



Attach 3 - Calgary Transit Fare and Revenue Framework - TT2018-0617.DOCX

Calgary Transit Fare and Revenue Framework



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Background

2014 Council Direction

At the 2014 March 10 Combined Meeting of Council, report TT2014-0135, Calgary Transit Fare Strategy Review, the following was adopted

That Council:

1. Endorse a revised “funding philosophy” to form the basis of the fare strategy required for Action Plan 2015 to 2018 based on the following principles:
 - a. Increase the potential for transit revenue to support the approved revenue / cost (R/C) ratio of 50 to 55 percent through:
 - i. Moving towards an income-based criteria for setting fare discounts;
 - ii. Increasing revenues from other existing sources of revenue such as advertising, parking, and special services (e.g. airport, charters);
 - iii. Maintaining a consistent fare discounting and pricing structure that reflects customer needs and supports the R/C ratio target; and
 - iv. Moving towards increasing the price of selected fares to better align fare discounts.
 - b. That any transit fare changes will be made using a modest, incremental approach.
2. Conduct public and transit customer engagement on a revised transit “funding philosophy” based on Recommendation 1 and present a recommended fare strategy and pricing structure for inclusion in Action Plan 2015 to 2018, to the SPC on Transportation and Transit in 2014 June; and
3. Pursue longer term opportunities to use the Connect Card to offer new fare options that will increase the convenience of paying fares and attract new customers.
4. Pursue operational funding for public transit service from other levels of government.

Administration reported back and, at the 2014 July 28 Regular Meeting of Council report TT2014-0583 the following was adopted as amended:

That Council:

1. Approve the proposed Calgary Transit Fare Structure in Attachment 1 to be used for setting fare prices; after amendment to Attachment 1, as follows:

That Administration be instructed to maintain the current senior fare discounts for 2015 and return with a fare strategy (with a possible tier structure), based on a sliding scale of fares relative to incomes and to report back to Council through the SPC on Transportation and Transit no later than 2014 October; and

2. Direct Administration to return to budget deliberations in 2014 November with proposed fare product pricing for 2015 through 2018, based on the approved Fare Structure.

Approved Discount and Subsidy Structure

Calgary City Council approved a discount and subsidy structure for determining Calgary Transit fares per TT2014-0583, Revised Calgary Transit Fare Strategy and Structure as well as later approvals of the low-income sliding scale (CPS2016-0494). Both are provided in Table 1 below.

Table 1 - Approved Discount and Subsidy Structure

Fare	Approved Discount and Subsidy Criteria
Adult Fares	
Single Ride	85% of single trip cost
Day Pass	70% of the cost of 4 trips
Monthly Pass	55% of the cost of 50 trips
Ticket Books	85% of the cost of 10 trips
Youth Fares	
Single Ride Fare	60% of single trip cost
Day Pass	50% of the cost of 4 trips
Monthly Pass	40% of the cost of 50 trips
Ticket Books	60% of the cost of 10 trips
Senior Fare	
Seniors Annual Pass	N/A – not part of discount structure. Decisions made individually.
Low Income Fares*	
Band A	5% of adult monthly pass
Band B	35% of adult monthly pass
Band C	50% of adult monthly pass
Senior's Annual Pass	N/A – not part of discount policy. Decisions made individually.
Other Fares	
Airport Boarding Pass	70% of the cost of 4 trips

* - Prior to the sliding fee scale, the low income monthly transit pass approved discount was 25% of the cost of 50 trips per month (50% of adult monthly pass)

The size of the discount/subsidy from the actual cost of the trip is meant to ensure Calgary Transit is able to achieve operational objectives while also reflecting:

- The level of convenience provided to transit customers
- The cost of collecting and handling fares (highest cost for cash)
- Discounted pricing that rewards more frequent transit use; and
- Subsidies for those who are not able to pay the discounted fare

For example, more frequent use is discounted more heavily than single use, which explains why a monthly pass is more discounted than a day pass. Charging less to those with a lower perceived capacity to pay explains why, for example, youth pay less than adults. The number of trips as a factor in the cost of passes is based on the actual number of trips taken on that fare type (on average).

2016 Zero-Based Review

Calgary Transit conducted a zero-based review in 2016. A number of recommendations were made to improve Calgary Transit's efficiency and effectiveness. All have been actioned with one exception around seniors fares.

The consultant, Morrison Hershfield, recommended that seniors be moved to a youth (concession) fare. Administration's summation was presented to the 2016 June 20 Regular Meeting of Council :

“Overview of Consultant's Proposed Recommendation (for information):

The consultant has recommended aligning non-low income Seniors' fare pricing with Youth discounts, including eliminating the regular senior annual pass and instead offering discounted cash fares, tickets and monthly passes.

It is important to clarify that this recommendation does NOT refer to, or affect, low-income seniors' fares, which would continue to be provided, and administered through the Fair Entry program, at the current 99% discount.

The transition of seniors' fares to the “Youth” rate is expected to yield \$2.9 million in additional revenue, once implemented. (It will also protect The City from the risk of greater future lost revenues, estimated at \$10 million/year in 30 years, as the population ages.)”

At the 2016 October 14 CPS2016-0778 Calgary Transit Zero-Based Review Direction on Seniors' Fares, Administration was directed as follows:

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.”

Further information on the engagement outcomes is included in a discussion on seniors' fares later in this report.

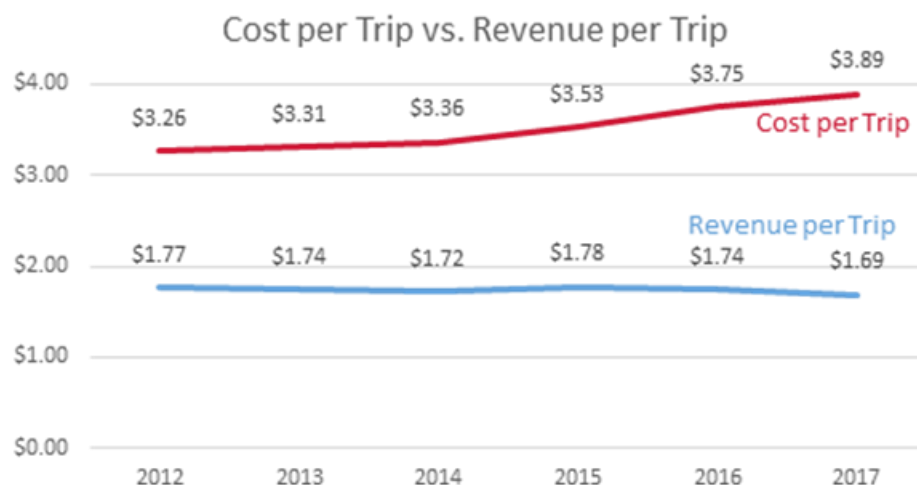
Revenue Sources

Calgary Transit has four revenue sources apart from property taxes - fare revenue, fine revenue, advertising, and parking.

This section will examine each revenue source focusing mainly on fare revenue. While it is important to manage the other sources of revenue (advertising, parking, fines and other innovative sources) carefully, increasing the revenue in those areas will only make very small differences to overall funding. Fare revenue, which makes up 40-45% of Calgary Transit's operating funding, will have the most impact to close the operating gap.

Figure 1 below shows the operating gap as the difference between the cost per trip and the revenue per trip. Parking and advertising together made up approximately 15 cents of the revenue per trip in 2017.

Figure 1 - Cost per Trip versus Revenue per Trip



The cost per trip has been increasing due to the 2016 and 2017 declines in ridership (trips taken), as well as cost increases driven by increasing prices for labour, parts and technology.

The revenue per trip has been declining since 2015. While the cost of many fares has risen over the same period, those increases are not making up for the decline in prices and increase in uptake of other lower-cost fares (in particular the sliding scale low income transit pass). Adult ridership, which accounts for a large proportion of revenue and is driven by employment levels, has also been declining; this means that fewer customers are paying for higher cost fares. Furthermore, more customers are migrating from higher revenue fares to more discounted or subsidized fares, resulting in a larger proportion of customers paying less and contributing less revenue.

The combined effect of the increased cost per trip and decreasing revenue per trip is a growing gap between operating costs and revenue.

Fares

Ultimately, the foundation of the fare strategy is the cost of the trip, however there are two main considerations when evaluating 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.

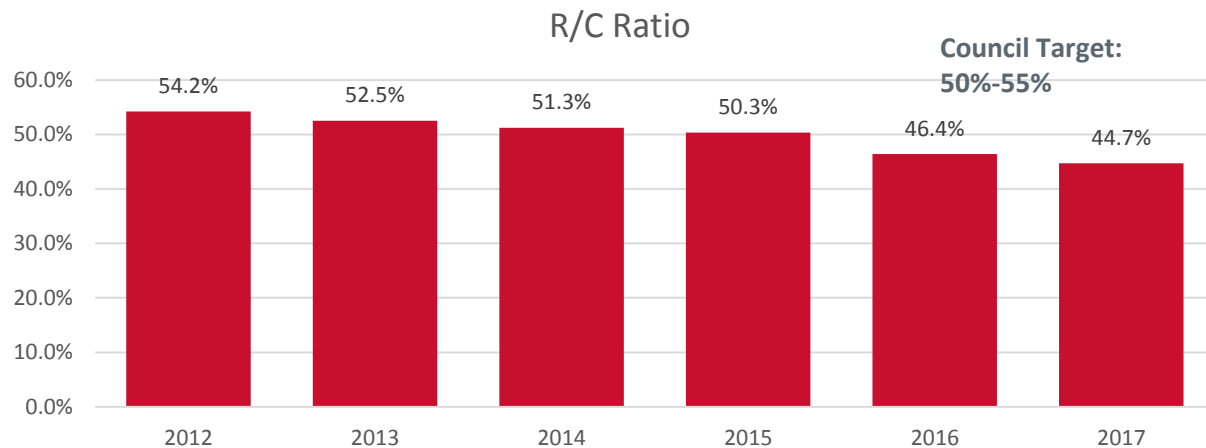
Fares are set through three main factors working together:

- The Operating Gap:** The anticipated gap between total operating costs and other funding sources including municipal funding. This is the funding required from fares to provide the desired level of service.
- Discount and Subsidy Structure:** The discount structure articulates the relationship from fare to cost and the relationship between the fare and the cost of a trip. This is the degree to which each trip will be funded from the fare versus other sources. Subsidies are similar to the discount structure but are based on means.
- Decisions on Individual Fares:** Sometimes a decision is made to provide a deeper discount or hold a price constant despite the approved discount structure. In those cases, other fares must be

increased to make up the difference, service reduced to manage costs, or another source of funding found.

Previously decisions on fares were also informed by a policy to maintain a revenue/cost (R/C) ratio between 50% and 55% whereby 50 – 55% of costs would be covered through fares, parking, advertising and other revenue sources. However the R/C ratio has been dropping since 2012 (Figure 2) and an increasing percentage of Calgary Transit's funding is from municipal sources – primarily property taxes.

Figure 2 - Revenue/Cost Ratio



A. The Operating Gap

In setting fares, Calgary Transit works to ensure that revenue through fares combined with the funding through property taxes will allow the organization to address the service expectations of Council and citizens. The R/C ratio has been a guiding policy in determining what fares are required; however the current fare structure is not capable of providing sufficient revenues to sustain the approved 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's 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 with increased funding from municipal taxes will be required.

B. Discount and Subsidy Structure

In 2014, Council approved a discount and subsidy structure which recommends fares based on its relationship with the cost per trip. While all fares are included in the discount structure, further subsidies warrant special consideration.

Discounts are intended to reflect:

- Usage and trip costs based upon historical observations of trips taken (rounded)
- An emphasis on achieving a 50/50 revenue cost ratio
- The cost of collecting and handling the fare
- Usage indicators such as age where it may mean that the fare is used less often or with fewer demands for higher quality service e.g. frequency.

Subsidies are calculated based upon the adult discounts, but provide an extra subsidization based on a user's ability to pay.

The only fares that are not specifically part of the discount and subsidy structure are seniors fares. The UPass is a separate revenue neutral program in collaboration with some post-secondary institutions.

Currently, all fare prices are partially lower than the approved discount structure. If fares were maintained at the approved discount level, the R/C ratio would be between 48 and 49% - much closer to the Council approved level of 50-55%. It is recommended that this gap between the approved and actual discount structure be closed over the course of the next four year service plan and budget, One Calgary 2019-2022.

Table 2 - Approved Versus Actual Discounts

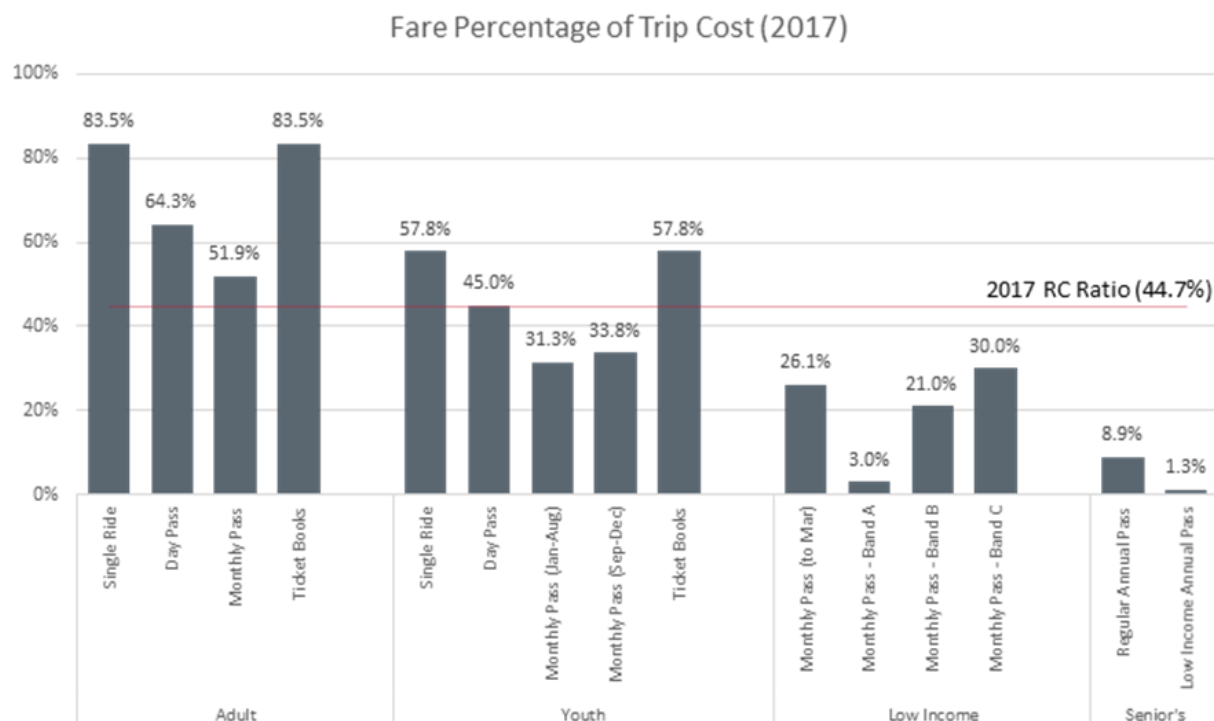
Fare	Approved Discount / Subsidy	2017 December Price*	2017 December Trip Cost Covered by Fare	Difference between 2017 Fare and Approved Discount
Adult Fares				
Single Ride	85% of single trip cost	\$3.25	83%	-2%
Day Pass	70% of the cost of 4 trips	\$10.00	64%	-6%
Monthly Pass	55% of the cost of 50 trips	\$101.00	52%	-3%
Ticket Books	85% of the cost of 10 trips	\$32.50	83%	-2%
Youth Fares				
Single Ride Fare	60% of single trip cost	\$2.25	58%	-2%
Day Pass	50% of the cost of 4 trips	\$7.00	45%	-5%
Monthly Pass	40% of the cost of 50 trips	\$70.00	34%	-6%
Ticket Books	60% of the cost of 10 trips	\$22.50	58%	-2%
Senior Fare				
Seniors Annual Pass	N/A	\$135.00	9%	N/A
Low Income Fares				
Band A	5% of adult monthly pass	\$5.05	3%	N/A
Band B	35% of adult monthly pass	\$35.35	21%	N/A
Band C	50% of adult monthly pass	\$50.50	30%	N/A
Senior's Annual Pass	N/A	\$15.00	1%	N/A
Other Fares				
Airport Boarding Pass	70% of the cost of 4 trips	\$10.50	67%	-3%

*2017 rates have been shown because the discount is based on the 2017 cost per trip. Cost per trip is an annual metric to incorporate seasonal fluctuations in service utilization.

**The cost per trip in December 2017 was \$3.89/trip.

Figure 3 below shows the ratio of per-trip revenue compared to the trip cost and the R/C ratio, for each fare type. Significantly discounted fares outnumber those fares that do the heavy lifting for revenue generation, but this also reflects on their smaller user base.

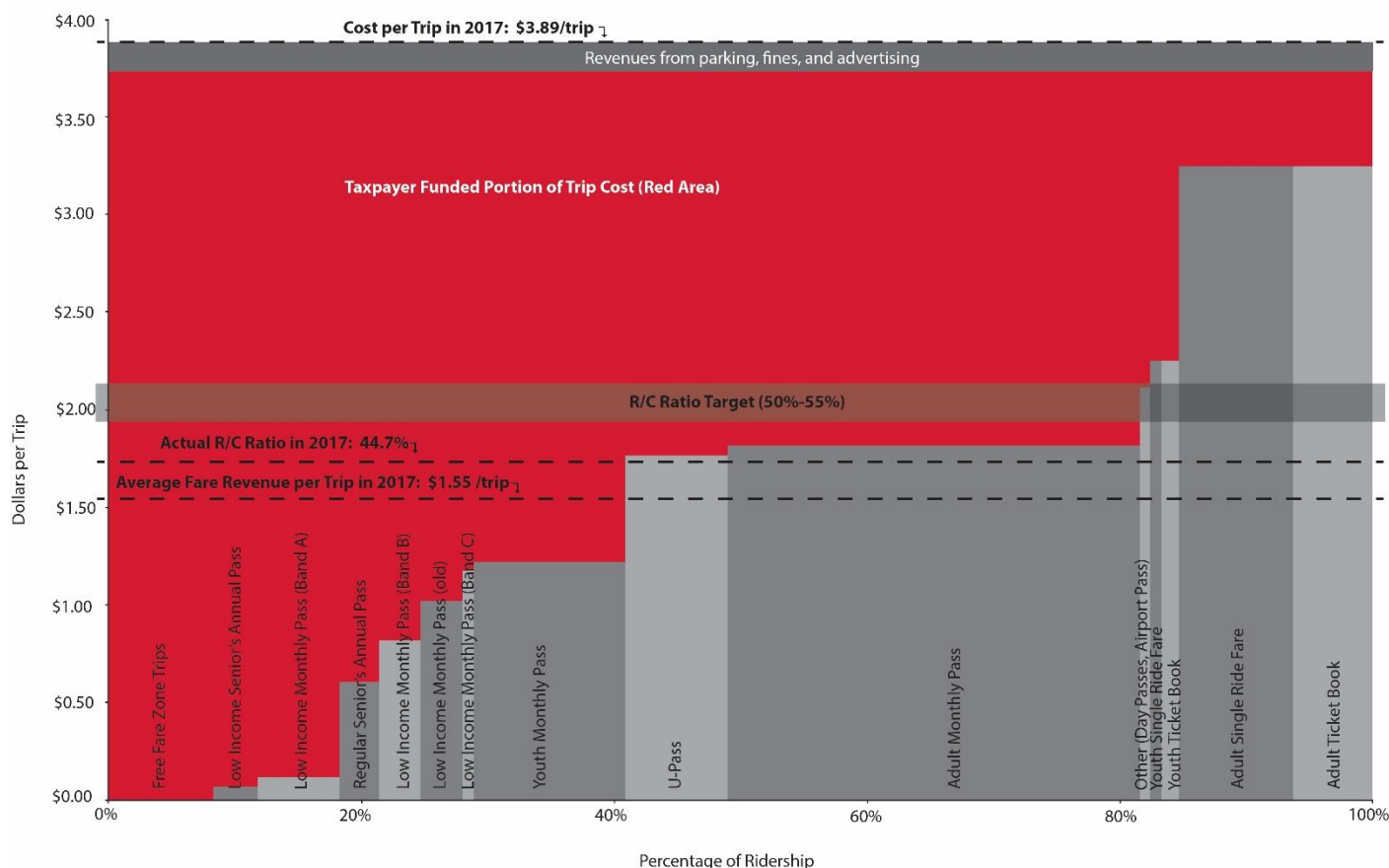
Figure 3 - Fares as a Percentage of Trip Cost



A significant challenge to Calgary Transit is to create an equitable fare structure that will generate enough fare revenue across the different fare products to meet service commitments, while still pricing fares competitively. This relationship is illustrated in figure 4. The grey area of the graph reflects the revenues contributed by each of the various fare options while the red area shows the amount of funding provided by taxes and other revenues.

Figure 4 - Sources of Transit Fares and Finance

Sources of Transit Fares and Finances (2017)



A larger version of this figure is included in Appendix A.

Adult monthly passes are the single biggest fare category for Calgary Transit. While this graph shows only 2017, in recent times, an increasing percentage of all fare revenue has been coming from adult monthly pass holders i.e. as other fares are discounted further, the adult monthly pass holders have been progressively making up the difference.

C. Individual Fares: Special Cases

Low Income Transit Pass Program

In 2013 Council directed Administration to simplify citizen access to City subsidy programs. This resulted in the launch of Fair Entry in 2014, which included eligibility for Calgary Transit's Low Income Transit Pass.

A sliding scale for Calgary Transit's Low Income Monthly Pass was recommended to Council in 2016. Council endorsed a sliding scale fare structure that created three income-based bands whereby monthly pass prices would range from 5% to 50% of the cost of a regular adult monthly pass. Since its inception, low income passes have been priced as follows:

Table 3 - Low-Income Subsidy

	2017	2018	Subsidy (from the price of an adult monthly pass)	Q1 2018 percent of low income transit passes sold
Band A	\$5.05	\$5.15	95%	66%
Band B	\$35.35	\$36.05	65%	29%
Band C	\$50.50	\$51.50	50%	5%

These prices apply equally to youth and adults. Seniors with low income can obtain an annual pass for \$20 (\$1.67/month).

Customers of the program have expressed the positive impact the program is having on their lives through easier access to medical and other appointments, easier access social support networks and access to employment opportunities. Growth in the program was greater than expected and fewer net new low income transit customers were added. An average of 31,300 low income transit passes were sold each month in Q1 2018, an increase of 70% compared to Q1 2017. Based on a Q1 2018 survey of low income customers, only 3-4% of people purchasing a low income transit pass were new customers to Calgary Transit; the remaining used various other fare products, such as the previous fixed rate low income pass, monthly pass, tickets and cash. This has created a greater than anticipated subsidy cost impact for the program. Provincial funding of \$4.5 million per year for 2017 through 2019 is helping to offset this revenue loss, but does not fully cover the revenue that existed prior to the program's inception. Additional funding was required to manage the revenue impacts of the increased uptake in this fare product, 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 revenue loss, and Administration is currently refining the estimated amount of the funding gap.

The source of one-time funding after 2018, as well as the Provincial contribution after 2019, will need to be considered during the One Calgary 2019-2022 budget discussions. In preparation for One Calgary, Administration will evaluate the current sliding scale fare structure for financial sustainability, and examine additional funding through altered subsidy structures for fares.

Regular Seniors Annual Pass Program

The 2016 Calgary Transit Zero-Based Review recommended "aligning non-low income Seniors' fare pricing with Youth discounts, including eliminating the regular senior annual pass 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 represents an increase of about 4% per year more than the general population over the same period (Calgary and Region Economic Outlook 2017-2026). 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 deeply discounted seniors' fares, resulting in lower overall fare revenues for Calgary Transit. The ZBR estimated annual lost revenue at \$10 million/year by 2046 if this fare is not raised versus an additional \$2.9 million if it was increased to the youth rate.

When the seniors pass program was introduced in 1973, age was a proxy for income whereby seniors were found to be suffering from financial hardships. The low-income pass was implemented to help address the problem (The City of Calgary, June 1973, Survey of Calgary Senior Citizens' Financial and Community Problems). This is no longer the case. Calgary seniors experience low-income at rates similar to the general population. In 2015, 11.4 per cent of Calgarians, and 11.4 per cent of Calgary seniors aged 65 and over had incomes below the Low-Income Cut-Off (LICO-BT). The prevalence of low income is higher among young

people. In Calgary, 13.7 per cent of those aged 0 to 17 years and 15.4 per cent of those aged 18 to 24 years were in low income in 2015. Pre-seniors aged 55 to 64 had the lowest prevalence of low-income, at 9.5 per cent (Statistics Canada, 2016 Census of Population, table 98-400-X2016127).

This is further reinforced by the recent engagement with seniors on their transit priorities. The engagement, was conducted between January 29 and February 11, 2018, and 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 most important 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 behaviours 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.

Calgary (followed closely by Edmonton) has the largest seniors' discounts of major transit agencies in Canada. Montreal, Toronto and Vancouver have a concession rate that is the same for seniors and youth.

Table 4 - Comparison of Seniors' Fares

City	Regular Seniors Annual Pass* (Jan 2018)	Youth Pass Equivalent*
Calgary	\$135.00	\$840.00
Edmonton	\$136.50	\$900.00
Hamilton	\$265.00	\$1,003.20
Regina	\$300.00	\$792.00
Ottawa	\$534.00	\$1,077.00
Montreal	\$597.00	\$597.00
Winnipeg	\$600.60	\$841.20
Vancouver	\$636.00	\$636.00
Mississauga	\$732.00	-
Toronto	\$1,401.00	\$1,401.00

*Annual pass program or equivalent cost of 12 monthly passes

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.

Table 5 - History of Seniors' Fare Increases

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
\$35.00	\$35.00	\$35.00	\$35.00	\$55.00	\$95.00	\$95.00	\$95.00	\$95.00	\$95.00	\$135.00

UPass Program

Starting in 2003, Calgary Transit entered into a financial agreement with five post-secondary schools (University of Calgary, Mount Royal University, Southern Alberta Institute of Technology, Alberta College of Arts and Design, and St. Mary's University) to provide full-time students a four-month transit pass at a negotiated price.

The agreement and price is based on principles of revenue neutrality and cost-sharing. The current agreement, covering a five year term from September 2016 to August 2020, was set based on an estimated 30% of students using transit for school travel. The cost is shared amongst all students and sometimes the school itself.

Comparison of Transit Fares in Major Canadian Cities

Table 6 provides a comparison of Calgary Transit fares and those fares charged by other major Canadian transit systems as of January 1, 2018.

Table 6 - Comparison of Transit Fares

Fare Category	Calgary	Edmonton	Ottawa	Montreal	Winnipeg	Vancouver	Hamilton	Mississauga	Toronto
Adult Cash	\$3.30	\$3.25	\$3.45	\$3.25	\$2.95	\$4.10	\$3.00	\$3.50	\$3.25
Adult Tickets (per ride)	\$3.30	\$2.63	N/A	\$2.70	\$2.60	N/A	\$2.30	\$3.10	\$3.00
Adult Monthly Pass	\$103.00	\$97.00	\$116.50	\$83.00	\$100.10	\$126.00	\$101.20	\$130.00	\$146.25
Low Income Monthly Pass	\$*	\$35.00	\$58.25	\$49.75	N/A	N/A	\$50.10	N/A	\$115.50
Youth Cash	\$2.30	\$3.25	\$1.75	\$2.25	\$2.45	\$2.80	\$3.00	\$3.50	\$2.10
Youth Tickets (per ride)	\$2.30	\$2.30	N/A	\$1.65	\$1.82	N/A	\$1.90	\$2.25	\$2.05
Youth Monthly Pass	\$70.00	\$75.00	\$89.75	\$49.75	\$70.10	\$53.00	\$83.60	N/A	\$116.75
Seniors Annual Pass	\$135.00	\$136.50	N/A	N/A	N/A	N/A	\$265.00	N/A	N/A
Seniors Low Income Annual Pass	\$20.00	\$59.25	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Seniors Monthly Pass	N/A	\$15.50	\$44.50	\$49.75	\$50.05	\$53.00	\$26.50	\$61.00	\$116.75
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*Based on income: 0%-50% of LICO - \$5.15; 50%-80% of LICO - \$36.05; 80%-100% of LICO - \$51.50

Price Elasticity

Price elasticity in public transit is a question that is frequently asked, but difficult to determine. Past history of fare increases does not show a strong direct connection between fare increases and a change in ridership. For example, in 2013 there was a 9.1% increase in the cost of an adult monthly pass and over the subsequent 6 months ridership in that fare category increased by 10%. In 2016 there was no fare increase and ridership fell over 6 months by 11.3%. Ridership is more closely tied to Calgary's economy and employment levels. The most notable exception is in the case of the seniors' fare which saw a 30% drop in annual pass sales between 2011 and 2014; however it is not clear if those seniors stopped using transit or started buying other fares more suited to infrequent use. Based on the 2016 annual customer satisfaction survey, 18% of seniors using Calgary Transit use a fare other than the seniors' annual pass.

The academic study of price elasticity in public transit was discussed by Todd Litman of the Victoria Transport Policy Institute in an article entitled "Understanding Transport Demands and Elasticities (27 February 2017, <http://www.vtpi.org/elasticities.pdf>). He states that there are a number of factors affecting public transit price elasticities including

- User type. Dependent customers are less price sensitive.
- Trip type. Non-commute trips tend to be more price sensitive.
- Mode and route. Rail tends to have lower elasticities than bus.
- Geography. Larger cities tend to have lower price elasticity.
- Type of price change. Transit fares, service quality and parking fees tend to have the greatest impact on ridership.
- Direction of price change. Price increases tend to have a greater impact on ridership than decreases of the same size.

Isolating fares from all other adjustments, he states "Based on extensive research, TRL [Transit Research Library] (2004) calculates that bus fare elasticities average -0.4 in the short-run, -0.56 in the medium run and -1.0 over the long run while metro rail fare elasticities are -0.3 in the short run and -0.6 in the long run." (p. 52). However transit use is also subject to non-fare elasticities including car ownership (and operating costs), car use, fuel prices, travel time, waiting time, transit frequency, parking fees and income. This may mean that investments in transit or other policy levers might negate the impact of a price increase.

Calgary Transit's experience shows that it is difficult to identify any direct significant declines in ridership after fare increases. However, recent surveys of Calgary Transit customers show that value for money is a concern amongst some customers (March 2018) with only 67% being satisfied with the value for money in Q1 2018. The survey shows that longer trips, multiple transfers and trips involving both buses and CTrains are correlated with weaker value for money ratings. While elasticity may be difficult to see in the data of ridership, value for money ratings indicate that The City and Calgary Transit must be careful in setting prices, communicating the value of transit, and designing service.

Non-Fare Revenues

Non-fare revenues from parking, advertising, and other miscellaneous revenue sources contribute approximately 8-10% to Transit's operating budget. They are important in minimizing the size of fare increases, and offer a potential for growth in overall revenues.

Parking

In Calgary, 33 park and ride lots are provided at CTrain stations and some major bus terminals, with 21 of these operated and maintained by Calgary Transit. Table 7 shows reserved parking revenue over the past five years.

Table 7 – Reserved Parking Revenue

Year	2013	2014	2015	2016	2017
Reserved Parking Revenue	\$3.1 M	\$3.7 M	\$4.0 M	\$3.4 M	\$2.9 M

Reserved parking revenue has been declining with the economy and ridership, but it is expected that, demand for reserved parking (and thus revenue) will rise as the economy recovers and ridership grows.

Through a recent Council policy decision and to improve the customer experience, there is an opportunity for a small increase in parking revenue. The Council decision (TT2018-0126) permits some price flexibility as well as the ability to sell reservations for up to 50% of spots on each CTrain leg rather than by lot. Once implemented, these changes are expected to generate a modest amount of additional revenue and help address waiting lists that exist at high-demand CTrain park and ride lots. The projected revenue increase from these improvements is currently being estimated.

Advertising

Advertising revenue has been the subject of two reviews by external consulting agencies in recent years.

- 1) A review conducted by Denneen and Company which was presented to Council in 2015 March, (TT2015-0289)
- 2) The 2016 Zero-Based review (ZBR) of Calgary Transit operations (PFC 2016-0469).

Calgary Transit agreed with the ZBR recommendations to increase transit revenue by acting on the 2015 review, but did not agree that it would earn an additional \$1.0 million in advertising revenues due to economic conditions.

Except for Calgary Transit's digital advertising contract, all other advertising contracts will expire between October to December 2018. All of these contracts will be taken back to market through a procurement process and will be awarded in time for their expiration. The contracts that are to be awarded are as follows:

1. Vehicles (trains and buses)
2. LRT Stations
3. Street furniture (benches and shelters)
4. Signs (billboards)

The contract for the integrated digital advertising and information system on LRT stations and platforms was awarded in 2016 and provides a minimum guaranteed revenue as well as a portion of revenue from advertising sales. In addition to the revenues generated from this contract, savings on capital and operating costs from the provision of real time train schedule and other information will be realized over the duration of the contract.

A similar system is planned for implementation on the new BRT system which is expected to add additional revenue and cost savings to Calgary Transit.

In 2016, Calgary Transit introduced advertising on its mobile short messaging service (SMS) for bus schedules. While this stream generated a small amount of revenue, this provided a partial offset to the cost

of providing the free SMS service to customers. The new contract for SMS service and advertising has just been awarded in April 2018, which could potentially grow this stream in the next five years with the goal to fully offset the cost of providing this free service.

Fines and Charters

Additional revenues are generated from charters (both school and general charters) as well as fares for participants for events such as conferences. These revenues totaled \$ 0.85 M in 2017.

Innovative Sources

Calgary Transit continues to explore and grow new sources of non-fare revenues that can mitigate fare increases or added tax support. Some of these initiatives include structures and fees that support the following activities on Calgary Transit property:

- Station and facilities naming rights and sponsorships
- Storefronts at stations
- Wi-fi
- Advertising on route schedules and bus transfers
- Other commercial activities on transit properties
- Automated Teller Machines at LRT stations

These sources are currently yielding only small revenues; however Calgary Transit continues to pursue these opportunities and expects that associated revenue to grow.

Conclusion: Principles for One Calgary

This document has provided background on fares and other revenue. It highlights some areas of risk and strength as Calgary Transit moves forward to meet the higher service levels defined in RouteAhead and support the growth of Calgary.

As Administration prepares to make a One Calgary submission in the fall, the specific fare and revenue recommendations will be guided by the following principles:

1. Work to close the operating gap by systematic application of the discount structure approved in 2014
2. Focus on increasing fares that offer the most revenue potential while still addressing the smaller sources of revenue that can make an incremental difference
 - a. Continue moving towards an income-based criteria for setting fare discounts/subsidies per Council direction of 2014
 - b. Maximize revenue potential from other sources including parking, advertising and new/innovative sources
3. Address the revenue risk posed by the sliding scale low-income transit pass funding gap by evaluating the current sliding scale fare structure for financial sustainability, and examining additional funding through altered subsidy structures for fares. Advocacy will also continue with other orders of government for a sustained funding partnership.

Appendix A: Sources of Transit Fares and Finances (2017)

