

OPTIONS FOR SLIDING SCALE IMPLEMENTATION

EXECUTIVE SUMMARY

As directed by Council in 2015 September, Administration is bringing forward an update on sliding scale. The direction from Council outlined three key elements:

- Advocacy to other orders of government using the sliding scale proposal;
- Sliding scale refinements to facilitate implementation; and
- Identification of a funding framework associated with implementation.

The province's recent funding announcement of \$13.5 million over three years for enhancements to the subsidy program is the culmination of active discussions with the province at multiple levels over the year and evidence of The City's and community's advocacy efforts. A copy of the Minister of Human Services' letter committing the funds is included as Attachment 1. The advocacy efforts used the sliding scale proposal from 2015 September as a foundational document and the resulting funds present an exciting opportunity to move forward with implementation of a refined sliding scale.

The refined sliding scale approach recommended in this report will provide deepened discounts for the Calgary Transit Low Income Monthly Pass to customers whose income is below 100 per cent of the Low Income Cut Off (LICO) and maximizes the funding available from the province by investing in subsidies that see the most money in pockets of eligible Calgarians. No new investments by The City of Calgary would be required. This recommendation represents continued leadership by The City of Calgary in alignment with Enough for All, Calgary's Poverty Reduction Strategy.

While implementing this first step in a refined sliding scale, Administration will investigate and assess the effectiveness of centralization of subsidy fund administration. Further work will be undertaken to investigate a broader funding framework and explore alternate funding sources that mitigate potential risks associated with subsidy program growth. This work also aligns with recommendations of Transit's Zero Based Review, PFC2016-0469.

ADMINISTRATION RECOMMENDATIONS

That the SPC on Community and Protective Services recommend that Council:

1. Direct Administration to implement Option 1, 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;
2. Direct Administration to 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. Direct Administration to report back with an update on the implementation and funding framework to the SPC on Community and Protective Services no later than Q4 2017

PREVIOUS COUNCIL DIRECTION / POLICY

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-

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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

The City of Calgary is a key partner in the Enough for All Poverty Reduction Strategy and committed to its goal of reducing poverty and financial vulnerability in Calgary. Support for a sliding scale to City subsidies furthers this strategy and specifically aligns with the goal, “Everyone in Calgary can easily access the right supports, services and resources”. The development of a sliding scale was identified as a key activity for 2016 as part of the Enough for All update received by Council in CPS2016-0266.

In 2015 May, The City introduced Fair Entry, simplifying the subsidy application process for Calgarians experiencing financial hardship. While Fair Entry represented a substantial process improvement it was also expressed that the current subsidized rates remain a barrier for a significant number of Calgarians. Fair Entry provides important foundational infrastructure to implement a sliding scale as first identified in 2015 September (Attachment 3).

The total annual cost of the sliding scale proposed in 2015 September was \$11 million, based on approximately \$9.5 million in subsidy discount costs and \$1.5 million in operating expenses. In addition, approximately \$1.5 million was identified for one-time set up expense. The sliding scale as proposed in 2015 September would:

- Provide more affordable fares for those currently receiving subsidies; and
- Extend subsidy benefits beyond the current low income thresholds.

The 2015 proposal introduced five income bands to deepen discounts and extend eligibility. These bands included:

Band	Proposed State	Current State
A	≤50 per cent LICO	All eligible for the same level of subsidy.
B	>50-85 per cent LICO	
C	>85-100 per cent LICO	
D	>100-115 per cent LICO	Not eligible for subsidy.
E	>115-130 per cent LICO	

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Using the proposed sliding scale as a foundation, Administration has continued its refinements as well as further investigation and planning for implementation. The recent announcement by the province of a funding commitment provided clarity on potential options for the introduction of a sliding scale.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration was provided with three key directions stemming from CPS2015-0712. These included:

- Advocacy to other orders of government;
- Sliding scale refinements to facilitate implementation; and
- Identification of a funding framework associated with implementation.

Advocacy

Since 2015 September, multiple communications have occurred with the province to highlight the need for support for an expanded subsidy program, including a sliding scale. The proposed sliding scale was used as a basis for this advocacy. The new direction of The City, as reflected in a sliding scale, aligned with the province's commitment to poverty reduction.

Recent and past advocacy efforts, by both The City and community advocates, have resulted in the Government of Alberta recently announcing a three year funding commitment of \$13.5 million (\$4.5 million per year) to support subsidy program enhancements in Calgary. A copy of the Minister of Human Services' letter outlining the provinces commitment is included as Attachment 1.

This funding represents an important opportunity to improve The City's support to financially vulnerable Calgarians, thereby reducing the effects poverty in Calgary.

Refined Sliding Scale Implementation

While the investment by the province is significant, it does not cover the costs of introducing the full sliding scale proposed in 2015 September (estimated to be \$11 million per year). As a result, Administration considered in detail three Transit-specific options for investing the new funding announced by the province. Calgary Transit's Low Income Monthly Pass program provided the opportunity for a very positive return for the customer and was positioned to move quickly on a short term implementation. The three options represent an investment whereby all or a part of the original proposal's intent could be realized for Calgary Transit's Low Income Monthly Pass.

Administration recommends implementing a sliding scale subsidy for Calgary Transit's Low Income Monthly Pass program that would maintain the current 100 per cent LICO as an upper eligibility threshold with three bands below 100 per cent LICO to deepen the discount for those most in need.

Options Considered:

Option 1 - Recommended Option - Implement a sliding scale of three bands up to 100 per cent LICO for the Calgary Transit Low Income Monthly Pass.

- Investment in those most financially vulnerable.
- Investment of provincial funds (\$4.5 million) entirely in subsidies, more money in people's pockets.

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- No new funds invested by The City of Calgary.
- Upper income threshold of 100 per cent LICO maintained across Fair Entry subsidy programs makes eligibility for subsidy programs easier to understand.

Option 2- Implement the original sliding scale of five bands up to 130 per cent of LICO for the Calgary Transit Low Income Monthly Pass.

- Shortfall of \$4.4 million to fund this option, over and above the \$4.5 million investment from the province.
- Higher investment in costs associated with program administration due to expected increase in demand.

Option 3 - Implement a sliding scale by introducing two eligibility bands from 100 per cent-130 per cent of LICO for the Calgary Transit Low Income Monthly Pass.

- Maintain the current subsidy fees for those below 100 per cent LICO.
- No new funds invested by The City of Calgary.
- Higher investment in program administration costs associated with expected increase in demand.
- Less funding available for subsidies.

Detailed cost estimates as well as the pros and cons of each option are outlined in Attachment 2.

Several factors influenced the decision to recommend a sliding scale that maintains the upper eligibility threshold at 100 per cent LICO while implementing a scale below that threshold. These factors include:

- The intention to maximize subsidies for customers and place more dollars in the pockets of eligible Calgarians;
- Evidence that those most impacted in a financial downturn are those who are most financially vulnerable even before the downturn¹;
- The availability of funds from the Government of Alberta to cover the costs of implementation;
- Upper income threshold of 100 per cent LICO across all Fair Entry subsidy programs simplifies understanding of overall eligibility; and
- The intention to minimize administrative costs associated with enhancement.

Applying the provincial commitment directly to sliding scale discounts, as recommended, results in a refined sliding scale that sees no financial impact to The City of Calgary. Any additional operating and one-time costs associated with the sliding scale will be managed within current budgets.

¹ "Social Impacts of an Economic Downturn: Considerations for the City of Calgary." (April 2016), University of Calgary.

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Recommended Fee Schedule

The table below represents the proposed fee schedule of the recommended sliding scale. Per Transit's existing fee schedule, the Calgary Transit Low Income Monthly Pass is intended to cost 50 per cent of the adult monthly pass fare. Similarly, the proposed fee schedule approaches fares as a proportion of the adult monthly pass as opposed to a fixed price. Maintaining a proportional fare structure assists in mitigating costs of growth in the program, while keeping fare increases modest and predictable for the customer.

Proposed Fare Discount Schedule

Band	Proposed State	Percent Discount vs. Adult Pass
A	≤50 per cent LICO	85%
B	>50-85 per cent LICO	65%
C	>85-100 per cent LICO	50%

Since 2013, Calgary Transit Low Income Monthly Pass program has had rates frozen at \$44 per month, approximately a 56 per cent discount on the adult monthly pass, in light of fare freezes in 2014, 2015 and 2016. For Band C, the proposed fare discount above is consistent with Transit's fare schedule of 50 per cent of the Adult Monthly Pass.

The resulting proposed fee schedule represents a slight increase in 2017 for the cost of the pass for band C based on past fare freezes, but a reduction in cost to the customer for bands A and B. Customers in band C would move to the approved fare discount of 50 per cent of the Adult Monthly Pass as outlined in Transit's fee schedule.

Proposed subsidy discounts and corresponding forecasts are based on expected fares in 2017 and 2018 as per revised recommendation 2 in C2016-0544 Action Plan Mid-Cycle adjustments: Focus Areas for Adjustments and Implications of Tax Rate Options adopted at Council on 2016 June 27. Should the fares be different enough to significantly impact the financial model, Administration would return to Council with an updated fare schedule for consideration. The model contains 10 per cent contingency to handle changes in fares as well as potential program growth.

Timeline

Introducing the proposed sliding scale would require a number of IT infrastructure improvements, training of Fair Entry staff and preparation for communications to existing customers on the changes to the program, as applicable.

It is estimated that introducing the recommended Calgary Transit Low Income Monthly Pass program sliding scale would take approximately six months. An implementation timeline is included in Attachment 2. This first step would provide important foundational processes and infrastructure for an expanded sliding scale that may involve more programs or more eligible income bands in the future. This will be considered as part of Administration's report back in Q4 of 2017.

Funding Framework

Funding from the province would offset the proposed deeper discounts to Calgary Transit's Low Income Monthly Pass customers. As part of building the sliding scale fare structure, monthly

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pass fare price forecasting was undertaken so as not to exceed the \$4.5 million envelope committed by the province. To mitigate the risk of costs exceeding the provincial committed funds due to unforeseen growth, forecasts have provided for a contingency within the \$4.5 million committed, as well as the province committing to contingency funding of five per cent (\$225 thousand) in each of the three years.

If there were surpluses resulting from provincial commitment they could be targeted toward the development of a subsidy reserve to fund future sliding scale enhancement and mitigate against future growth however, this idea would require further exploration as part of the funding framework. In addition work would be undertaken with respect to exploring alternate funding frameworks and approaches. Several options will be explored and will be reported back to Council via an update report no later than Q4 2017.

The exploration of a broader funding framework is aligned with recommendations stemming from the Transit Zero Based Review (ZBR) PFC2016-0469. This investigation would explore beyond the provincial contribution recently announced to determine if other funding opportunities exist. This investigation contributes to the ZBR recommendation of transferring broader funding responsibility to Calgary Neighbourhoods and developing an associated revenue recovery plan.

Stakeholder Engagement, Research and Communication

Calgary Neighbourhoods held regular meetings to solicit input and feedback from key stakeholders. These meetings included the business units delivering Fair Entry subsidy programs and the community group Fair Fares which is comprised of community members as well as organizational representatives from Disability Action Hall, The Calgary Women's Centre, 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 including the Older Adult Council of Calgary in the development of the sliding scale model. Program-specific stakeholders and regulatory bodies including the Alberta Veterinary Medical Association and Recreation Fee Assistance program partners have also been consulted on an as-required basis throughout the sliding scale investigation.

Communication with impacted customers and stakeholders will be a critical part of implementation. The complexity of the changes will require a thoughtful approach to communication and ongoing support to ensure the customer clearly understands these changes and the benefits available.

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;
- 2020 Sustainability Direction, "By 2020, 100 per cent of low-income Calgarians have improved access to low-income programs and services";

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- *Economic Development Strategy for Calgary* which aims to “Invest in equal opportunity and prosperity for all Calgarians”; and
- *Enough for All Poverty Reduction Strategy* goal, “Everyone in Calgary can easily access the right supports, services and resources.”

Social, Environmental, Economic (External)

Social: The proposed option for a sliding scale would provide more affordable subsidies to the most financially vulnerable Calgarians, enhancing their mobility options and enabling them to become more active community members. Further, enhancing affordability improves accessibility to a range of City places, spaces and services as well as improving formal and informal connections for financially vulnerable persons and contributes to an improved quality of life.

Environmental: Increasing the accessibility to an effective transit service for all Calgarians is consistent with achieving The City’s environmental goals.

Economic: 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:

The recommended option requires no new operating budget investment by The City with the provincial funding being used to fund the increased subsidies in the Calgary Transit Low Income Monthly Pass. Forecast models, including contingency funds of 5 cent from the province result in a total contingency of 10 per cent. If growth exceeds expectations or fares impact the overall financial model above and beyond the funding envelope provided by the province, Administration would return to Council.

Current and Future Capital Budget:

One-time costs for IT infrastructure have been secured through the IT Development Pool.

Risk Assessment

The financial sustainability of the proposed sliding scale presents the most significant risk of the recommended option. The Government of Alberta has committed funding for three years, with five per cent contingency funding to mitigate the risk of program growth. Administration has factored in additional contingency into forecasts and will closely monitor program growth and report back to Council if uptake by low income customers is greater than expected. As identified, fare adjustments can be used to mitigate program growth as appropriate. In addition, Administration will continue to work with the province to ensure an adequate level of funding is in place to meet the needs of the program including potential growth. In order to mitigate the

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long term financial risk, the investigation of a sustainable funding framework is also recommended with a report back to Council in Q4 of 2017. This includes exploration of other potential funding sources.

Business units have traditionally absorbed growth in subsidy programs. For subsidy growth across programs to occur, adequate funding must be in place. As with the risk noted above, the mitigation strategy includes an investigation of a sustainable funding framework that may provide needed resources to subsidy programs to allow them to better fund future subsidy program growth.

REASONS FOR RECOMMENDATIONS:

These recommendations are based on several factors including:

- The goal of maximizing subsidies available for customers to ensure more dollars remain in the pockets of eligible Calgarians;
- In response to the current economic environment, research indicates that those most impacted in a financial downturn are those who are most financially vulnerable prior to the downturn. The availability of cost sharing funds from the province;
 - As a result no new expenditures by The City of Calgary; and
- The goal of minimizing administrative costs associated with any enhancement.

The new funding from the province provides opportunity to partially advance a sliding scale approach. While this positive and measured step forward is encouraging, continued growth in the number of subsidy recipients and introduction of a sliding scale require a new way of thinking about subsidy program funding to advance broader poverty reduction goals.

Administration will continue to work with the province to ensure a sufficient level of funding is in place to meet the program need. Future mitigation strategies would address either short falls or surpluses and captured as part of a report back to Council on a broader funding framework.

Administration's update in Q4 of 2017 will include further investigation of a sustainable funding framework, including alternate funding sources as well as impacts of the initial implementation of a sliding scale.

ATTACHMENTS

1. Provincial Funding Announcement Letter
2. Refined Sliding Scale Implementation Options
3. Original Sliding Scale Proposal for City of Calgary Subsidy programs