Agenda – Executive Policy Committee – November 12, 2019

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 4, 2019

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 four business days preceding the committee meeting, be considered by Committee.

Item No. 2 Negotiation of U-Pass Agreements with University of Manitoba, University of Winnipeg and Red River College

STANDING COMMITTEE RECOMMENDATION:

On November 4, 2019, 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 the City enter into four year agreements with the University of Manitoba and the University of Manitoba Students' Union, the University of Winnipeg and the University of Winnipeg Students' Association, and Red River College and the Red River College Students' Association (the "U-Pass Agreements") for the term September 1, 2020 – May 31, 2024 on the basis of the existing agreements with University of Manitoba, University of Winnipeg and their student associations, as modified by the recommendations set out in this report;

2. That the 2020/2021 U-Pass rate be approved at a rate of $160.75 per term and increase by the rate of inflation annually thereafter;

3. That a second opt-out boundary area defined as outside of the City Boundaries and/or outside of the Perimeter Highway, excluding the area commonly known as St. Norbert, be added as an option for each of the U-Pass Agreements and that each student association be allowed to select either the original or the amended opt-out area that is best suited for their campus for inclusion in their U-Pass Agreement.

4. That a new post-secondary 14-day rolling pass fare product be established and priced at 80% of the cost of a full fare 14-day rolling pass;

5. That, Winnipeg Transit be authorized to increase its staff complement by 4.95 FTE's for bus operators, maintenance staff and related Inspector/Supervisory/Support staff required for the additional service hours needed from the addition of Red River College students to the U-Pass program;

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 4, 2019

STANDING COMMITTEE RECOMMENDATION (continued):

6. That the City enter into, execute and deliver the U-Pass Agreements and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

7. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the U-Pass Agreements and the Ancillary Agreements, in accordance with 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 foregoing.

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 4, 2019

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On November 4, 2019, 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.

COUNCIL DECISION:

On July 18, 2019, Council concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and adopted the following:

1. That an extension of time of up to 90 days be granted for the Winnipeg Public Service to report back on the results of the negotiations of a U-Pass agreement with the University of Manitoba, University of Winnipeg and Red River College, including an estimate of all operating costs, capital costs, and resource implications for potential inclusion in the 2020 Capital and Operating budgets.

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

On May 16, 2019, Council concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and adopted the following:

1. That an extension of time of up to 60 days be granted for the Winnipeg Public Service to report back on the results of the negotiations of a U-Pass agreement with the University of Manitoba, University of Winnipeg and Red River College, including an estimate of all operating costs, capital costs, and resource implications for potential inclusion in the 2020 Capital and Operating budgets.

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

On September 20, 2018, Council concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and adopted the following:

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – November 4, 2019

DECISION MAKING HISTORY (continued):

COUNCIL DECISION (continued):

1. That the Winnipeg Public Service be directed to begin re-negotiation of a U-Pass agreement with the University of Manitoba Students' Union (UMSU) and the University of Winnipeg Students' Association (UWSA) in Fall 2018 for a four year term that would be effective September 2020 – May, 2024;

2. That the Winnipeg Public Service be directed to begin negotiation of a U-Pass agreement with RRCSA in Fall 2018 for a four year term that would be effective September 2020 – May 2024;

3. That the Winnipeg Public Service report back on the results of the negotiations, including an estimate of all operating costs, capital costs, and resource implications, no later than May 2019, for potential inclusion in the 2020 Capital and Operating budgets.

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

ADMINISTRATIVE REPORT

Title: Renewing Agreement Terms of a Universal Transit Pass (U-Pass) for Post-Secondary Students at the University of Manitoba and the University of Winnipeg and Implementing a U-Pass at Red River College

Critical Path: Standing Policy Committee on Infrastructure Renewal and Public Works – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Fisher	G. Ewankiw	P. Olafson, Interim CFO	M. Ruta, Interim CAO

EXECUTIVE SUMMARY

The existing U-Pass agreements held with the University of Winnipeg (UofW) and the University of Manitoba (UofM) and the student associations at those institutions expire May 31, 2020.

As the Transit Department is currently in the process of implementing a low income pass and is exploring other fare concession products, combined with ongoing budget challenges facing the City, the Public Service is recommending a U-Pass rate that offsets the added costs from the other recommendations in this report. The added revenue generated would cover the additional operating costs recommended in this report in order to maintain the current level of subsidy the City is currently providing to the U-Pass program.

Changing the rate structure from what is currently employed (i.e. inflationary increases only) could require the student associations to go back to their student bodies for ratification.

The Public Service has met with the student associations at all three institutions (UofM, UofW and Red River College (RRC)) to discuss the terms of the U-Pass agreements.

Generally, the feedback received from the UofM and the UofW indicated that the vast majority of the original agreement terms were acceptable and required no change. However, there were four items tabled for discussion for changes to the existing agreement terms:

- Amending the opt-out boundary area by which students are allowed to opt-out of the program;
- Addressing circumstances where a student's course term does not align with a U-Pass term;
- Adding previously excluded student bodies who are part of separately operated programs on campus. These students would be neither undergraduate/graduate students and/or are not members of a student association to meet the eligibility criteria for the program (one example of this is the International College of Manitoba which operates on the campus of the University of Manitoba); and
- Adding a U-Pass for the summer term (May – August).

The Public Service is proposing recommendations to address the first two items listed but is not recommending expanding the scope of the program to include additional student groups or adding a summer U-Pass.

The Red River College Student Association (RRCSA) has also expressed interest in joining the program. The estimated annual cost of adding them to the U-Pass program, including the impact of lost revenue, is $1.435 million, plus $2.768 million for the one-time purchase of 4 additional buses however the operating impact is offset by the additional revenue generated from the proposed rate increase beyond the annual inflationary adjustment. In addition, the City will utilize one-time prior year approved capital funds facilitated through the extension of the Public Transit Infrastructure Program (PTIF) for the capital cost of the additional buses. This will negate any capital budget impact.

The Public Service supports the addition of RRCC to the U-Pass program and recommends including them in the scope of the program.

RECOMMENDATIONS

1. That the City enter into four year agreements with the University of Manitoba and the University of Manitoba Students' Union, the University of Winnipeg and the University of Winnipeg Students' Association, and Red River College and the Red River College Students' Association (the "U-Pass Agreements") for the term September 1, 2020 – May 31, 2024 on the basis of the existing agreements with University of Manitoba, University of Winnipeg and their student associations, as modified by the recommendations set out in this report;

2. That the 2020/2021 U-Pass rate be approved at a rate of $160.75 per term and increase by the rate of inflation annually thereafter;

3. That a second opt-out boundary area defined as outside of the City Boundaries and/or outside of the Perimeter Highway, excluding the area commonly known as St. Norbert, be added as an option for each of the U-Pass Agreements and that each student association be allowed to select either the original or the amended opt-out area that is best suited for their campus for inclusion in their U-Pass Agreement.

4. That a new post-secondary 14-day rolling pass fare product be established and priced at 80% of the cost of a full fare 14-day rolling pass;

5. That, Winnipeg Transit be authorized to increase its staff complement by 4.95 FTE's for bus operators, maintenance staff and related Inspector/Supervisory/Support staff required for the additional service hours needed from the addition of Red River College students to the U-Pass program;

6. That the City enter into, execute and deliver the U-Pass Agreements and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the "Ancillary Agreements").

7. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the U-Pass Agreements and the Ancillary Agreements, in

accordance with 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 foregoing.

REASON FOR THE REPORT

On September 8, 2018, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred with the following recommendation of the Winnipeg Public Service:

1. That the Winnipeg Public Service be directed to begin re-negotiation of a U-Pass agreement with the University of Manitoba Students' Union (UMSU) and the University of Winnipeg Students' Association (UWSA) in Fall 2018 for a four-year term that would be effective September 2020 – May 2024;

2. That the Winnipeg Public Service be directed to begin negotiation of a U-Pass agreement with Red River College Students' Association (RRCSA) in Fall 2018 for a four-year term that would be effective September 2020 – May 2024;

3. That the Winnipeg Public Service report back on the results of the negotiations, including an estimate of all operating costs, capital costs, and resource implications, no later than May 2019, for potential inclusion in the 2020 Capital and Operating budgets.

On May 16, 2019, Council approved that an extension of time of up to 60 days be granted for the Winnipeg Public Service to report back on the results of the negotiations of a U-Pass agreement with the University of Manitoba, University of Winnipeg and Red River College, including an estimate of all operating costs, capital costs, and resource implications for potential inclusion in the 2020 Capital and Operating budgets.

On July 18, 2019, Council approved a second extension of time of up to 90 days be granted for the Winnipeg Public Service to report back as outlined above.

IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations accommodate the continuation of the U-Pass program for university students at the UofM and UofW, as well as the addition of RRC to the program for a four-year term.

The City faces significant annual operating deficits which are a challenge to balance each budget year. The proposed U-Pass rate structure will generate sufficient additional revenue to offset the net operating costs of recommended changes to the program, maintaining the level of subsidization currently provided from the City.

Ultimately the decision of whether to participate in the program will be determined by the students and/or student associations at each institution.

HISTORY/DISCUSSION

BACKGROUND

On March 25, 2015, Council approved the implementation of a U-Pass program with the UofM the UofW and their student associations. This program required an investment in capital spending for the purchase of nine (9) buses and an increase to the Transit Department's annual operating budget for lost revenue and impact to service (including 17.5 FTEs).

At the beginning of the program, the U-Pass rate was $130.00 per term and the program was offered for the fall term (September – December) and the winter term (January – April). As per the terms of the student referendums held at each university, this rate is increased by the rate of inflation only on an annual basis. For the 2019/2020 academic year, this rate is $136.25 per term.

The key factor in providing the U-Pass program at a deeply discounted rate is that the program is universally applied to every student and participation in the program is mandatory, regardless of whether the student intends to use the service or not. Opt-out provisions are very limited in the agreement and currently, all students who live within the City boundaries (with a few exceptions) are required to participate in the program. Typically, the U-Pass fee would be set to achieve a break-even financial position whereby the revenue collected would cover the costs of the program. However, this was not the financial model approved for the program in 2015.

Benefits to the City include growing transit ridership among students and achieving lifelong transit users as a result as well as encouraging mode shift and the related positive impact on environmental factors.

The administration and determination of eligibility for the program is administered by the student associations at each institution. The collection of the U-Pass fees are managed by the institutions and the fees are remitted, along with required reporting measures, to the City on a semi-annual basis.

U-PASS RATE

The recommended U-Pass rate is $160.75 for the 2020/2021 term, increasing by the rate of inflation annually thereafter. The monthly equivalent rate of $40.19 offers students a 61% discount off the full fare monthly fare price or alternatively, a 42% discount off the post-secondary semester fare product. These discounts are greater than any other concessionary fare offered to Transit customers and exceed the targeted fare of a 50% discount rate off a full fare monthly pass which has been approved for the new low-income pass.

The recommended per term rate compares to the current rate as follows:

	2019/2020 actual	2020/2021 recommended
U-Pass (per 4-month term)	$136.25	$160.75
U-Pass (per month equivalent)	$34.06	$40.19
% discount from full fare	66%	61%

On-going affordability of this program continues to be a challenge. The additional revenue generated by the above inflationary increase will offset the net operating costs associated with the recommendations in this report. This will maintain the City subsidization of the U-Pass program at current levels. The funding requirements to implement the original agreement included a capital investment of $5.2 million for additional buses purchased in 2016 and an additional estimated 20,500 service hours to address anticipated increased demand on specific routes. In addition to the capital spend and related debt costs associated with funding the capital purchase and the added service costs, the Public Service estimates in excess of $6 million in net lost revenue is realized annually as a result of the rate differential between the U-Pass program and the Post-Secondary passes.

The Transit Department is in the process of implementing a low-income pass and the Budget Working Group is exploring the provision of reduced (free) fare for children under the age of 12 for consideration as part of the 2020 budget. Even with the proposed rate increase for the U-Pass, it would remain the lowest-priced fare product (based on monthly equivalent) that the Department offers.

A comparison of current (2019) rates across fare categories is as follows:

	Per Month (or Monthly Equivalent) Rate
U-Pass (4-month product)	$34.06
Low Income Monthly Pass (at maximum proposed discount rate)	$50.05
Post-secondary semester pass (4-month product)	$68.06
Post-secondary monthly pass	$80.10
Full fare adult monthly pass	$100.10

Increasing the 2020 U-Pass rate beyond inflation could require the institutions to go back to their student bodies for ratification as previous referendums generally limited annual fare increases to the rate of inflation only. With new student referendums, there are no guarantees the students will approve the new terms, and this could put the program at risk.

Students are required to pay $5 for their peggo smart card, consistent with all other Transit customers. This fee is waived while the smart card rebate remains in effect.

ADDING RED RIVER COLLEGE TO THE U-PASS PROGRAM

The terms of the agreement for RRC students would be comparable with the agreements for the other institutions, ensuring consistency for the students of each institution.

The service requirements to accommodate the RRC U-Pass program were based on an analysis of the impact of the U-Pass programs that were implemented at the other institutions. Under a status quo inflationary rate structure, the estimated annual net cost to provide the U-Pass program to RRC would be as follows:

	2020 (1 term only)	2021
Total Estimated Eligible Students – 5,350		
Operating Cost of Additional Service Required	$317,750	$648,210
Current Transit Revenue (Lost)	$1,123,465	$2,291,870
Total Costs of U-Pass Service	**$1,441,215**	**$2,940,080**
Estimated U-Pass Revenue*	$744,974	$1,504,848
Annual Estimated Net Operating Cost Increase	**$696,241**	**$1,435,232**

*revenue that would be generated from a baseline rate reflecting inflationary increases only

The operating costs include 4.95 additional FTE's.

However, the recommended U-Pass rate would generate additional revenue to offset the net operating costs reflected above.

Additionally, there is a capital impact of $2.768 million to purchase four (4) additional buses to meet service requirements. However, Transit recently received confirmation that the Public Transit Infrastructure Fund (PTIF) funding agreement in place to purchase buses has been extended to March 31, 2020. This extension allows the Department to purchase additional buses under a cost-sharing arrangement with the Federal Government. This will allow the use of prior year approved capital funds to facilitate the purchase of the buses required for this program within the existing approved Transit Bus capital budget amounts.

The impact to service will require an additional 41 daily bus-hours to maintain service on several routes, including 19 Notre Dame-Logan-Marion, 26 Logan-Berry, 28 Brookside Express, 65 Grant Express, 66 Grant, and 77 Crosstown North.

Providing a U-Pass program to the universities but not approving the same opportunity for the students at Red River College would be difficult to justify. In the interest of equity and other benefits, the Public Service supports adding Red River College to the program.

AMENDMENTS TO EXISTING AGREEMENT TERMS

The Public Service met with the UofM and the UofW to review the terms of the original U-Pass agreements. Generally, the feedback received indicated that the program is well utilized and the vast majority of the agreement terms were acceptable and required no change.

As a result of meetings, the following specific requests for changes to existing agreement have been made:

Amended Opt-Out Boundary – The opt-out boundary line differentiates between students who have the option of opting out of the program (i.e. those living outside the boundary line) from those students who are not permitted to opt-out (i.e. those living within the boundary line).

The University of Manitoba Students' Union (UMSU) specifically has raised this as a concern. Given the relatively low number of students that would ultimately be excluded from the program under the amended opt-out area, the Public Service recommends adding a second opt-out boundary area as an option for the student associations. The proposed second opt-out area is defined as outside the City limits and/or outside the Perimeter, excluding St. Norbert. This change would exclude two communities, both of which are located within City limits but outside the Perimeter.

This change was not identified as a priority for the other institutions and as such, the Public Service recommends providing them with the choice to use this revised area or the original boundary area (which is defined as a residence outside city limits) in respect of the different challenges and priorities facing each campus. The difference between the two boundary areas is slight.

Depending on which institutions adopt the amended opt-out area, the total number of students impacted by this change is estimated to be between 60 and 93 with potential lost revenue between $17,000 and $26,000. Students who live outside the boundary are still given the option to participate in the program, which could reduce the amount of lost revenue.

Address students whose programs start in late August or extend into early May

The current term of the U-Pass program runs from September 1 – April 30 but this timeframe does not align with all programs. It was determined that, with so many different program types between the institutions, no one timeframe would fit all schedules and the status quo terms worked best for the majority of students.

Offering a new 14-day post-secondary product would provide a short term post-secondary product that could be used in these situations. It would be offered at a discount rate consistent with the other post-secondary products (20% discount off full fares).

While it is difficult to assess the lost revenue that would result from introducing this new product, assuming it would replace short term rolling full-fare passes currently being purchased in the universities, it is estimated to cost approximately $15,000 in lost revenue per year.

Given the importance placed on these items and the relatively low financial impact, the Public Service supports adding an alternate opt-out area option and adding a 14-day post-secondary product to the fare structure.

Inclusion of Currently Ineligible Students

The universities have international student programs that, under the original U-Pass agreement, were excluded from the program because they operate under programs or colleges that are separate from the universities and as such either not considered undergraduate/graduate students and/or are not members of the respective student associations. There are an estimated 2,200 students impacted and adding them to the program would result in an estimated $514,550 in lost revenue in 2021.

This is not applicable to Red River College as they do not have student programs that operate under these parameters.

Given the pending availability of the low-income bus pass program, the Public Service does not recommend expanding the scope of the U-Pass program to include currently ineligible students at this time.

Summer U-Pass

The request to add a summer U-Pass to the program was also made by the student associations. If implemented, the summer U-Pass would follow the same eligibility and program administration processes that is applied to the fall and winter terms and would be a four-month product valid from May 1st – August 31st.

The number of students who would be eligible for a summer U-Pass is significantly less than the number who are eligible during the fall and winter terms. However, the service schedule over the summer is also reduced, which means that even a small increase in ridership would require additional service hours in order to meet demand. This would result in additional service costs, but no need for additional buses.

The estimated net annual cost of providing a summer U-Pass program is $654,000 assuming the program was offered for 2020. This includes added service and lost revenue and is offset by U-Pass revenue that would be collected. The operating impact includes the addition of 3.17 FTEs.

The number of students who would benefit from this program is relatively low and, given the different course structures that are offered over the summer months at the universities, the administration of determining who meets the ‘full time’ eligibility requirement would be very complicated.

Given the variety of other concessionary fare products currently being considered by the Transit Department (ex. low income pass, reduced (free) fare for children) and the limited funding available, combined with the other drawbacks mentioned above, the Public Service does not recommend adding a summer U-Pass to the program at this time.

FINANCIAL IMPACT

Financial Impact Statement

Date: October 16, 2019

Project Name:

First Year of Program **2020**

Renewing Agreement Terms of a Universal Transit Pass (U-Pass) for Post-Secondary Students at the University of Manitoba and the University of Winnipeg and Implementing a U-Pass at Red River College

	2020	2021	2022	2023	2024
Capital					
Capital Expenditures Required	$ 2,768,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	2,768,000	-	-	-	-
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	$ 317,750	$ 648,210	$ 661,175	$ 674,400	$ 687,888
Less: Incremental Revenue/Recovery	317,750	648,210	661,175	674,400	687,888
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The capital expenditure amounts reflects the purchase of four additional buses and will be financed existing approved capital budgets.

The direct costs reflect the additional service required for RRC (including the addition of 4.95 FTEs).

Incremental revenue includes estimated U-Pass revenue that would be realized with the proposed rate partially offset by lost revenue from the amended opt out area, the introduction of a 14 day rolling post secondary pass and the additional of RRC to the program.

2020 reflects 4 months of operation for both revenue and expenses. Operating costs and incremental revenue are adjusted by an estimated rate of inflation of 2% on an annual basis.

original signed by
Laurie Fisher, CPA, CA
Manager of Finance & Administration

CONSULTATION

This Report has been prepared in consultation with:

- University of Manitoba Students' Union (UMSU)
- The University of Winnipeg Students' Association (UWSA)
- Red River College Students' Association (RRCSA)

OURWINNIPEG POLICY ALIGNMENT

01-01b Key Directions for Connecting and Expanding Our Sustainable Transportation and Infrastructure Network.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

This report is in accordance with the Winnipeg Climate Action Plan (WCAP) as per Direction 3.1 Increase Use and Efficiency of Public Transit Systems (page 37).

Relevant actions include: Consider financial and pricing measures to maintain and encourage ridership. This is a medium-term action (2022-2026) found on page 37 of the WCAP.

SUBMITTED BY

Department: Transit
Division: Finance and Administration
Prepared by: Laurie Fisher, Manager of Finance and Administration
Date: October 17, 2019