

Transportation Report to
Infrastructure and Planning Committee
2022 July 7

ISC: UNRESTRICTED
IP2022-0803
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Calgary Transit Fare and Revenue Strategy

RECOMMENDATIONS:

That Infrastructure and Planning Committee recommend that Council direct Administration to:

1. Use the guiding principles outlined in Attachment 2 to determine fares/user fees and estimate revenues for the 2023-2026 Service Plans and Budget; and
2. Increase revenues from existing sources and continue to explore new revenue sources.

RECOMMENDATIONS OF THE INFRASTRUCTURE AND PLANNING COMMITTEE, 2022 JULY 7:

That Council:

1. Use the guiding principles outlined in Attachment 2 to **recommend** fares/user fees and estimate revenues for the 2023-2026 Service Plans; and
2. Increase revenues from existing sources and continue to explore new revenue sources.

Excerpt from the Minutes of the Regular Meeting of the Infrastructure and Planning Committee, held 2022 July 7:

“Moved by Councillor Penner

That Recommendation #1 contained in Report IP2022-0803 be amended by deleting the word "determine" following the words "Attachment 2 to" and replacing with the word "recommend".

For: (7) Councillor Carra, Councillor Demong, Councillor Sharp, Councillor Spencer, Councillor Penner, Councillor Chabot, and Councillor Dhaliwal

Against: (1) Councillor Mian

MOTION CARRIED”

Moved by Councillor Penner

That Recommendation #2 contained in Report IP2022-0803 be amended by adding the words "non-fare" following the words "revenues from existing".

For: (4) Councillor Carra, Councillor Spencer, Councillor Penner, and Councillor Dhaliwal

Against: (4) Councillor Demong, Councillor Sharp, Councillor Mian, and Councillor Chabot

MOTION DEFEATED”

Moved by Councillor Penner

That the Recommendations contained in Report IP2022-0803 be amended by adding a new Recommendation #3, as follows:

3. Return to Community Development Committee upon completion of the Route Ahead Update, with any adjustments to the fare strategy that are warranted under the updated strategy.

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For: (4) Councillor Carra, Councillor Spencer, Councillor Penner, and Councillor Dhaliwal

Against: (4) Councillor Demong, Councillor Sharp, Councillor Mian, and Councillor Chabot

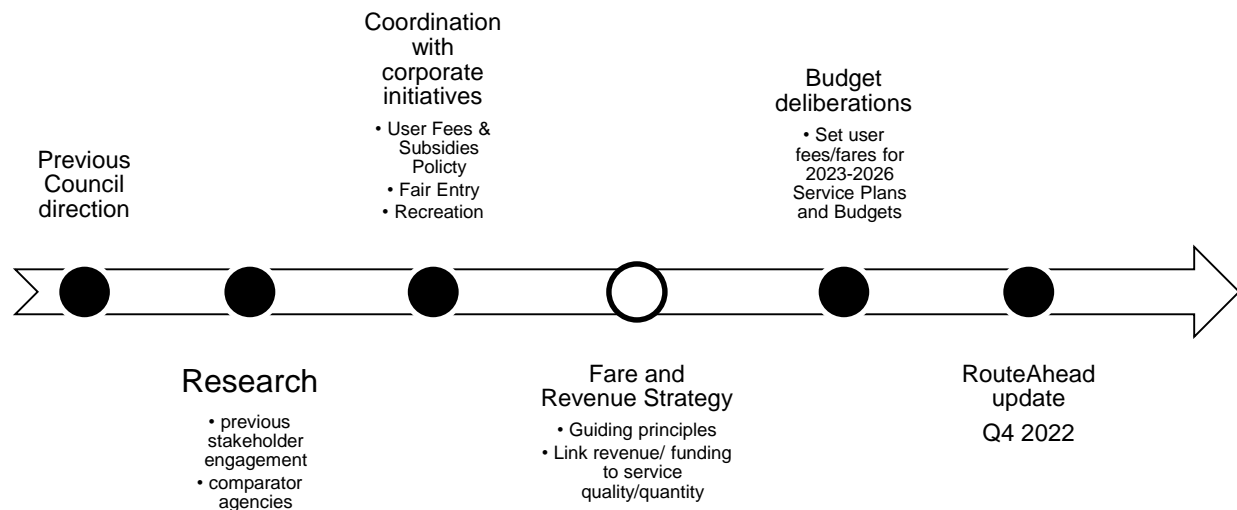
MOTION DEFEATED”.

HIGHLIGHTS

- This report provides Council and the public with insight on the methodology and overarching strategy used by Administration to generate revenue as part of the overall funding of public transit service.
- This will serve to align operating investments with Council’s Strategic Direction and create a shared understanding of challenges and opportunities ahead for funding public transit.
- *What does this mean to Calgarians?* This report is part of the process for setting public transit fares in the 2023-2026 Service Plans and Budgets and informs investments in the quality and quantity of public transit service.
- Strategic Alignment to Council’s Citizen Priorities: A city that moves.
- Background and Previous Council Direction is included as Attachment 1.

DISCUSSION

This report represents one part of the process to inform Calgary Transit’s 2023-2026 Service Plans and Budgets and the RouteAhead update, and is informed by previous Council direction (Attachment 1), research, previous stakeholder engagement, and in coordination with ongoing initiatives across the corporation.



The intent of this report is to confirm Council’s support of the guiding principles (Attachment 2, Section 4.a Guiding Principles) to be used to determine fares as part of budget deliberations in November. The guiding principles aim to balance revenues, discounts, and equitable access to public transit. This report will also inform the RouteAhead update being presented in 2022 Q4.

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Administration is not recommending at this time any significant changes to the way public transit is funded, the fare discount structure, or municipal tax support.

Funding Public Transit Service

Public transit service is funded by operating revenues, tax support, and a provincial grant. In 2019, the last pre-pandemic year, operating revenues were comprised of: fares (90%), advertising (5%), fine revenue (4%), parking fees (1%). Operating revenues accounted for 44 per cent of Calgary Transit's overall budget. Municipal tax support contributed 55 per cent of total operating expenses, and one per cent from the Government of Alberta low-income transit pass fund (see Attachment 2, page 5 of 17). RouteAhead provides direction for Calgary Transit to achieve an approximately 50/50 revenue/cost ratio. This means total operating costs should be funded by a balance of 50 per cent operating revenues and 50 per cent municipal tax support. This guidance will be revisited in the RouteAhead update (2022 Q4).

Fares are an important part (90%) of operating revenues. When setting fares, Administration uses the Council-approved discount structure. This structure is based on the average cost for Calgary Transit to deliver each public transit trip and identifies discounts for each fare product. In 2019, the average cost to deliver a public transit trip was \$3.98. All fare products receive a discount, and therefore cost less than the average cost to deliver the trip.

When setting fares, Calgary Transit works to ensure the revenue through fares combined with funding through municipal taxes will allow the organization to address the service expectations of Council and customers. Cost increases are mainly attributed to increasing costs of labour, fuel, parts, and technology.

Operating funding for Calgary Transit Access, Calgary Transit's door-to-door shared-ride service for Calgarians with disabilities, is reported separately due to the specialized nature of this service.

For additional information on the items above refer to Attachment 2, Section 3.b Fare Revenue.

Business Drivers and Priorities

After two-years of reduced ridership due to health guidelines and work from home orders, Calgary Transit ridership is slowly increasing but is still at approximately 65 per cent of pre-pandemic levels. Despite reduced ridership, to provide vital connections throughout the city for Calgarians, and through the support of one-time operating grants from the federal and provincial governments, Calgary Transit is providing 85 per cent of pre-pandemic service levels. This reduced ridership and other factors have resulted in a reduction of both fare and non-fare revenues (advertising, reserved parking, etc.).

In 2022 and 2023, Calgary Transit is anticipating a revenue shortfall due to reduced ridership due to work from home and hybrid work arrangements in combination with concerns with safety and security. However, there are several levers that can be used to address the funding gap:

- Increase revenue/funding: incremental fare increases, increase municipal tax support, increase non-fare revenue, reduce discounts, advocate provincial/federal operating funding
- Decrease operating costs: reduce service quality and quantity (frequency, duration, geographic coverage)

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Each of these levers will have related consequences such as changes to ridership, customer satisfaction, and customers' ability to pay. Calgary Transit has implemented significant efficiencies in recent years and continue to review further improvements and investigate new/expanded sources of revenue.

To respond to customer needs and Council priorities, Administration will be undertaking various initiatives related to fares and revenues in the 2023-2026 Service Plans and Budgets, such as advocating to continue Provincial funding support for the low-income transit pass program, leveraging additional functionality in the My Fare app, and reviewing the UPass program. Additional initiatives and details are provided in Attachment 2, Section 4.b Service Plan Initiatives.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION (EXTERNAL)

- Public Engagement was undertaken
- Public Communication or Engagement was not required
- Public/Stakeholders were informed
- Stakeholder dialogue/relations were undertaken

Calgary Transit's ongoing customer research program helps Calgary Transit determine customer priorities, strategic initiatives, and areas for improvement. Administration continues to engage with The City's Social Well-being Advisory Committee, Senior Age Friendly Committee and the Older Adult Advisory Table, and through Age-Friendly Calgary in regard to public transit services.

IMPLICATIONS

Social

Public transit plays an important role in connecting customers with the people and places that they care about. Low-income transit passes are a critical part of The City's Fair Entry social program for eligible low-income Calgarians. Revenue from all sources, including fares, supports frequent, safe, reliable transit service, which improves access for vulnerable populations, resulting in more equitable service delivery.

Environmental

Public transit reduces a significant amount of greenhouse gases (GHG) and will help The City meet the Council approved GHG reduction strategy of 15 metric tons of carbon dioxide equivalent (MTCO_{2e}) by 2050. A 25 per cent expansion of transit use eliminates 2.1 MTCO_{2e} of GHG. Continuing to promote high-quality transit helps shift Calgarians out of single occupancy vehicles into lower or no emissions modes. The City of Calgary uses a wind power contract for all civic facilities and the CTrain, enabling zero-emissions door-to-door travel in Calgary for CTrain customers. A single bus can carry as many people as 41 cars; with emissions per passenger-kilometre close to one quarter the level of cars.

Economic

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Calgary's economy benefits greatly from public transit by providing workforce mobility, reducing household transportation costs, promoting efficient land use development, and reducing the need for new/expanded road infrastructure. As noted in the *Importance of Public Transit in Canada and Calgary*, published by The City of Calgary, Chief Financial Office, public transit serves as a congestion management tool in high density urban areas, facilitating urban redevelopment in Calgary's centre city and inner city communities. The report also states the benefits of public transit outweigh the costs yielding a benefit-to-cost ratio of 1.68 to 1.

Service and Financial Implications

Increase in rates or fees

There are no immediate operational or capital implications associated with this report. Recommendations highlighted in this report will support Administration's development of the fare structure including incremental increases to address inflationary pressures and investigation of additional revenues for Calgary Transit in the 2023-2026 Service Plans and Budget.

RISK

Fare revenues comprise a significant portion of Calgary Transit's operating revenues (90 per cent). Therefore, prolonged reduction in ridership will continue to erode Calgary Transit revenues. As discussed above there are options to reduce overall operating costs. Reductions in service levels (quality and quantity), customer convenience and safety/security have been shown to lead to lower ridership. To mitigate this risk, increased service, customer convenience, and customer safety are key to restore ridership and customer confidence. Administration continues to implement the Calgary Transit Recovery Strategy (CD2022-0675) with the goal of building back better in four key pillars: service recovery, service investments, safety investments, and customer experience investments. Work from home/hybrid work arrangements will continue to reduce ridership by changing travel patterns and overall travel demand.

ATTACHMENTS

1. Background and Previous Council Direction
2. Calgary Transit Fare and Revenue Strategy
3. Presentation

Department Circulation

General Manager/ Director	Department	Approve/Consult/Inform
Doug Morgan	Transportation	Approve
Katie Black	Community Services	Inform
Carla Male	Chief Financial Office	Inform