

**Transportation Report to
SPC on Transportation and Transit
2018 June 07**

**ISC: UNRESTRICTED
TT2018-0617
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RouteAhead Update

EXECUTIVE SUMMARY

This report provides an update on the status of implementation of RouteAhead, a 30-year strategic plan for public transit in Calgary, and key considerations leading into the One Calgary 2019-2022 business planning and budgeting cycle.

The 2018 review shows strong progress on overall transit network infrastructure development and improvements to customer-focused service delivery. However, 2017 trends of decreased ridership and revenues, combined with increasing operating costs and suburban growth are increasing the gap between available operating funding and the desired transit service levels outlined in RouteAhead. An updated Fare and Revenue Framework is presented, that will provide input into the development of transit fares as part of One Calgary 2019-2022.

Criteria for prioritizing future transit capital projects based on RouteAhead objectives are presented, with consideration for managing net operating costs. This will play a key role in defining the optimal sequence and timing of future Bus Rapid Transit and Light Rail Transit expansion.

ADMINISTRATION RECOMMENDATION:

That the SPC on Transportation & Transit recommend that Council:

1. Direct Administration to use the attached Fare and Revenue Framework in the development of transit fares as part of One Calgary 2019-2022.
2. Direct Administration to use the attached prioritization framework for major transit growth projects, and provide an update to Council through the SPC on Transportation & Transit by Q1 2019.

RECOMMENDATION OF THE SPC ON TRANSPORTATION AND TRANSIT, DATED 2018 JUNE 07:

That the Administration Recommendations contained in Report TT2018-0617 be approved.

PREVIOUS COUNCIL DIRECTION / POLICY

At the 2013 January 14 Combined Meeting of Council, report TT2012-0833, RouteAhead: A Strategic Plan for Transit in Calgary, was approved with the recommendation that Council direct Administration to prepare an annual status report on implementation of RouteAhead. Reports providing updates were subsequently prepared annually from 2013-2017.

At the 2016 November 7 Combined meeting of Council, Council approved a recommendation as part of CPS2016-0778 Calgary Transit Zero-Based Review Direction on Seniors Fares:

That the SPC on Community and Protective Services recommend that Council direct Administration to report back through SPC on Transportation and Transit on Calgary Transit's Zero Based Review with regard to seniors' fares in Q2 2018, and take further engagement with seniors into account.

At the 2017 April 10 Combined Meeting of Council, Council approved two recommendations as part of TT2017-0185 RouteAhead Update.

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1. Identify operating budget implications associated with the bus rapid transit (BRT) network as part of the Adjustments to the 2018 Business Plan and Budget; and
2. Develop a fare strategy and revenue framework to support the development of the Calgary Transit 2019-2022 business plan and budget, and report results to the SPC on Transportation and Transit by Q2 2018.

BACKGROUND

In 2011 Council directed that a new long-term plan for Calgary Transit be created in accordance with the Calgary Transportation Plan (CTP). The RouteAhead strategic plan was developed to guide both operations and investment in transit over the next 30 years. The plan was approved by Council on 2013 March 04.

With the conclusion of The City's current four-year budget, Action Plan 2015-2018, future operating and capital budget planning for RouteAhead projects will flow through the One Calgary 2019-2022 Service Plans and Budget process. The City will come together under 'One Calgary', with the goal of increasing focus on service value and outcomes, and improved integration across the organization.

The next section is organized under the headings of chapters in RouteAhead: Customer Experience, Network and Finances.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Customer Experience

A key outcome of RouteAhead was to foster greater focus on responding to the opinions, feedback and preferred value characteristics of Calgary Transit customers. Several attributes and supporting actions were developed through the Customer Commitment project, with a focus on measuring and improving Calgary Transit's performance related to reliability, safety, helpfulness, information, ease of use and cleanliness.

As a second phase, the Customer Commitment performance measurement program is undergoing enhancements to provide more frequent customer satisfaction data, as well as more detailed information on customers' travel choices and their underlying reasons. These enhancements have begun in Q2 2018, and updated measures will be provided through a briefing note to Council in Q3 2018.

Administration will continue to identify improvements to address performance relative to Customer Commitment targets. The next significant improvements to the customer experience will be the enhancements to waiting, riding and connecting associated with the Bus Rapid Transit (BRT) network implementation in Fall 2018. Customer-focused improvements will include enhanced amenities such as heated shelters and real-time information.

Network

Calgary Transit continues to make strong progress on the planning and construction of RouteAhead network objectives (Attachment 1). Construction has been ongoing over 2017 and 2018 for North Crosstown BRT, South Crosstown BRT, 17 Avenue SE Phase 1 and 2 and SW BRT Phase 1. It is anticipated that service will commence on North Crosstown, South Crosstown and 17 Avenue SE BRT in Fall 2018. As part of the BRT implementation, Calgary Transit is reviewing dozens of existing bus routes to develop a more effective bus network that

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makes efficient use of the BRT infrastructure investment. Public engagement has recently been completed, and feedback is being used to inform potential adjustments to the service proposals.

Construction of Green Line Stage 1, 16 Avenue N to Shepard, is planned to begin in 2020.

Prioritizing Future RouteAhead Projects

Administration is in the process of updating and refining evaluation and prioritization considerations to help inform when and where the next transit capital projects should be built. The guiding framework for capital project prioritization is described in Attachment 2. Previously, Council directed the RouteAhead team to develop open and transparent criteria that was easy to understand, easy to apply to a variety of transit capital projects and could be replicated in the future with different projects. The general outcomes desired by future projects reflect those in the RouteAhead document:

- Support of Land Use
- Improving the Customer Experience
- Provision to serve high ridership and overall mobility

Indicators and performance measures to quantify the relative benefit of each outcome are described in more detail in Attachment 2. These measures can then be compared to the capital and operating costs of the project to assess the relative benefit and value of each project.

One way of reducing required future operating funding is prioritization of future projects with a greater emphasis on managing net operating costs. This would favour new transit capital projects that reduce, or minimize the need for additional operating funding over projects that would require significant new operating dollars. The impacts of this scenario will also be evaluated as part of future prioritization evaluations.

The prioritization and funding of these projects will be subject to departmental and city-wide priorities, being developed through the Infrastructure Calgary and Transportation Infrastructure Investment Program 2019-2028 budgeting processes.

Prioritizing State of Good Repair

It is important to note that while funding new projects is essential to the growth of the transit system, there remains persistent replacement and renewal needs to keep up with ridership demand, population growth and sustaining existing service. Projects that improve the state of good repair of public transit and that support system optimization and efficiency will also be essential to fund, to ensure that Calgary Transit continues to provide efficient, reliable and safe service. Assets included in this category include fleet vehicles, buildings, tracks and related equipment, fare systems, and other technology systems. Appropriate funding is needed to ensure that these critical assets remain in a state of good repair to support efficient transit service.

Other Network Updates

In 2017, significant service improvements included expanding four-car CTrain service to the Blue Line, renovations to Rundle and Marlborough CTrain Stations, and moving the Operations Control Centre from Victoria Park to an upgraded facility at Westbrook.

Ground-breaking for the Stoney Compressed Natural Gas (CNG) Bus Storage and Transit Facility occurred in 2016 October, and construction and commissioning is expected to be

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complete in Q1 2019. The facility will enable indoor storage and maintenance of vehicles currently stored outside at existing facilities, improving the reliability of service delivery.

Station refurbishment at six CTrain Stations is ongoing and expected to be complete by the end of 2018. These stations were built in the 1980's and require upgrades to improve passenger movements, safety and comfort. Enhancements will include improved lighting, mechanical systems, and general repair of interior and exterior finishes.

On a regional perspective, the provincially-mandated Calgary Metropolitan Region Board came into effect in late 2017, and future discussions are expected to define Calgary Transit's role in the regional transit network.

Shared Ride Service Models

Calgary Transit is continuously monitoring the evolution of technology and service models to efficiently deliver safe and accessible public transit. The desire for quality public transit continues to grow across the city, while limited operating budgets and competing demands for service constrain our ability to address that growth.

Major advances in on-demand technology through mobile platforms have facilitated the rapid growth of ridesharing Transportation Network Companies (TNCs). These services match users based on their trip origins and destinations, and create an on-demand and dynamically-scheduled route that transports multiple users in one vehicle. The size of the vehicle can range from a 4-passenger sedan to shuttle vans and buses. This type of service provides flexible and convenient trips for users at a relatively low cost, since the trip is shared with multiple users.

There will always be a need for a mode progression from rideshare vehicles to larger vehicles with operating characteristics that allow them to carry more people. Mass transit is required whenever travel demand from major trip generators outstrips the ability of other modes to serve that demand (e.g. downtown, special events, major activity centres, high-intensity development areas, main corridors). This is similar to the progression required from regular bus service to BRT and LRT. Higher capacity is often required to address growth in passenger demand on fixed route public transit.

There are several opportunities for an integrated approach to shared transportation service between public transit and shared ride service, but the two areas that would be most beneficial to transit agencies and customers are:

- Late night and weekend transportation options
- Connections between high-frequency transit hubs and:
 - New communities
 - Distant suburban communities and major activity centres
 - Industrial areas with low employment density

These time periods and areas typically have lower transit ridership, leading to relatively low efficiency for traditional service that is provided to maintain service span and coverage goals. Shared ride, on-demand services provide an opportunity for integration to feed into a higher-order transit network.

Calgary Transit has evolved service delivery models in the past where they have demonstrated value for our customers and our business (e.g. Community Shuttle service for lower ridership

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areas and off-peak periods). Calgary Transit is currently conducting a peer review and cost analysis, and exploring opportunities to introduce a pilot in late 2018 to assess the feasibility of an alternative shared ride service offering.

Finances

Recent economic considerations are influencing the implementation of the RouteAhead plan. Some of the important impacts are highlighted in this section.

Ridership

Calgary Transit's ridership is closely connected with the economy and oil prices. High office vacancies and unemployment, in conjunction with lower demand and pricing for parking, led to decreased transit usage over 2017. Ridership declined 6.8 per cent (7.47 million trips) from 2016 to 2017, with the ridership loss primarily among those who used transit to commute to work. The main fare products impacted have been the adult and youth monthly passes and ticket books, while low income pass sales have increased significantly since the implementation of the sliding scale fare structure. However, the rate of overall ridership decline began to slow down over the second half of 2017, and with signs of further improvement and modest growth over Q1 2018. Ridership is currently 3.5% higher compared to the same time period last year.

Financial Performance – Operating Budget

The key challenge to delivering transit service as envisioned in RouteAhead continues to be operating funding. Higher service levels defined in RouteAhead were established to make transit a more convenient and competitive travel mode. At that time, the operating funding gap to deliver this level of service was estimated to require an additional \$ 17.7 million per year. This gap, and funding risks continue to widen due to a number of factors.

Service to New Communities

Transit service to new communities is typically more expensive to supply because of a combination of lower population and ridership, and longer distances to travel. Operating funding will be further strained as the city continues to expand with active and new development.

Calgary Transit provides introductory transit service that is intended to evolve as the community grows and ridership matures. Before introductory service may be considered five criteria must first be met:

- Funding must be available to pay for the service
- Labour must be available to operate the service
- Vehicles must be available to deliver the service
- The road network must be adequately developed to carry the service
- The population or job intensity must be sufficient to support the service

Several developing communities in Calgary meet some of the development criteria to support introductory transit service; however, the lack of available operating funding precludes the introduction of transit service at this time. Administration will work towards closing this funding gap required to support the introduction of transit service in these communities through the Growth Strategies framework of One Calgary 2019-2022.

Long Term Funding for the Low Income Transit Pass

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In partnership with The City, the Government of Alberta is currently contributing \$4.5 million per year from 2017 to 2019 for the sliding scale low income transit pass program. Since original pass sales estimates were derived in 2016 March, pass sales have doubled to over 30,000 per month. Additional funding was required to manage the revenue impacts of this increased uptake, and Council approved \$4.0 million in one-time funding for this program as part of the 2018 budget adjustments. However, this amount is still insufficient to offset the growth in this higher subsidy program and associated subsidy cost impacts to revenues, and Administration is currently refining the estimated amount of the funding gap. The source of one-time and additional required funding after 2018, as well as the Provincial contribution after 2019, will need to be considered during the One Calgary 2019-2022 budget discussions.

BRT Network Operating Costs

The BRT network is projected to commence service in Fall 2018 and envisioned to evolve to be part of the Primary Transit Network, providing fast, frequent and convenient cross-town connections. This service is an important investment to accommodate the city's current travel demands and future growth. If new operating funding is not available, the service hours required to operate the new BRT routes can only be obtained through reallocations from existing service. While operating costs will be offset in part by increasing ridership and the other benefits of transit enhancement (e.g. economic mobility, higher productivity of land, attractiveness of Calgary as place to invest, and increased tax revenue), there are considerable additional operating costs that need to be budgeted through One Calgary 2019-2022.

Options to Manage the Operating Gap

Calgary Transit's current fare structure is not capable of providing sufficient revenues to sustain the approved Revenue/Cost (R/C) ratio target of between 50 to 55 percent. Cost increases are mainly attributed to increasing prices for labour, parts and technology. Calgary Transit has implemented significant service and back-of-house efficiencies over the past two years to reduce costs, and is reviewing further improvements and additional revenue sources to help close this gap. Changes to Calgary Transit fares and discount levels will also need to be implemented in order to fund existing service levels in a more sustainable manner. Alternately, a lower R/C ratio target with increased funding from municipal taxes will be required.

Fare and Revenue Framework

Calgary Transit has four main revenue sources apart from property taxes – fare revenue, fine revenue, advertising, and reserved parking. While it is important to manage the other sources of revenue carefully, fare revenue makes up 40-45% of Calgary Transit's operating funding, and will have the most impact in closing the operating funding gap. Figure 1 shows the operating gap as the difference between revenue per trip (blue line) and cost per trip (red line). Figure 2 shows the recent trend in the R/C ratio, which has been declining since 2012.

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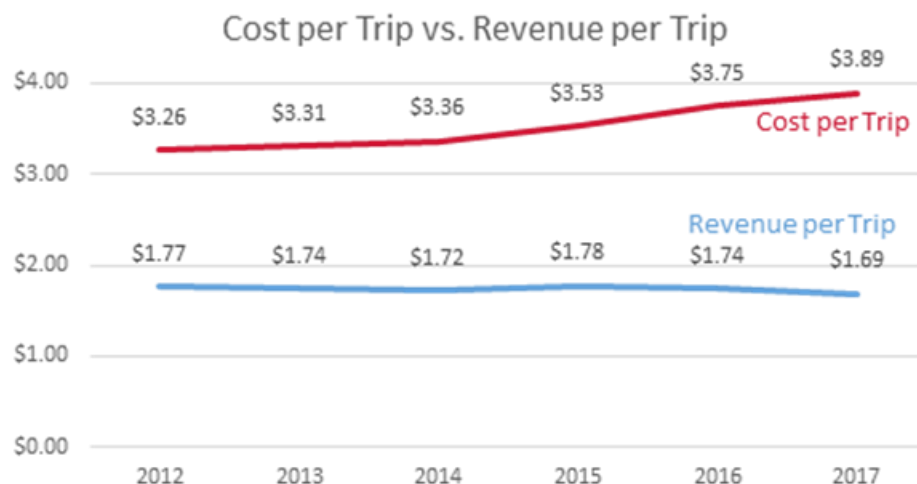


Figure 1

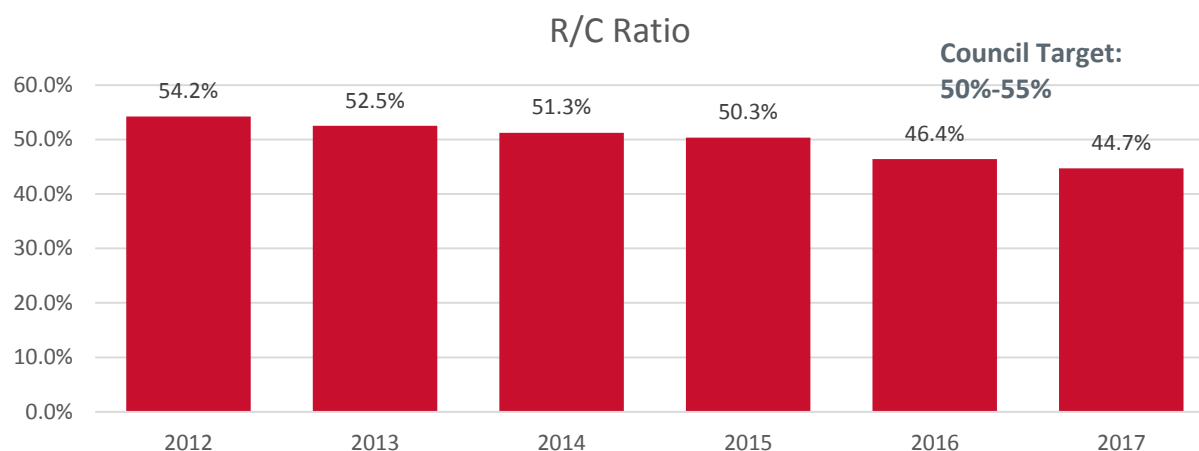


Figure 2

In 2014, a revised Calgary Transit Fare Strategy and Structure was approved that established clear direction on how fares for various transit customer groups should be set. Ultimately, the foundation of the fare strategy is the cost of the trip, however there are two additional considerations when setting transit fares – a usage-based pricing strategy that is focused on achieving a holistic R/C ratio target, and a user-based subsidy strategy that is based on a customers' ability to pay. Attachment 3 provides an overview of the updated framework that will provide input into setting fares as part of One Calgary 2019-2022.

Seniors Fare Engagement

The 2016 Calgary Transit Zero-Based Review (ZBR) recommended “aligning non-low income Seniors’ fare pricing with Youth discounts, including eliminating the regular senior annual pass

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and instead offering discounted cash fares, tickets and monthly passes”, noting that this applies only to the regular seniors pass and not to the seniors low-income pass.

Calgary’s population of seniors is expected to grow by approximately 58,000 over the next 10 years, from 148,600 to 206,000 in 2026. This higher growth in the seniors’ populations is anticipated to move a growing proportion of Calgary Transit customers away from regular adult fares and into discounted seniors’ fares, resulting in lower overall fare revenues for Calgary Transit.

Seniors fare engagement, conducted between 2018 January 29 and February 11 was aligned with criteria developed by the Seniors’ Age-Friendly Strategy around affordability, accessibility, acceptability, availability and adaptability. Through these criteria and a variety of engagement techniques, seniors were asked about their most important considerations when deciding whether or not to use public transit, including fares and various amenities.

The main issues for seniors flagged during the engagement were:

- Winter weather conditions negatively impact seniors by serving as a barrier to accessing transit. This is related to mobility challenges, including balance, physical limitations and other health concerns pose a problem for seniors when considering transit.
- Many seniors using transit consider personal safety to be a potential risk due to external factors, including night travel and the behaviors of other transit users.
- Access to seating impacts seniors’ decision to use transit.

Other less-important considerations included:

- Cost increases to the seniors annual transit pass would negatively impact users.
- Logistics in planning transit trips, including planning tools, transfers, wait times and distance between stops can pose a challenge for seniors.
- Amenities, including washrooms and benches, would encourage more seniors to use transit.

Fares, as stated above, were not amongst the most important consideration for seniors when deciding whether or not to use public transit.

While seniors fares have not been aligned with youth rates as recommended in the ZBR, efforts have been made since 2012 to address perceived inequities in the fare structure and, as per policy approved in 2014, better align reduced fares with income. The results of the seniors engagement will inform the development of the transit fare structure for One Calgary 2019-2022.

Stakeholder Engagement, Research and Communication

Various seniors groups provided input on their transit priorities through the senior’s fare engagement program in 2018 January and February.

Strategic Alignment

The discussion in this report is aligned with One Calgary 2019-2022, Infrastructure Calgary, RouteAhead, the Calgary Regional Transit Plan (2009), and the Municipal Development Plan/Calgary Transportation Plan.

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Social, Environmental, Economic (External)

Providing transit service plays a key role in Calgary's overall mobility plan. In addition to the direct transit customer benefits, investment in public transit benefits the broader community by:

- helping revitalize corridors and main streets,
- providing mobility choice,
- connecting employers to an expanded workforce
- supporting GHG reduction, and
- supporting redevelopment, particularly at Transit Oriented Developments (TOD).

Public transit provides choice, expanded opportunity to move and connect with the community, with a more convenient and socially inclusive mode of travel.

Financial Capacity

Current and Future Operating Budget:

The Fare and Revenue Framework will be used to guide Calgary Transit fares for incorporation into One Calgary 2019-2022.

Current and Future Capital Budget:

Capital programs/projects that are required for asset management or customer improvements will be identified as part of the public transit service business plan and budget in One Calgary 2019-2022.

Risk Assessment

There are no significant risks associated with the recommendations in this report.

REASON(S) FOR RECOMMENDATION(S):

The considerations provided in Attachment 2 (Prioritization of Future RouteAhead Projects) will guide the prioritization of major transit growth projects as capital funding becomes available.

Research and analysis on operating funding needs, models and considerations were used to create an updated Fare and Revenue framework (Attachment 3) that will provide input into transit fares as part of One Calgary 2019-2022.

ATTACHMENT(S)

1. Attachment 1 – RouteAhead Update: Status of Capital Projects – TT2018-0617
2. Attachment 2 – Considerations for Prioritization of Future RouteAhead Projects – TT2018-0617
3. Attachment 3 – Calgary Transit Fare and Revenue Framework – TT2018-0617