Agenda - Executive Policy Committee - November 14, 2007

Moved by Councillor

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than 96 hours preceding the committee meeting, be considered by Committee.

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - November 13, 2007

Item No. 1 2008 Transit Fares
File TT-2

STANDING COMMITTEE RECOMMENDATION:

On November 13, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submits the following to Council:

1. That full and handi-transit cash fares be increased by 25 cents.

2. That reduced and senior cash fares be increased by 10 cents.

3. That full, reduced, handi-transit and post-secondary monthly passes remain unchanged.

4. That all forms of full, reduced and handi-transit tickets be increased by 10 cents (unit).

5. That all weekday and weekly passes be increased the proportionate equivalent of a 10 cent ticket increase (unit).

6. That seniors tickets and passes are increased such that the fares remain 50% less than the equivalent full fare.

7. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda - Executive Policy Committee – November 14, 2007

Report - Standing Policy Committee on Infrastructure Renewal and Public Works - November 13, 2007

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 13, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

Further on November 13, 2007, the Standing Policy Committee on Infrastructure Renewal and Public Works received submissions in opposition to the 2008 Transit Fares from the following:

- Councillor Gerbasi, Fort Rouge-East Fort Garry Ward, submitted a communication entitled Winnipeg Transit – Annual Bus Operation Hours
- Nick Ternette, submitted a presentation
- Marlene Vieno, submitted a presentation entitled Hike in Public Handi-Transit Fares
- Katharina Stieffenhofer, submitted a communication dated November 13, 2007

RE: **2008 TRANSIT FARES**

FOR SUBMISSION TO: **Standing Policy Committee on Infrastructure Renewal and Public Works**

ORIGINAL REPORT SIGNED BY: **Dave Wardrop, Director of Transit**

REPORT DATE: **October 12th, 2007**

RECOMMENDATION: **That, effective January 1, 2008:**

- **Full and handi-transit cash fares be increased by 25 cents;**
- **Reduced and senior cash fares be increased by 10 cents;**
- **Full, reduced, handi-transit and post-secondary monthly passes remain unchanged;**
- **All forms of full, reduced and handi-transit tickets be increased by 10 cents (unit);**
- **All weekday and weekly passes be increased the proportionate equivalent of a 10 cent ticket increase (unit); and**
- **Seniors tickets and passes are increased such that those fares remain 50% less than the equivalent full fare.**

Report Summary

Key Issues:

- The Chief Administrative Officer has directed departments to prepare draft 2008 budget proposals that prioritize the following three service areas:
  - Crime reduction
  - Visible front line services (clean and green)
  - Infrastructure (pipes and pavement)
- The department has been and expects to face increased costs for salaries wages and benefits, transit infrastructure and handi-transit service, due to increasing demand
- The department receives operating funding through system generated revenue and operating grants from the Province and City tax-support. Over a number of years, a balance between all three sources has been developed within a range
- The recommended fare increase is estimated to produce $2.2 million in additional passenger revenue for 2008

Implications of the Recommendation(s):

General Implications

( ) None

( ) For the organization overall and/or for other departments

(X) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s): Dependent on the fare media used, passengers of regular transit service and handi-transit service could be paying higher fares, effective January 1, 2008. Specifically, those using monthly passes will not be paying a higher fare than they do presently.

Policy Implications

( ) No

(X) Yes

Comment(s): The recommended fare structure is not consistent with the Council adopted fare setting policy.

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Environmental Implications

(X) No

( ) Yes

Human Resources Implications

(X) No

( ) Yes

Financial Implications

( ) Within approved current and/or capital budget

(X) Current and/or capital budget adjustment required

Comment(s): The recommended fare increase is necessary to allow the department an opportunity to maintain service levels and Council's direction and reduce contributions otherwise required from the City of Winnipeg and Province of Manitoba.

Report

REASON FOR THE REPORT:

Transit fare adjustments require Council approval.

HISTORY:

On January 22, 1992, Council approved that all City fees and charges increase annually by the rate of inflation unless a review indicates otherwise.

In 1996, Council adopted a transit fare policy that fixed the relationship between the full cash fare and all other fare categories. (See Appendix 1 – Transit Fare Policy).

On December 14, 2005, Council approved new transit fares to take effect January 1, 2006. These are the fares currently being charged.

On August 7, 2007, the Chief Administrative Officer requested departments consider fee increases as part of an overall strategy to meet 2008 Operating Budget targets.

DISCUSSION:

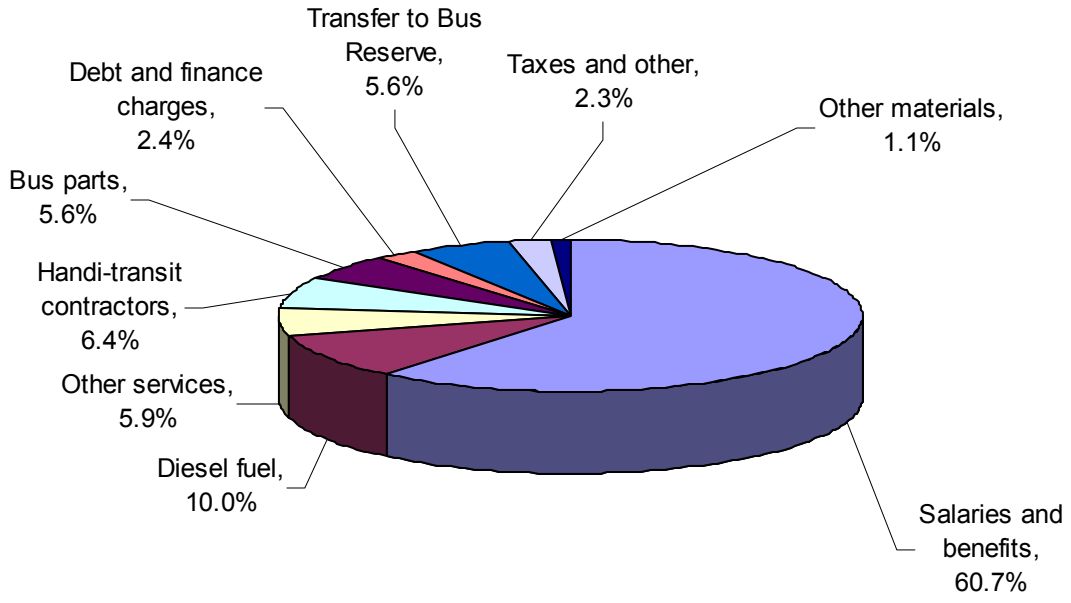
Winnipeg Transit carries out the provision of public transit service to the citizens of the City of Winnipeg. In providing this service, the department serves the role of planning, developing and operating a public transportation system that:

- Provides mobility for those who do not or choose not to use other modes of transportation;
- Provides weekday peak period service levels that minimize the City's requirement for investment in roadway and bridge infrastructure;
- Reduces pollution generated by the overall urban transportation system; and
- Reduces energy use by urban transportation.

As well, through its dedicated handi-transit service, the department provides a parallel public transportation service for people who cannot use the regular transit system because of a physical disability.

In 2006, Winnipeg Transit expended $115.1 million in delivering these services. The following chart summarizes the areas where these funds were expended:

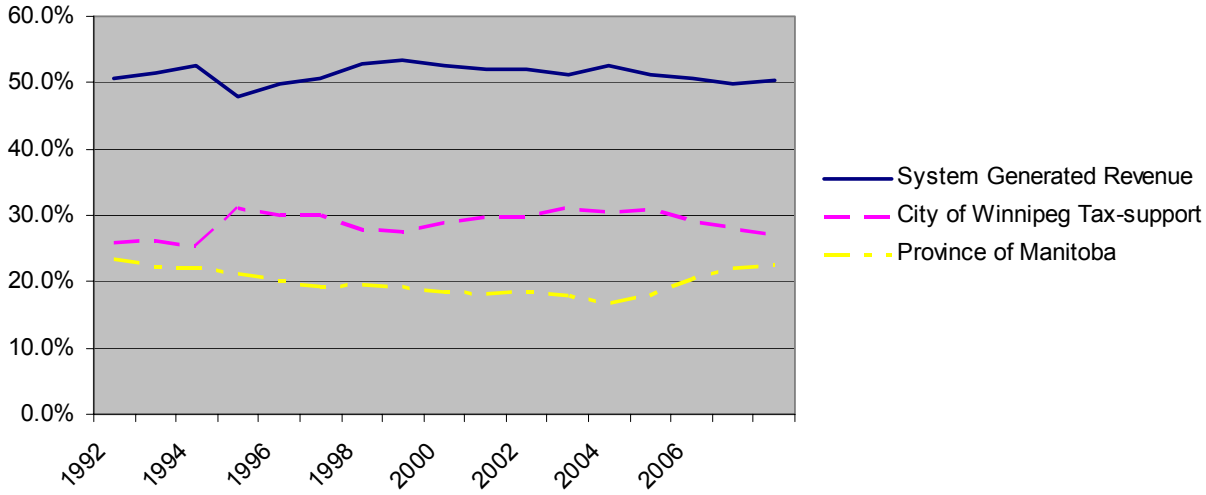
Chart 1 – Proportionate Expending by Category



This allowed the department to provide over 1.3 million hours of regular transit service and over 590,000 handi-transit trips.

To carry out these services, Winnipeg Transit relies upon three sources of revenue. Its primary source is system generated revenue, which will include fare and advertising revenue. It also receives annual operating grants from the Province of Manitoba and the City's tax-support budget. The following chart summarizes the relative proportions for these funding sources over the past 15 years:

Chart 2 – Proportionate Funding by Category



Note: The amount noted for 2007 is based upon the June Operating Forecast.

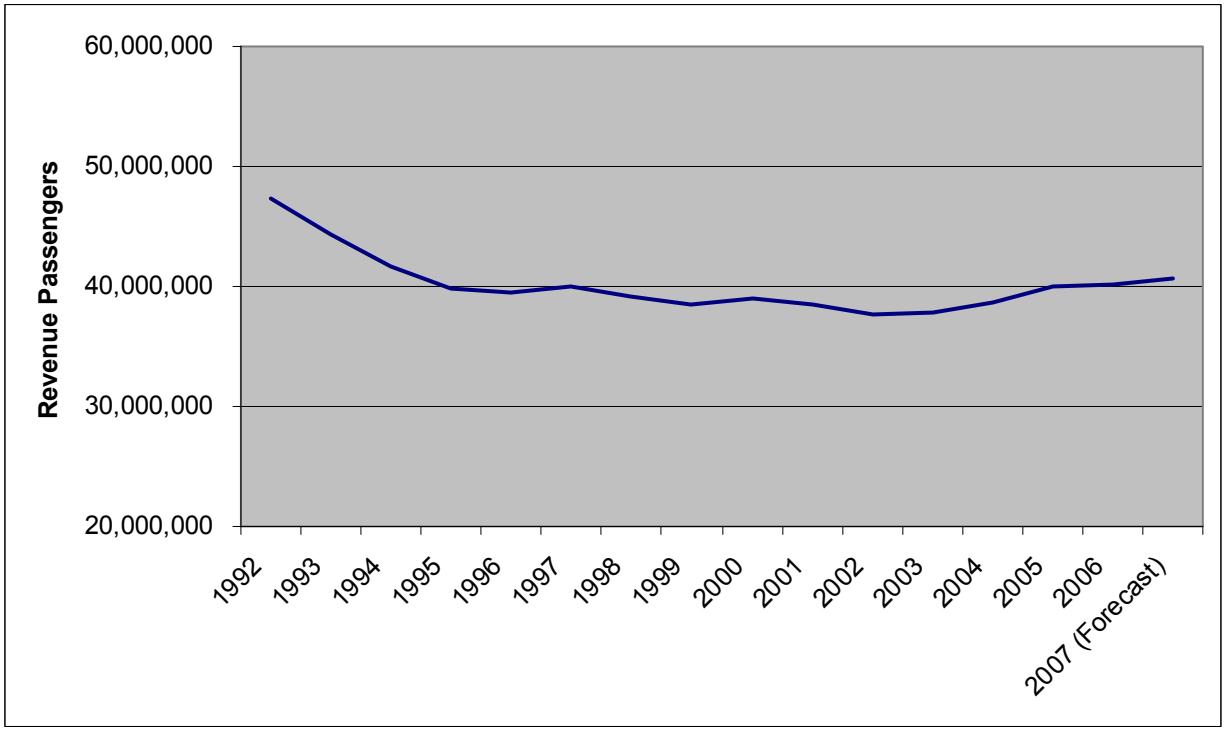
The general trends noted are:

- system generated revenue has been relatively static over this time, ranging within a narrow band of 48 to 53%;
- City of Winnipeg tax-support funding has been gradually decreasing since 2005; and
- Province of Manitoba funding has been increasing since 2005.

Recent Financial Considerations

The operation has been fortunate in that, through fare and ridership increases, it produced an additional $2.0 million in system generated revenue in 2006. Increasing revenue passengers has been a very positive trend for Winnipeg Transit. After years of declining ridership, if expectations continue, 2007 represents the fifth straight year of increases, as noted in the chart below:

Chart 3 – Number of Revenue Passengers



Supplementing the additional system generated revenue in 2006 were increased Provincial ($3.6 million) operating grants.

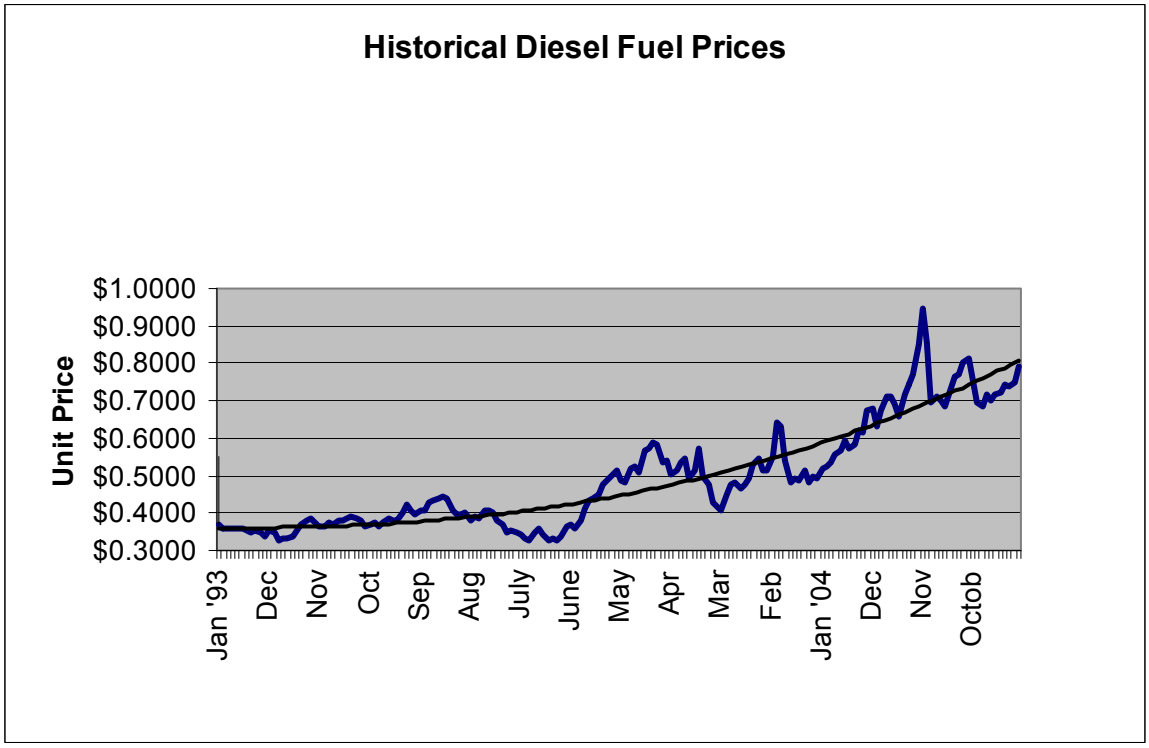
These additional revenues were necessary to meet a number of continuing financial pressures. There were four areas experiencing increased costs:

Diesel Fuel

While the impact of rising gasoline prices contributes to increased revenue passenger numbers, it also has a negative impact on the operation. The City's entire fleet of transit buses presently requires diesel fuel to operate. Costing a total of $11.4 million, it is the department's largest expense after salaries, wages and benefits.

At the beginning of 2004, Winnipeg Transit was paying 52 cents per litre for diesel fuel. Currently, this has increased 52% to 79 cents per litre. The following chart displays the historical price paid for diesel fuel since 1993:

Chart 4 – Historical Unit Price of Diesel Fuel



Salaries, wages and benefits

For the department as a whole, these costs increased $2.0 million. This increase largely represents cost of living adjustments, with no significant changes in staffing levels within the department.

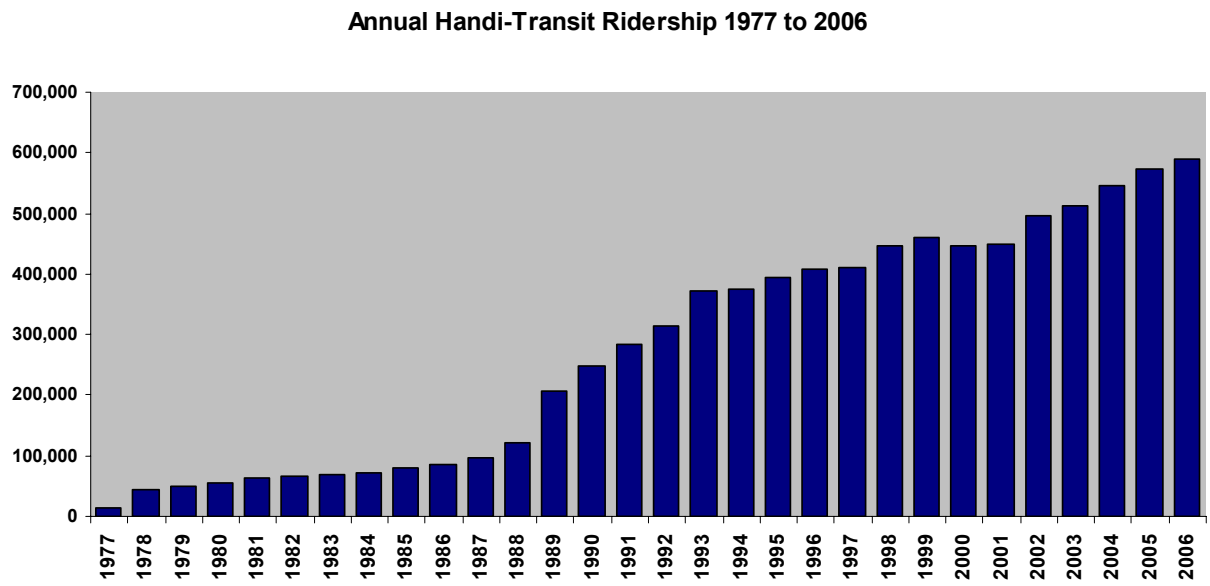
Transfer to Transit Bus Replacement Reserve Fund

In combination with Provincial capital grants, Winnipeg Transit intends on using the Transit Bus Replacement Reserve Fund (the "Reserve") to avoid having to incur debt charges. Approved by Council, the objective is to purchase buses on a pay-as-you-go basis. The department was successful in achieving this goal in 2000 only. Rising costs of buses earlier this decade, combined with successive operating budgets that made it difficult to fund the Reserve to the level necessary to allow the department to achieve pay-as-you-go financing, have conspired against achieving this objective. Still, the department is getting closer to meeting this goal by increasing its contributions annually. In 2006, $1.3 million more than 2005 was transferred to the Reserve.

Handi-transit service

Although steps have been taken to minimize costs and improve the efficiency and capacity of the operation, including the recent introduction of free regular transit service for registrants holding a valid photo id, the demand for Handi-Transit service continues to grow as Winnipeg's population ages and the number of people with disabilities living in the community increases. As a result, Handi-Transit ridership is increasing. The following chart shows the increase in trips provided over the years:

Chart 5 – Historical Handi-Transit Ridership



Even though Winnipeg Transit operates the lowest cost system compared to other major Canadian Cities, with 20,000 more trips in 2006, this cost Winnipeg Transit an additional $0.4 million.

Recommended 2008 Transit Fares

The following table compares the current transit fares to those recommended for 2008:

		Current Fares	Proposed Fares January 1, 2008	Percent Change
Full Fare – Regular Transit	Cash	$2.00	$2.25	12.5%
	Tickets (sheet of ten)	18.50	19.50	5.4%
	Weekday pass	16.65	17.50	5.1%
	SuperPass	18.50	19.50	5.4%
	Monthly pass	71.25	71.25	No increase
Post-secondary monthly pass		57.00	57.00	No increase
Handi-transit	Cash	2.00	2.25	12.5%
	Tickets (sheet of ten)	18.50	19.50	5.4%
	Monthly pass	71.25	71.25	No increase
Reduced Fare – Regular Transit	Cash	1.65	1.75	6.1%
	Tickets (sheet of ten)	12.50	13.50	8.0%
	SuperPass	12.50	13.50	8.0%
	Monthly pass	48.15	48.15	No increase
Senior Fare – Regular Transit	Cash	1.65	1.75	6.1%
	Tickets (sheet of ten)	9.30	9.70	4.3%
	SuperPass	9.30	9.75	4.8%
	Monthly pass	35.65	35.65	No increase

Implications of the Recommended 2008 Transit Fares

- It is estimated that the recommended fares would generate approximately $2.2 million in additional revenue for Winnipeg Transit;
- Compared to cash, tickets and passes are an even greater value to customers; and;
- Consistent with the past number of years, the above fare structure does not consider the Council adopted fare setting policy.

2008 Draft Operating Budget

Pursuant to the direction from the Chief Administrative Officer, City departments are presently developing their 2008 operating budgets. The process is still in its preliminary stages, requiring significantly more discussion, review and debate over the next number of months. The proposed recommended transit fares are being proposed now in order to take advantage of the additional revenue it will generate as soon as possible. Delaying implementation results in an additional cost to the City of approximately $195,000 per month delayed.

The foregoing financial considerations are continuing in 2007 and are expected to continue into 2008:

- Salaries and wages are expected to increase at an inflationary rate;
- Increased transit infrastructure expenses are anticipated; and
- Handi-transit service demand continues to grow at a rate of 4 to 5% annually.

For comparison purposes, Appendix 2 includes a comparison of various fares currently being charged by major Canadian cities.

Financial Impact Statement

Date: October 11, 2007

Project Name: 2008 Transit Fares **First Year of Program 2008**

	2008	2009	2010	2011	2012
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	2,220,000	2,220,000	2,220,000	2,220,000	2,220,000
Net Cost/(Benefit)	$ (2,220,000)	$ (2,220,000)	$ (2,220,000)	$ (2,220,000)	$ (2,220,000)
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ (2,220,000)	$ (2,220,000)	$ (2,220,000)	$ (2,220,000)	$ (2,220,000)

Additional Comments: The recommended 2008 Transit fare increase will provide an estimated additional $2.22 million in passenger revenue. The Operating Budgets for 2008 onwards have not yet been approved. Although a fare increase is not included in the 2008 Administrative Budget, the preliminary 2008 Operating Budget presently being developed requires this increase to meet tax-support grant targets provided to the department.

Original Signed by Paul D. Olafson
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS:

Internal Consultation With and Concurrence By:

N/A

External Consultation With:

N/A

THIS REPORT SUBMITTED BY:

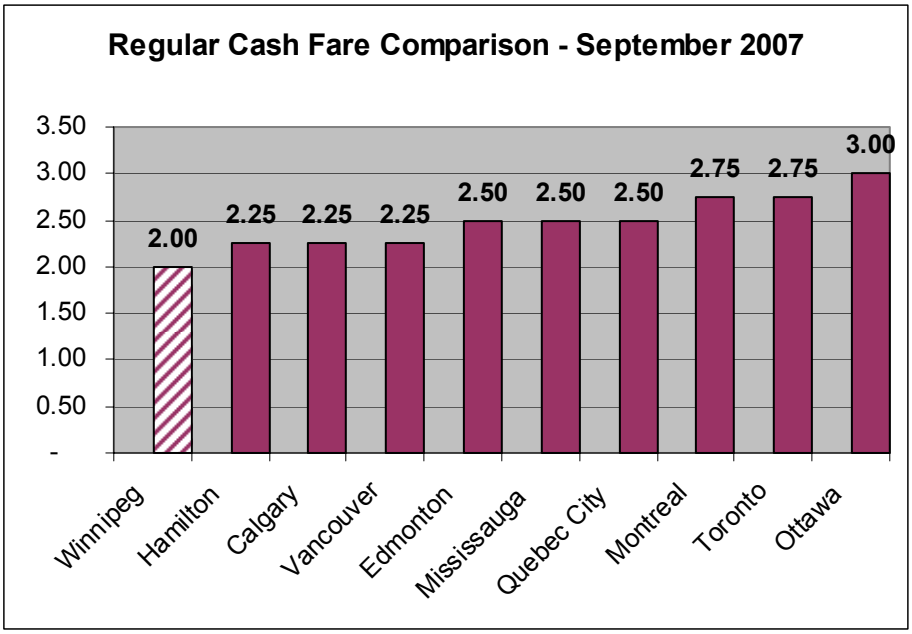
Department: Transit
Division: Finance and Administration
Prepared by: Paul D. Olafson, CA
File No.

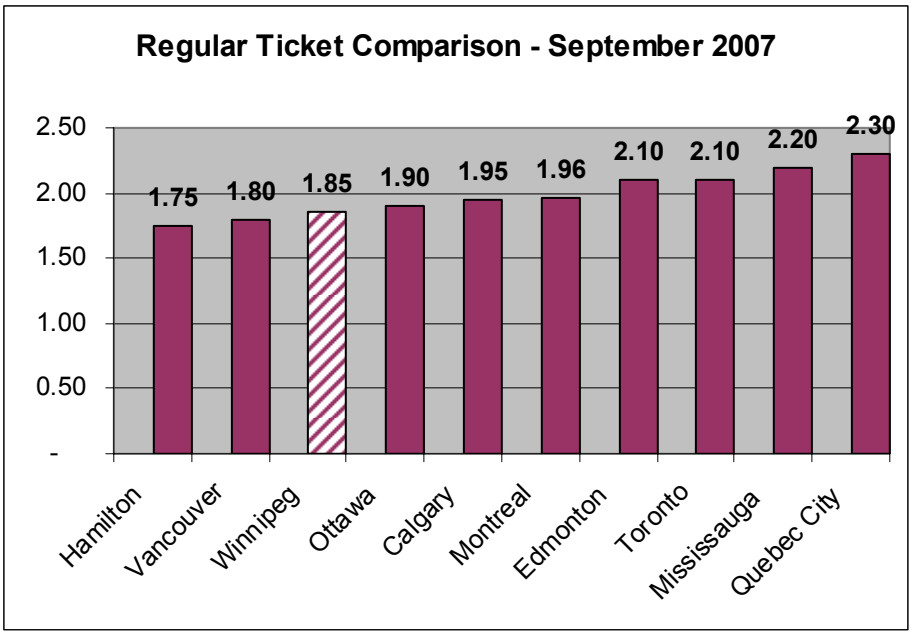
Appendix 1 – Transit Fare Policy

	Fare Category	Eligibility	Value
Single Trip Fares	Cash Fare	Persons Aged 17-64 years	Set by Council
	Adult Ticket Fare	Persons Aged 17-64 years	$0.05 less than Cash Fare
	Reduced Cash Fare	Persons Aged 5-16 years Winnipeg High School Students Aged 17-21 (with ID) Persons Aged 65 and Over (with ID)	80% of Adult Cash
	Reduced Ticket Fare	Persons Aged 5-16 years Winnipeg High School Students Aged 17-21 (with ID) Persons Aged 65 and Over (with ID)	60% of Adult Ticket
Weekly Passes	Adult Weekday Pass (valid Monday – Friday)	Persons Aged 17-64 years	9 x Adult Ticket
	Adult Super Pass (valid Monday – Sunday)	Persons Aged 17-64 years	10 x Adult ticket
	Reduced Super Pass (valid Monday – Sunday)	Persons Aged 5-16 years Winnipeg High School Students Aged 17-21 (with ID) Persons Aged 65 and Over (with ID)	10 x Reduced Ticket
Monthly Passes	Adult Monthly Pass	Persons Aged 17-64 years	38.5 x Adult Ticket
	Reduced Monthly Pass	Persons Aged 5-16 years Winnipeg High School Students Aged 17-21 (with ID) Persons Aged 65 and Over (with ID)	38.5 x Reduced Ticket
	Post Secondary Student Monthly Pass	All Post-Secondary students with validated Student ID Apprenticeship and Continuing Education students not eligible	20% discount from adult monthly pass
Transfer System	Non-Directional	All cash and ticket passengers	Valid for 60 minutes from time of issue

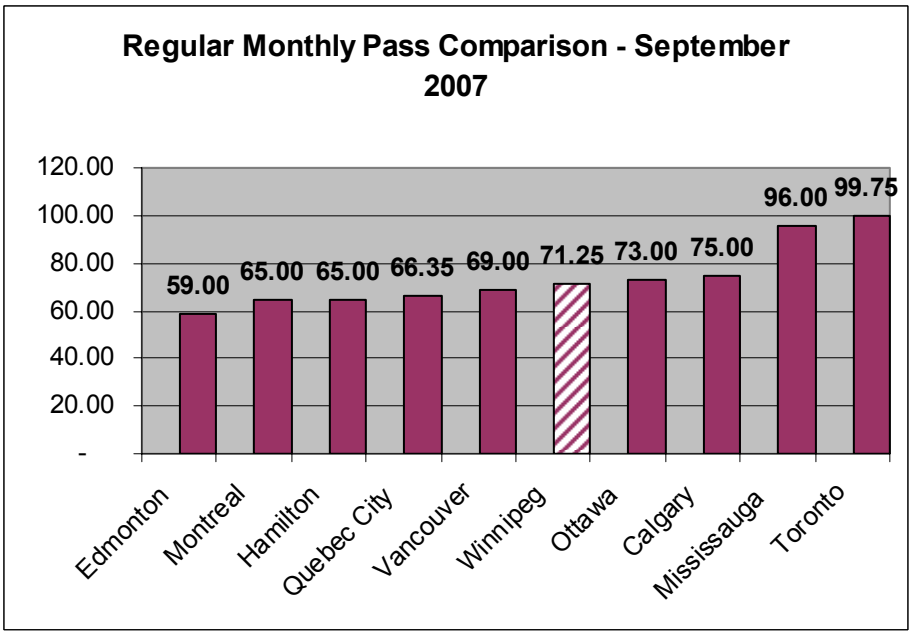
Appendix 2 – Comparison of Fares in Major Canadian Cities

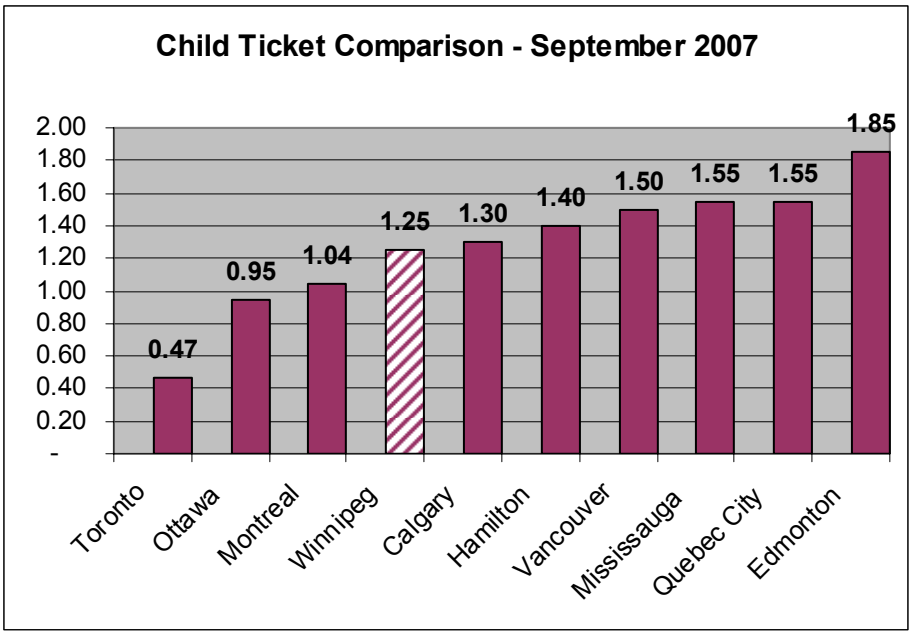
These comparisons are made using fares published on the various city websites as at September 2007. No attempt has been made to further verify the accuracy of the presentation.



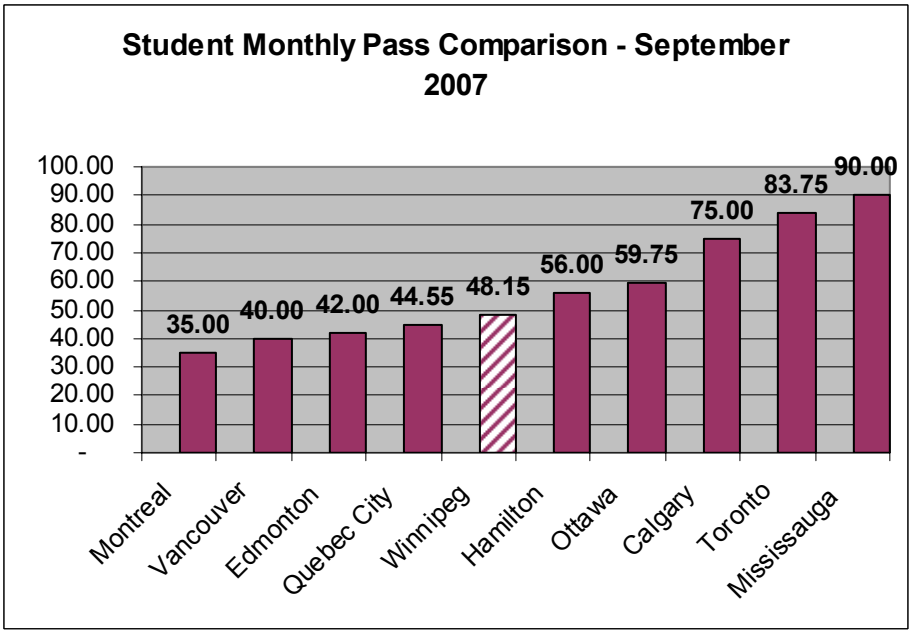


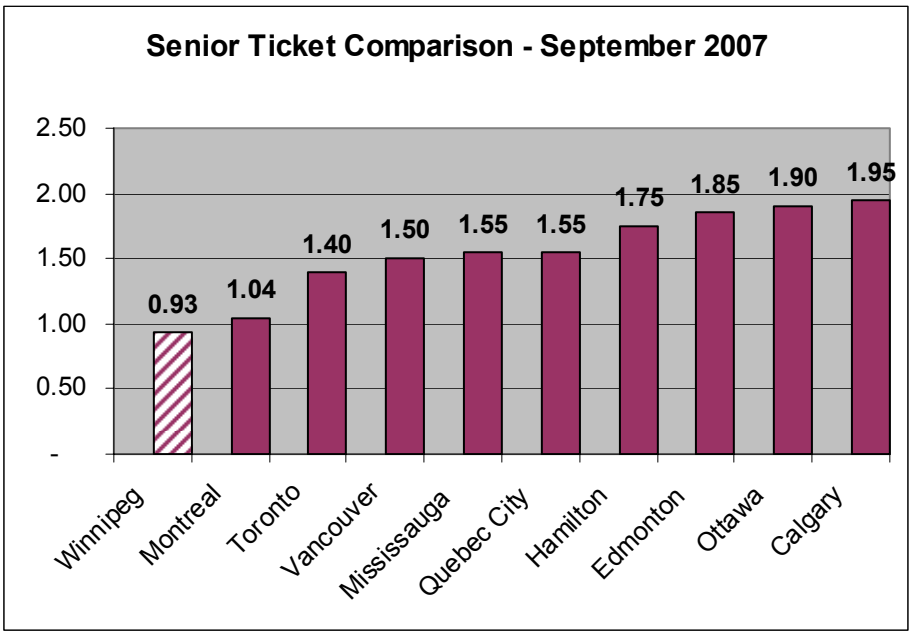
Appendix 2 (continued) – Comparison of Fares in Major Canadian Cities





Appendix 2 (continued) – Comparison of Fares in Major Canadian Cities




Senior Ticket Comparison - September 2007
2.50
2.00
1.50
1.00
0.50
-
0.93
1.04
1.40
1.50
1.55
1.55
1.75
1.85
1.90
1.95
Winnipeg
Montreal
Toronto
Vancouver
Mississauga
Quebec City
Hamilton
Edmonton
Ottawa
Calgary