in funding received from the province. The funding gap results when calculating the difference between the actual revenues from sliding scale fare pass sales, the grant received from the province and revenues that would otherwise have been generated through the previous subsidized flat fare rate. The funding gap intensifies Calgary Transit's challenges in achieving a 50/50 revenue/cost ratio. Administration has worked collaboratively to establish a centralized administration of provincial funding for the sliding scale fares in alignment with Transit's Zero Based Review, however, the centralized administration of the funds does not address the current funding shortfall and lack of a long-term funding framework for this income-based subsidy program.

Administration is recommending a referral to the Adjustments to the 2018 Business Plan and Budget process in 2017 November to address the funding gap (\$3 to \$4 million). Longer term, work will continue on a sustainable funding framework that looks at revenues, budget adjustments and grant funding as options to address financial impacts, while balancing the needs of affordable transportation for low income persons.

**ADMINISTRATION RECOMMENDATIONS**

That the Standing Policy Committee (SPC) on Community and Protective Services recommend that Council:

1. Direct Administration to:
  - a. Bring forward a detailed sliding scale funding gap estimate in 2017 November to be considered as part of Adjustments to the 2018 Business Plan and Budget; and
  - b. Report back with an update on sliding scale including a funding framework, no later than Q4 2018 with the intent of reflecting the framework in the 2019-2022 One Calgary Service Plan and Budget; and
2. Receive this Report as an item of Urgent Business for the 2017 September 11 Combined Meeting of Council.

**RECOMMENDATION OF THE SPC ON COMMUNITY AND PROTECTIVE SERVICES,  
DATED 2017 SEPTEMBER 06:**

That Council approve Administration Recommendation 1 contained in Report CPS2017-0652.

## **SLIDING SCALE IMPLEMENTATION UPDATE**

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

On 2016 October 3 Council received C2016-0799 Sliding Scale Update Report for information.

On 2016 July 25 Council approved CPS2016-0494, which directed Administration to:

1. "Amend Option 1, Band A, with respect to the percent discount based upon Adult Monthly Pass, from 85 per cent to 95 per cent, and implement a sliding scale of three bands up to 100 per cent LICO for the Calgary Transit Low Income Monthly Pass using the recommended fee schedule as presented in the report and to return to Council with a report on funding options no later than 2016 November;
2. Allocate the committed provincial funds outlined in Attachment 1 to the implementation of the sliding scale, while continuing to investigate a broader funding framework; and
3. Report back with an update on the implementation and funding framework to the SPC on Community and Protective Services no later than Q4 2017."

On 2016 June 20 Council approved Administration's recommendation as part of PFC2016-0469, Transit Zero Based Review, which stated, "Refer the consultant's recommendation related to Low-Income Transit Pass funding to Calgary Neighbourhoods, to work with Calgary Transit in determining an approach to managing low income transit passes, including ongoing responsibility for funding, and to report back to the SPC on Community & Protective Services no later than Q4 2017".

On 2015 September 14 Council approved CPS2015-0712 directing Administration to use the sliding scale proposal as a foundation for: advocating to other orders of government for funding support, including the current consultation process for the provincial government's 2016-2017 budget; and continue to refine a sliding scale approach including an implementation plan and funding framework; and report back to the SPC on Community & Protective Services no later than 2016 July.

On 2014 November 3, Council approved TT2014-0768, "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."

### **BACKGROUND**

In 2013, Council directed Administration to simplify citizen access to City subsidy programs. This resulted in the launch of Fair Entry in 2014. Subsequently an exploration of a sliding scale fee/fare proposal for low income Calgarians that would apply to all City of Calgary low income subsidy programs was undertaken. As part of the sliding scale proposal, The City continued to advocate to other orders of government to assist with funding municipally offered subsidy programs and continued to investigate how a sliding scale might be implemented.

## **SLIDING SCALE IMPLEMENTATION UPDATE**

---

Through continued research and engagement, it had become apparent that the existing flat fare subsidized monthly rate of \$44 for Transit's Low Income Monthly Pass was a significant household expenditure for a large number of low income Calgarians. The sliding scale for the transit Low Income Monthly Pass was recommended to Council in 2016 based on community feedback that the existing reduced fare price did not adequately address the ability of those living in deep poverty to pay.

As a result of advocacy efforts, negotiations and a new provincial government, in 2016 May, the Government of Alberta announced a funding partnership with The City of Calgary to enhance access to transit services for low income Calgarians. The three year annual funding commitment of \$4.5 million resulted in a 2017-2019 cost sharing arrangement between the province and City to reduce barriers to transportation for low income Calgarians, aiming to ultimately reduce the effects of poverty in Calgary.

Consistent with direction originating with PFC2016-0469, Transit Zero Based Review, Calgary Neighbourhoods (CN) has assumed the centralized role in distributing the provincial funds as a means to pilot a centralized administrative model associated with the Low Income Monthly Pass program. Administration is also working towards developing a funding framework to address the financial impacts of the low income subsidy programs, as recommended in the Zero Based Review, while balancing the needs of the community and the ability to pay of those living in levels of deep poverty.

Following Council's unanimous endorsement of a sliding scale fare structure for the Low Income Monthly Pass program, Administration worked across business units to operationalize the new sliding scale fare structure. In 2017 April, sales of the sliding scale monthly passes began. Reduced monthly pass prices range from 50% to 5% of the cost of a regular adult monthly pass which result in prices from \$5.05 to \$50.50.

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

The sliding scale fare structure has been introduced during a time of great economic need in Calgary. Low Income Monthly Pass sales have increased significantly since the introduction of the sliding scale fare structure. In the first three months of the sliding scale program (2017 April-June), there were almost 70,000 monthly passes sold versus approximately 50,000 sold during the same period in 2016. As the product is better aligned with a customer's ability to pay, people are buying monthly passes more regularly, meaning they have more consistent access to quality transit service that enables them greater opportunity to participate in and contribute to the community.

Current purchasing data shows that qualified citizens are interested in purchasing Low Income Monthly Transit Passes at these further reduced fares. This program improves the alignment between fare cost and the ability to pay for many existing Transit customers who use the service. As well, in the first three months since the launch of the sliding scale fare structure, approximately 8,000 people who had not previously purchased a Low Income Monthly Pass have purchased a pass. Over 70 per cent of these individuals qualified for and purchased the least expensive pass (Band A).

**SLIDING SCALE IMPLEMENTATION UPDATE**

---

Data shows that in the first three months of the program 96 per cent of eligible individuals purchased a pass compared to 76 per cent in the same period in 2016, an increase of 20 per cent. One reason for this increase is that household purchasing patterns have changed significantly. When analyzing sales records on a case by case basis a pattern emerges which shows households purchasing more low income monthly passes in 2017 compared to 2016. Supporting this data is the experience of individual purchasers. One family of five indicated that although all household members qualified, they previously purchased only two passes per month as they could not afford five passes. Under the new sliding scale fare price structure, this same family now purchases passes for all five family members. By offering passes better aligned with the ability to pay, The City of Calgary is increasing access to quality transit service for those most in need. This service provides greater access to employment opportunities, health and community services as well as improved social connections. To further understand purchasing patterns and customer impact, Administration will also be engaging customers this fall to gather more data points for analysis.

Purchasing data under the new sliding scale fare structure show that Bands A and B account for over 90 per cent of pass sales. These bands, available to households with incomes 50 and 85 percent of the Low Income Cut-off respectively, provide pass prices that are lower than the previous reduced fare price. This provides real cost savings to low income Calgarians; in the range of \$200-\$500 annually for each person purchasing a pass. Collectively, this represents more than \$8 million in annual cost savings for low income persons.

Pass sales have exceeded previous baseline estimates for the new sliding scale fare structure. Previous estimates were based on 2015 and preliminary 2016 data. Detailed in Table 1 below, monthly pass sales for 2016 are presented, with Administration's original projections, which had allowed for an 18 per cent increase over previous year. The table also presents revised 2018 projections demonstrating increase in pass purchases of 56 per cent over 2016 actual pass sales. Revised projections are based on the purchasing patterns seen in the first 3 months of the program with 10 per cent contingency for additional growth; Administration will continue to monitor the data to help establish firm baselines. At this time, it is expected that uptake in purchasing will continue at a sustained high level as seen in the opening months.

TABLE 1- MONTHLY PASS SALES

BAND	LICO RANGE	Pass Price	2016 Actual	Original Projections	Revised Projections for 2018
A	0% to 50%	\$5.05	N/A	99,330	164,880
B	50% to 85%	\$35.35	N/A	99,330	122,268
C	85% to 100%	\$50.50	N/A	32,340	19,812
<b>TOTAL Pass Sales</b>			<b>196,436</b>	<b>231,000</b>	<b>306,960</b>
<b>Increase over 2016 Actual</b>			<b>N/A</b>	<b>18%</b>	<b>56%</b>

## **SLIDING SCALE IMPLEMENTATION UPDATE**

---

While the pass sales increases have been significant, the distribution of across the price bands have also varied from forecasts based on pass sales data. Most significant is that Band A, the lowest pass price (\$5.05), has risen from a forecasted 43 per cent of pass sales to 54 cent of pass sales in the first three months of the program. Based on funding gap calculations this in turn has a significant impact on the funding gap calculation.

The increased demand for the Low Income Transit Monthly Passes has contributed to an overall decrease in Calgary Transit revenues. While the province has provided a portion of the funding, it does not adequately address the program growth and subsidy costs associated with sliding scale, leaving a significant funding gap. As such, provision of these lower fares has had negative impacts on Calgary Transit's revenues at a time of other revenue and ridership challenges. Discussion of potential funding options to address the challenge are included in the financial capacity section of the report.

With the current shortfall, funding beyond the current 2017-2019 provincial agreement uncertain and a sustainable funding framework not yet identified, at this time Administration recommends no expansion of the sliding scale to either the fare structure or the services available. While there are continued signs of economic recovery and income support rates have levelled off in recent months, there will continue to be a need for the sliding scale fare structure.

### **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 new sliding scale fare structure through Fair Entry and Transit's pass sales.

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, which is comprised of community members as well as organizational representatives from Disability Action Hall, the Women's Centre of Calgary, Vibrant Communities Calgary, Sunrise Community Link Resource Centre, the Calgary Chinese Elderly Citizens Association, and the United Way of Calgary and Area, as well other community partners.

In accordance with Results Based Accountability reporting, CN is developing an assessment of Fair Entry user experience which will be incorporated in future sliding scale reporting. The assessment will further inform our evidence-based decision making approach, expanding on the operational data available on the Fair Entry program.

## SLIDING SCALE IMPLEMENTATION UPDATE

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### Strategic Alignment

Ensuring support is available to help vulnerable Calgarians live and succeed in Calgary aligns with a number of key priorities and guiding documents, including:

- Council Priority of a Prosperous City, P7 “Continue policies and programs to reduce the number of people living in poverty”;
- *Fair Calgary Policy*, to increase accessibility and usage of programs, services, facilities and public spaces provided directly by The City of Calgary;
- imagineCALGARY target 62: “By 2036, all publicly provided goods and services are affordable, accessible and priced in accordance with their public benefits”.
- 2020 Sustainability Direction, “By 2020, 100 per cent of low-income Calgarians have improved access to low-income programs and services”;
- *Economic Development Strategy for Calgary*, “Invest in equal opportunity and prosperity for all Calgarians”; and
- *Enough for All: Calgary’s Poverty Reduction Strategy* goal, “Everyone in Calgary can easily access the right supports, services and resources.”

There has been growing acknowledgement by advocates and other orders government of the need to support increased affordability of transit and the impact it has on reducing poverty. In addition to the provincial commitment to affordable transit previously mentioned, the Government of Canada has recognized the impact of affordable transit in its *Towards a Poverty Reduction Strategy: Discussion Paper* distributed as part of the national strategy consultation process. In addition, the Federation of Canadian Municipalities (FCM) has echoed the sentiments of The City of Calgary in its National Poverty Reduction Strategy submission by stating that improved access to transit should be considered through federal-municipal collaboration.

The City of Calgary has made two recent submissions to the federal government. In 2017 June, the Mayor, on behalf of The City of Calgary, made a submission to the Minister of Families, Children and Social Development as part of a request for input into the National Poverty Reduction Strategy, which referenced support for transit subsidies as an area for potential partnership with the federal government as a means to poverty reduction. Additionally, in 2017 July, The City of Calgary also highlighted support for affordable fares for low income persons as part of its federal government budget submission.

### Social, Environmental, Economic (External)

**Social:** The sliding scale provides fares better aligned to the ability to pay for many low income Calgarians, enhancing their mobility options and enabling them to become more active community members. Furthermore, enhancing affordability improves accessibility to a range of City places, spaces and services, improves formal and informal social connections for low income persons and contributes to improved quality of life.

**Environmental:** Increasing the affordability of an effective transit service for all Calgarians is consistent with achieving The City’s environmental goals by providing alternatives to private vehicle use. Older, more affordable vehicles have higher average emissions.

## **SLIDING SCALE IMPLEMENTATION UPDATE**

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**Economic:** The sliding scale for Transit's Low Income Monthly Pass has provided additional financial support to low income Calgarians during a difficult financial period. An expanded approach to reduced user fees/fares, and access to low income programs and services, contributes to a city where people want to live, work and invest. Enhanced 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. Further, a workforce that is provided affordable access to transit contributes to the overall economy through improving labour supply.

### **Financial Capacity**

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

Taking into account current pass sale trends and projections, the funding gap, as a result of the sliding scale fare structure, is projected to go beyond the provincial grant funding by approximately \$3 – \$4 million for 2018. The sliding scale program has only been operational since 2017 April; Administration is monitoring closely to establish baseline usage data for 2017 to help support user projections and budget forecasts, which would be brought forward to 2017 November budget adjustments. Given the strong growth observed in Low Income Monthly Pass sales, there is a risk that the funding gap will continue grow.

Administration will continue advocacy and negotiation efforts with other orders of government to expand or develop new partnerships to fund the subsidized programs and services for low income persons.

Administration is requesting that Council refer a funding request to the Adjustments to the 2018 Business Plan and Budget deliberations in 2017 November to address the funding gap created by the introduction of the sliding scale fare structure. The mechanisms to address the funding gap, to be considered, individually or in combination during 2018 budget adjustments include:

- Accessing one-time funding
- Increasing base budget
- Increasing revenues through fares

Further analysis on these options will be provided in 2017 November. Administration will also continue its work on exploring a more sustainable funding framework as part of One City budget process.

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

None associated with this report.

## **SLIDING SCALE IMPLEMENTATION UPDATE**

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### **Risk Assessment**

Using an Integrated Risk Management approach, when reviewing the implementation of the sliding scale for the Low Income Transit Monthly Pass program, risks, along with a number of current mitigation strategies have been identified.

1) Continued growth in uptake of the sliding scale Low Income Monthly Pass program will further exceed projections and contribute to the current funding gap.

The program may see continued growth in the number of citizens requiring access to the Low Income Monthly Pass. While the sliding scale has resulted in an increase in number of Transit Low Income Monthly passes sold, there remain eligible individuals in the community who are not accessing the program. This, combined with lower Transit ridership due to the economic downturn increases the financial pressure on The City's mill rate. Continued growth in this program without addressing the 2018 funding gap and the current absence of a defined funding framework after 2019 may erode Calgary Transit's ability to provide the same level of quality service.

Mitigation strategies that have already been implemented to limit this risk include:

- Ongoing monitoring of pass sales data to ensure forecasts and projections are updated as required.
- Strategies within *Enough For All* continue to be advanced to help reduce poverty in Calgary.
- Clear qualification criteria for eligibility are in place. Applicants must provide proof of income to demonstrate that they meet the eligibility requirements.
- Continued work on a sustainable funding framework to support reduced fee/fares for low income persons.

2) Sustainable funding, including a funding framework, for the sliding scale fare structure has not been identified.

The Government of Alberta has made a three year funding commitment to support affordable transit for low income persons. However, the risk exists that sustainable funding is not secured and The City would be required to absorb the entire funding shortfall associated with the program.

In order to mitigate this funding risk, work must continue to:

- Determine sustainable funding sources and funding framework to support the sliding scale fare structure.
- Advocate to other orders of government for continued funding support for reduced fee/fares for low income persons. This advocacy includes discussions with the provincial government with respect to the current funding agreement as well as advocacy to the federal government aligned with the proposed federal poverty reduction strategy.

## SLIDING SCALE IMPLEMENTATION UPDATE

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### REASONS FOR RECOMMENDATIONS:

In the first three months of the new sliding fare structure, almost thirty thousand low income Calgarians purchased a Low Income Monthly Pass. Pass sales increased 40 per cent versus the same period in 2016 . Affordable transit improves access to employment opportunities, community programs and services as well as enhanced participation in the community.

With pass sales volumes exceeding original forecasts, the current funding model including provincial grant funding, is insufficient to address the funding gap created by the Low Income Monthly Pass program. No current funding source has been identified to address this gap and the current forecasts exceed the capacity of approved budgets in 2018. Administration is requesting Council address the funding gap during the Adjustments to the 2018 Business Plan and Budget process in 2017 November. In order to address the need for sustainable funding, a comprehensive funding framework will be brought forward as part of the One Calgary process.