

Sliding Scale Update

EXECUTIVE SUMMARY

With CPS2016-0494 Council supported a first step in introducing a sliding scale for Transit's Low Income Monthly Pass. Demonstrating its continued leadership in supporting the goal of the Enough for All Poverty Reduction Strategy, Council amended Administration's recommendation and deepened subsidy discounts to those most financially vulnerable. Council directed that any funding needs resulting from this amendment be addressed no later than the beginning of November, in order to allow the sliding scale to be implemented early in 2017.

Using contingency funds identified for 2017 in their entirety, as well as revising projections based on additional data available in 2016 and preliminary revised fare rates, Administration concluded that a potential funding shortfall in 2017 for the sliding scale directed by Council would not require additional funding at this early stage. Given the unknowns around the program, uptake at the various levels of subsidy, and the lack of existing comparable data, Administration will monitor the program demand, review data as it become available, and will bring an update to Council in Q4 2017 as previously directed.

ADMINISTRATION RECOMMENDATION

That the SPC on Community and Protective Services receive this report for information.

PREVIOUS COUNCIL DIRECTION / POLICY

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

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

BACKGROUND

On 2016 May 27 the Government of Alberta announced a three-year funding commitment of \$13.5 million (\$4.5 million per year) to support low income transit in Calgary. On 2016 July 25, Council approved a sliding scale that would see three bands of eligibility for applicants with incomes at or below 100 per cent of the Low-Income Cut Off (LICO). Council expressed a desire to deepen discounts for the most financially vulnerable via an amendment to Administration's recommended fare strategy.

In CPS2016-0494 Administration's model allowed for five per cent in contingency funds for 2017 to mitigate financial risks associated with growth. These funds were in addition to a five per cent mitigation commitment by the province above and beyond the \$4.5 million should growth exceed projections.

Based upon Council's direction to Administration, this report addresses funding considerations related to the approved sliding scale fare schedule.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

Council's approved the following sliding fare schedule for Transit's Low Income Monthly Pass: a 95 per cent discount to the Adult Monthly Pass for people whose income is up to 50 per cent of LICO (band A); a 65 per cent discount for those whose income is >50-85 per cent of LICO (band B); and a 50 per cent discount to those whose income is >85-100 per cent of LICO (band C).

This fare structure deepens the discount for band A from the previously-proposed 85 per cent to 95 per cent of the Adult Monthly Pass fare. Based on current projections of uptake, and preliminary revised fares, the cost of the deepened subsidy is expected to exceed provincial funding, including contingency funds, by \$255 thousand in 2017, \$490 thousand in 2018 and \$1.5 million 2019.

For 2017, using available contingency funds, the funding gap does not require identification of an additional funding source. CPS2016-0494 directed Administration to report back with an update on the implementation and funding framework no later than Q4 2017. Administration will use that report to provide a recommendation on potential funding requirements, based on the data collected during the first year of implementation.

Administration has included a request to support City subsidized services as part of The City submission to the federal government budget process, encouraging collective involvement from all orders of government. At the provincial level, The City's work on a fiscal framework builds toward longer term objectives with the intent to provide funding and financing sources that are predictable and facilitate long-term planning. Conversations will continue with all levels of government, through both elected officials and Administration.

Stakeholder Engagement, Research and Communication

Calgary Neighbourhoods has worked closely with the key stakeholders of Calgary Transit and Finance to refine cost projections and explore funding options.

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, as outlined in CPS2016-0494. These key priorities and guiding documents can be found in: Council Priority of a Prosperous City; *Fair Calgary Policy*; 2020 Sustainability Direction; *Economic Development Strategy for Calgary*; and *Enough for All Poverty Reduction strategy*.

Social, Environmental, Economic (External)

The approved sliding scale will provide more affordable subsidies to the most financially vulnerable Calgarians, enhancing their mobility options and enabling them to become more active community members. Increasing access to an effective transit service for all Calgarians is consistent with achieving The City's environmental goals. Increased affordability of transit for all contributes to a city where people want to live, work and invest, while improving economic self-sufficiency and improving labour supply.

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Financial Capacity

Current and Future Operating Budget:

The revenue shortfall for a fare schedule that incorporates a 95 per cent discount as directed by Council is projected at this point to be \$255 thousand in 2017, \$490 thousand in 2018 and \$1.5 million in 2019. The sliding scale revenue projections are very sensitive to demand changes that are difficult to accurately predict with the existing data; Administration will closely monitor program uptake through 2017 Q2 and Q3 and report back to Council as required, should a material funding shortfall emerge from the sliding scale implementation.

Current and Future Capital Budget:

None associated with this report.

Risk Assessment

The financial sustainability of the proposed sliding scale remains uncertain, with projections for a program that does not yet exist. Administration will closely monitor program uptake and report back to Council if it is greater than expected. In order to mitigate the long term financial risk, the investigation of a sustainable funding framework will continue, reporting back in Q4 2017.

Existing contingency funds will be applied in 2017 to address the expected revenue shortfall. If additional funds were required as a result of program uptake exceeding growth estimates, Administration will report back to Council as indicated.

REASON FOR RECOMMENDATION:

While Administration explored several options to fund the deepened subsidy discount directed by Council, the assessment concluded that the projected shortfall for 2017 did not require identification of an additional funding source at this early stage. As per CPS2016-0494, Administration will continue to examine opportunities to mitigate the long term financial risks and develop a sustainable funding framework (including exploring other funding sources), reporting back to Council in Q4 2017.