Agenda – Executive Policy Committee – March 18, 2015

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – March 16, 2015

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.

Item No. 1 Costs of Implementing a Universal Transit Pass (UPass) for Post-Secondary Students at the University of Manitoba and the University of Winnipeg

STANDING COMMITTEE RECOMMENDATION:

On March 16, 2015, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That given that referenda were approved by the University of Manitoba Students' Union, the University of Manitoba Graduate Students' Association, and the University of Winnipeg Students' Association, and with all conditions set by Council on February 26, 2014 being satisfied, that Winnipeg Transit be authorized to proceed with the implementation of the UPass program for full time students represented by these groups beginning by September 1, 2016, subject to each student association's UPass proposal being approved by each institution's Board of Governors respectively, and the remaining recommendations below then be approved;

2. That additional bus hours be added to the transit routes identified in Appendix 1 to accommodate the increased ridership;

3. That Winnipeg Transit's operating budget be increased by $994,000 in 2016 ($579,000 after provincial cost sharing) for the 4 months and $2,185,000 annually ($1,337,000 after provincial cost sharing) in 2017 to cover the loss of revenue, the cost of additional service required for UPass implementation, and debt and finance charges for the purchases of the additional 9 buses;

4. That the following be approved:

    (i) an addition to the 2016 capital budget, 'Transit Buses' project be made in the amount of $5,164,000, financed by external debt;

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – March 16, 2015

(ii) $5,164,000 in 2015 or prior to the adoption of the 2016 Capital Budget as a first charge against the 2016 Transit Buses project in accordance with Subsection 288(2) of the City of Winnipeg Charter, to enable Winnipeg Transit to purchase 9 additional transit buses required for UPass implementation;

(iii) borrowing authority in the amount of $5,164,000 for this project and that the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-laws(s) to Council;

5. That Winnipeg Transit be authorized to increase its staff complement by 8.75 FTEs (6 month equivalent of 17.5 FTEs) in 2016 and 17.5 FTEs in 2017 for bus operators, maintenance staff, and Inspector/Supervisory staff required for UPass implementation as listed in Appendix 2;

6. That the City enter into four year agreements with the University of Manitoba and University of Winnipeg, as well as the University of Manitoba and University of Winnipeg student associations, as required to implement the intent of the foregoing;

7. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of any agreements required pursuant to Recommendation 6, in accordance with the terms and conditions set forth in this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City;

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

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – March 16, 2015

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On March 16, 2015, 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.

David Sanders submitted a communication dated March 16, 2015, in support of the Costs of Implementing a Universal Transit Pass (UPass) for Post-Secondary Students at the University of Manitoba and the University of Winnipeg.

ADMINISTRATIVE REPORT

Title: ***Costs of Implementing a Universal Transit Pass (UPass) for Post-Secondary Students at the University of Manitoba and the University of Winnipeg***

Critical Path: **SPC on Infrastructure Renewal & Public Works – EPC – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
B. Radstrom	D. Wardrop	M. Ruta	M. Jack A/CAO

RECOMMENDATIONS

1. That given that referenda were approved by the University of Manitoba Students' Union, the University of Manitoba Graduate Students' Association, and the University of Winnipeg Students' Association, and with all conditions set by Council on February 26, 2014 being satisfied, that Winnipeg Transit be authorized to proceed with the implementation of the UPass program for full time students represented by these groups beginning by September 1, 2016, subject to each student association's UPass proposal being approved by each institution's Board of Governors respectively, and the remaining recommendations below then be approved;

2. That additional bus hours be added to the transit routes identified in Appendix 1 to accommodate the increased ridership;

3. That Winnipeg Transit's operating budget be increased by $994,000 in 2016 ($579,000 after provincial cost sharing) for the 4 months and $2,185,000 annually ($1,337,000 after provincial cost sharing) in 2017 to cover the loss of revenue, the cost of additional service required for UPass implementation, and debt and finance charges for the purchases of the additional 9 buses;

4. That Council approve:

   (i) an addition to the 2016 capital budget, 'Transit Buses' project be made in the amount of $5,164,000, financed by external debt;
   (ii) $5,164,000 in 2015 or prior to the adoption of the 2016 Capital Budget as a first charge against the 2016 Transit Buses project in accordance with Subsection 288(2) of the City of Winnipeg Charter, to enable Winnipeg Transit to purchase 9 additional transit buses required for UPass implementation;
   (iii) borrowing authority in the amount of $5,164,000 for this project and that the Director of Legal Services and City Solicitor be requested to submit the necessary borrowing by-laws(s) to Council;

5. That Winnipeg Transit be authorized to increase its staff complement by 8.75 FTEs (6 month equivalent of 17.5 FTEs) in 2016 and 17.5 FTEs in 2017 for bus operators, maintenance staff, and Inspector/Supervisory staff required for UPass implementation as listed in Appendix 2;

6. That the City enter into four year agreements with the University of Manitoba and University of Winnipeg, as well as the University of Manitoba and University of Winnipeg student associations, as required to implement the intent of the foregoing;

7. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of any agreements required pursuant to Recommendation 6, in accordance with the terms and conditions set forth in this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City;

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

REASON FOR THE REPORT

At its meeting of February 26, 2014, City Council concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal & Public Works and adopted the following:

1. That a U-Pass Program be established subject to the following:
    a. That the program be conditional on successful membership referendums held by the University of Manitoba Students' Union and the University of Winnipeg Students' Association to be held by November 1st of 2014, at a level of $260 per student to cover the fall and winter semesters.
    b. That the $260 fee be subject to inflationary increases as per the City of Winnipeg policy.
    c. That the Winnipeg Public Service provide budgetary implications of a U-Pass Program and report back to Council.
    d. That the U-Pass Program commence in September 2016 or sooner if possible.
    e. That following successful student referendums, Winnipeg Transit prepare an implementation report to be presented to Council for approval.

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

IMPLICATIONS OF THE RECOMMENDATIONS

The implementation of a Universal Transit Pass has a net annual impact to Transit in 2017 of $2,185,000 ($1,337,000 after Provincial cost sharing) due to the lost fare revenue, additional service that is required to accommodate the increased ridership and debt and finance charges required for the purchases of the 9 additional buses.

The four months commencing on September 1, 2016 has a financial impact of $994,000 ($579,500 after provincial cost sharing).

17.5 FTEs are required to implement the U-Pass and are required to be added to Transit's staffing complement. For 2016, the FTEs would be required for 6 months to allow enough time for staff training before implementation and therefore equate to 8.75 FTEs.

HISTORY

In the Fall of 2012, the University of Manitoba Students' Union (UMSU) carried out a student referendum in which a proposal for a UPass costing no more than $85 per term was approved. Similarly, the University of Winnipeg Students' Association (UWSA) carried out a student referendum in which a proposal for a UPass costing no more than $100 per term was approved.

Winnipeg Transit submitted a report to the Standing Policy Committee on Infrastructure Renewal & Public Works at its February 26, 2013 meeting. This report outlined the costs, benefits and challenges of implementing a UPass program. The Standing Policy Committee requested that Winnipeg Transit continue to work with the student associations to refine the cost estimates, and to report back on potential options and strategies for bridging the funding gap. New enrolment and place-of-residence data was provided to Winnipeg Transit, and were used to update the cost estimates contained in this report.

At its meeting on February 26, 2014, Council concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and adopted the following:

1. That a UPass Program be established subject to the following:
    a. That the program be conditional on successful membership referendums held by the University of Manitoba Students' Union and the University of Winnipeg Students' Association to be held by November 1st of 2014, at a level of $260 per student to cover the fall and winter semesters.
    b. That the $260 fee be subject to inflationary increases as per the City of Winnipeg policy.
    c. That the Winnipeg Public Service provide budgetary implications of a UPass Program and report back to Council.
    d. That the UPass Program commence in September 2016 or sooner if possible.
    e. That following successful student referendums, Winnipeg Transit prepare an implementation report to be presented to Council for approval.

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

The University of Manitoba Students' Union (UMSU) held a successful referendum in October 2014 approving the UPass for its members at a cost of $260 per student to cover the fall and winter terms (8 months).

The University of Manitoba Graduate Students' Association (UMGSA) held a successful referendum in October 2014 approving the UPass for its members at a cost of $260 per student to cover the fall and winter terms (8 months).

The University of Winnipeg Students' Association (UWSA) held a successful referendum in October 2014 approving the UPass for its members at a cost of $260 per student to cover the fall and winter terms (8 months).

Overview

A universal post-secondary transit pass, or UPass, is a mandatory pass purchased by all students at a post-secondary institution as a part of their tuition payment for a given semester or term. In the case of both the University of Manitoba and the University of Winnipeg, a UPass would cover the Fall (September to December) and Winter (January to April) terms. A UPass generally is not implemented for Spring or Summer terms due to the lower number of students attending classes in these terms.

Costs

The following table shows the operating cost breakdown for implementing a UPass at the University of Manitoba (including graduate students), at the University of Winnipeg, as well as at both institutions jointly:

UPass Funding and Cost Analysis – UM and UW
For Academic Year 2016-2017
(including Graduate Students at the University of Manitoba)

Institution	UM	UW	Combined
Total Eligible Students	22,785	10,806	33,592
Operating Revenues/Costs:			
Current Transit Revenue	$5,322,491	$3,450,458	$8,772,949
Operational Cost of Additional Service Required	$1,622,297	$0	$1,622,297
Total Cost of UPass Service	$6,944,788	$3,450,458	$10,395,246
Breakeven UPass Fee excluding capital costs	**$320**	**$335**	**$325**
UPass fee Accepted By Students	$260	$260	$260
Estimated UPass Revenue	$5,924,260	$2,809,633	$8,733,893
Annual Net Operating Cost before bus purchases	$1,020,528	$640,825	$1,661,353
Debt and Finance Charges Required for Bus Purchases (City only)	$490,039	$0	$490,039
Total Net Operating Cost Increase	**$1,510,567**	**$640,825**	**$2,151,392**
Provincial Contribution	$510,264	$320,413	$830,677
Required Increase to City Operating Grant	**$1,000,303**	**$320,412**	**$1,320,715**

With inflation being applied to the above table for 2017 the costs increase to $2,185,000 ($1,337,000 after provincial cost sharing), the amounts provided in the recommendations. The 2016 recommended budget increase of $994,000 ($579,000 after provincial cost sharing) prorates the above amounts for a partial year both for operating costs and revenues as well as debt and financing costs.

The above table outlines costs based on the following eligibility parameters, as defined by the respective student associations:

- **University of Manitoba**
  Undergraduate students and graduate students would be eligible. Although not included in the Council disposition from February 26, 2014, graduate students from the University of Manitoba were included in the cost estimates shown above, as the UMGSA held a successful UPass referendum in October 2014. Cost estimates excluding the graduate students are shown below.

Students who live outside the boundaries of the City of Winnipeg would be allowed to opt out of the program. For purposes of the cost estimate, it was assumed that rural students whose addresses were located within a reasonable commute distance of Winnipeg would opt-out, whereas those located beyond a reasonable commute distance would move to Winnipeg, and therefore elect not to opt out.

- **University of Winnipeg**
  Both undergraduate and graduate students are eligible at the University of Winnipeg, as they are all represented by the UWSA. Similar to the University of Manitoba, it is assumed that students living outside of the boundaries of the City of Winnipeg (but within a reasonable commute distance) will opt out of the UPass program.

The eligibility parameters, especially for students with addresses outside the City of Winnipeg boundaries, will be subject to further discussion between Winnipeg Transit and the student associations. Enrolment numbers are for the 2013-14 academic year and have been increased by 2% annually to estimate 2016-2017 enrolment.

In order to accurately establish the full cost of a UPass program, both the annual operating cost and debt servicing costs related to the capital components must be considered. These costs are estimated to be approximately $2,185,000 annually in 2017 for increased operating costs and $5,164,000 for the purchase of 9 additional buses required to operate additional service. Sufficient funding in the 2016 capital budget for the purchase of the buses is necessary with a first call in 2015 so that all 9 additional buses are available for use by September 2016. Note that these 9 buses would be in addition to any buses purchased under the existing bus replacement program in the capital budget.

Previous cost estimates provided did not include Graduate Students. For comparison purposes, if Graduate Students at the University of Manitoba are excluded, the following table of costs applies:

UPass Funding and Cost Analysis – UM and UW
For Academic Year 2016-2017
(excluding Graduate Students at the University of Manitoba)

Institution	UM	UW	Combined
Total Eligible Students	19,620	10,806	30,426
Operating Revenues/Costs:			
Current Transit Revenue	$4,582,894	$3,450,458	$8,033,353
Operational Cost of Additional Service Required	$1,397,016	$0	$1,397,016
Total Cost of UPass Service	$5,979,910	$3,450,458	$9,430,369
Breakeven UPass Fee excluding capital costs	**$320**	**$335**	**$325**
UPass fee Accepted By Students	$260	$260	$260
Estimated UPass Revenue	$5,101,100	$2,809,633	$7,910,733
Annual Net Operating Cost before bus purchases	$878,811	$640,825	$1,519,636
Debt and Finance Charges Required for Bus Purchases (City only)	$436,562	$0	$436,562
Total Net Operating Cost Increase	**$1,315,373**	**$640,825**	**$1,956,198**
Provincial Contribution	$439,406	$320,412	$759,818
Required Increase to City Operating Grant	**$875,967**	**$320,413**	**$1,196,380**

Costs are lower in this scenario due to fewer students and therefore, a smaller subsidy being required. Additionally, with fewer students, only 8 additional buses are required at a cost of $4,601,000 in the 2016 capital budget. In previous reports a capital cost for the purchase of the buses was provided. These costs have been inflated to reflect current market conditions and have been annualized to reflect debt and financing costs of the capital program.

In the interest of equity it is recommended that U of M graduate students be included in the program.

Benefits

Many other cities in Canada have adopted a UPass for post-secondary students, and have seen substantial benefits from it. In Western Canada, post-secondary institutions in the following cities/provinces have implemented UPass programs:

- British Columbia (ten institutions throughout the province)
- Edmonton (three institutions)
- Calgary (five institutions)
- Saskatoon (one institution)

The institutions in British Columbia and Alberta have seen an increase of up to 50% in student ridership, which not only reduces the congestion on the roads leading to the institutions, it also reduces the emissions of greenhouse gases and other pollutants. An additional benefit is the continuation of transit use by students after they have graduated. A follow-up study completed after a 3-year UPass pilot program in Edmonton showed that over 50% of students who had been using UPasses intended to continue using transit as their primary mode of transportation after graduation.

Challenges

Potential for Lost Revenue
Post-secondary students in Winnipeg are currently eligible for a reduced-cost post-secondary monthly transit pass which costs $69.35. Other post-secondary students, most of whom are adults, pay regular adult fare in the form of cash, tickets, 5-day passes and 7-day passes. By further reducing the cost of a monthly pass for post-secondary students, Winnipeg Transit anticipates a revenue shortfall, as outlined in the cost summary tables above.

Need for Increased Service due to the Potential for Overcrowding
By providing a UPass, Winnipeg Transit anticipates an increase in the number of students taking transit to/from either the University of Manitoba or the University of Winnipeg of approximately 20%. The additional riders will primarily use transit service during peak hours, which will necessitate the operation of additional transit service to accommodate the increased passenger volumes, as well as the purchase of additional buses. In addition to the increased annual operating and capital costs outlined in the cost summary table above, additional FTEs (both transit operators and maintenance and other support staff) will be required.

Administration and Determination of eligibility
The determination of which students are eligible for the UPass program will need to be administered by the universities. Once this determination is made, each university will need to provide Winnipeg Transit with regularly updated information on the students eligible for the UPass program.

Cost Estimates
The cost estimates are preliminary as the number of eligible students in future years has been estimated. The number of students used in the estimates is based on 2013-2014 enrollment data provided by the University of Manitoba, including a breakdown of the number of students living inside and outside the City boundaries. The estimates for University of Winnipeg enrollment were also provided for the 2013-2014 academic year. These enrollment numbers change from year to year, so the estimates provided for 2013-2014 are only accurate inasmuch as the new enrollment numbers remain similar to the current numbers. The enrolment numbers from 2013-2014 were assumed to increase by 2% annually between the 2013-2014 and 2016-2017 academic years, the year for which the cost estimates are presented. Additionally, there is no way to predict with certainty the number of students living outside the city who will choose to opt out of the UPass program.

Given the uncertainty associated with the future demand for UPasses, and the cost of additional Transit service resulting from UPass demand, entering into an initial four year agreement with the University of Manitoba and the University of Winnipeg is recommended. The UPass program, and the terms and conditions associated with it, may then be reviewed once operational and costing experience with the program has been attained.

Timing of Implementation
Due to the following factors, implementation by September 2016 is expected:

- implementation of the automatic fare collection system, including smart cards, is currently underway
- agreements with the University Students Unions need to be developed
- lead time of over 1 year is needed to expand the transit fleet by the required amount of buses
- lead time of several months is needed to expand Winnipeg Transit's staff complement by the required number of FTEs

Information from Other Canadian Cities
Questions regarding the implementation and operation of a UPass program were sent to transit agencies in Vancouver, Calgary, Edmonton and Ottawa, yielding the following information for the 2014-2015 academic year:

	Vancouver	Calgary	Edmonton	Ottawa
UPass cost per 8-month academic year	$294	$240	$310	$376
Can Students Opt Out	No*	No*	No*	No, but only students living in the OC Transpo service area qualify
Duration of Agreement	36 months	24 months	No response given	36 months
Do students at all institutions pay the same rate?	Yes	Yes	Yes	Yes
Does the cost of a UPass increase with inflation?	Yes	Yes	Yes	Yes

** Some exceptions are made for students with disabilities who cannot use the regular transit system.*

Debt Strategy

On June 22, 2011, Council adopted the Debt Strategy report for tax supported, utilities and total City borrowing. This Project requires an incremental $5.164 million in long-term debt financing.

The impact of this debt financing falls within the debt limits established in the Council report as outlined in the table below.

Transit and Utilities net debt as a percentage of revenue not to exceed	220%
Forecasted peak rate including proposed debt from this report	147.9%
Total City net debt as a percentage of revenue not to exceed	85%
Forecasted peak rate including proposed debt from this report	78.4%
Transit and Utilities debt servicing as a percent of revenue not to exceed	20%
Forecasted peak rate including proposed debt from this report	12.6%
Total City debt servicing as a percent of revenue not to exceed	11%
Forecasted peak rate including proposed debt from this report	6.6%
Transit and Utilities Debt per Capita not to exceed	1300
Forecasted peak rate including proposed debt from this report	1242
Total City Debt per Capita not to exceed	2400
Forecasted peak rate including proposed debt from this report	2137

FINANCIAL IMPACT

Financial Impact Statement **Date:** February 23, 2015

Project Name: **First Year of Program** **2016**

Costs of Implementing a Universal Transit Pass (UPass) for Post-Secondary Students at the University of Manitoba and the University of Winnipeg

	2016	2017	2018	2019	2020
Capital					
Capital Expenditures Required	$ 5,164,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ 5,164,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal		$ -	$ -	$ -	$ -
Debt - External	5,164,000		-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 5,164,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 5,164,000				
Total Additional Debt Required	$ 5,164,000				
Current Expenditures/Revenues					
Direct Costs	$ 974,500	$ 2,144,500	$ 2,178,000	$ 2,211,000	$ 2,246,000
Less: Incremental Revenue/Recovery	395,500	807,500	824,000	840,000	857,000
Net Cost/(Benefit)	$ 579,000	$ 1,337,000	$ 1,354,000	$ 1,371,000	$ 1,389,000
Less: Existing Budget Amounts					
Net Budget Adjustment Required	$ 579,000	$ 1,337,000	$ 1,354,000	$ 1,371,000	$ 1,389,000

Additional Comments:

Revenues Reflect:

- Reduced fare revenue to reflect the difference between historical Post Secondary Pass revenue and the revised revenue through the UPass program.
- Cost sharing by Province of Manitoba on increased operating costs excluding debt and finance charges.
- Assumes consistent enrollment at both institutions totalling 33,500 students.

Direct Costs reflect:

- Increased operating costs for the increased service, including 17.5 FTEs, fuel, bus parts and other related costs.
- Debt and Finance charges beginning in 2017 related to purchasing 9 additional buses for the program.

2016 reflects 4 months of operation for both revenues and expenditures.
2017 and later years reflect 2% inflationary increase for both revenues and expenditures.

Capital Budget reflects purchase cost of 9 additional buses required to implement UPass service. A first call in 2015 would be required to order the buses for delivery in 2016. This capital budget request would be financed by external debt with the debt and finance charges commencing in 2017.

original signed by:
Tanis Yanchishyn, CA
Manager of Finance & Administration

CONSULTATION

In preparing this report there was consultation with:

University of Manitoba Students' Union (UMSU)
University of Manitoba Graduate Students' Association (UMGSA)
University of Winnipeg Students' Association (UWSA)
Corporate Support Services
Corporate Finance
Legal Services

SUBMITTED BY

Department	Transit
Division	Service Development
Prepared by:	Bjorn Radstrom, P. Eng., Manager of Service Development
	Tanis Yanchishyn, Manager of Finance & Administration
Date:	February 23, 2015

Appendix 1

Additional bus hours are required to accommodate the increased demand resulting from the UPass implementation. This will be accomplished by reducing headways (the amount of time between each bus on a route) on the following transit routes:

36 Northwest Super Express
51 St. Vital Centre - Waverley Heights – University of Manitoba
72 Richmond West – Fort Richmond – University of Manitoba
75 Crosstown East
76 St. Vital – University of Manitoba
78 Crosstown West
160 Downtown-University of Manitoba
161 University Super Express
162 Richmond Express

In total, the Transit department is planning to add 20,500 bus hours for the UPass implementation.

Appendix 2

To implement additional bus hours required for the UPass program, the Transit department must increase its staff establishment by 17.5 FTEs. The identified positions are as follows:

12.5 Bus Operators
2 Mechanics
1.5 Bus Servicers
0.5 Operations Supervisors
1 Inspector

As the implementation will commence in September 2016, the staff would be required to be hired in July 2016 to ensure adequate training time. This is the equivalent of 8.75 FTEs for 2016.