KEVIN KLEIN
City Councillor Charleswood-Tuxedo-Westwood
Winnipeg Police Board, Chair

March 17th, 2020

Mayor Brian Bowman
City of Winnipeg
560 Main Street
Winnipeg MB R3B 1B9

Mayor Bowman,

I apologize for the multiple letters of communications, but unfortunately time is of the essence.

The complexity of a budget this size renders any analysis meaningless without a massive investment in time and access to the data used in its preparation. Therefore I am left focusing on some key discrepancies, which limits my availability for engaged at all meetings.

I believe we can save the U-Pass if we work together and put our City first.

During my initial review of the proposed budget cuts we have discovered discrepancies with the U-Pass portion of the budget, suggesting a negative financial impact, or a loss, to the City of Winnipeg. The Administration and your Chair of IRPW stated publically the U-Pass is a $15 million loss over four years.

I don't believe that to be accurate. I believe the math indicates the U-pass generates a profit of greater than $30 million over four years.

Attached you will find a comprehensive review that justifies the findings and supports the continuation and expansion of the U-Pass program. The data utilized in the analysis was provided through publically available City of Winnipeg documents, reports, presentations and internal requests.

I feel these legitimate concerns must be brought to your attention and that of the Budget Working Groups attentions to ensure you have the most accurate facts to make a well-informed decision.

I struggle to understand why a Budget Working Group would vote to discontinue a program that delivers millions in guaranteed revenue over 4-years as opposed to a lower demand and higher priced student pass.



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KEVIN KLEIN
City Councillor Charleswood-Tuxedo-Westwood
Winnipeg Police Board, Chair

I respectfully ask you and members of the EPC to reinstate the U-Pass program, expand it and direct the newly discovered profits to reverse proposed budget cuts to community programming and transit route service.

I implore you Mr. Mayor and members of the EPC to consider the financial implications that these few identified discrepancies will have on our future. Please consider the many benefits that the U-Pass program and good budgeting practices will have on our community. Consider the several positive environmental impacts, promotion of the utilization of transit, the improved livability of our City and efficient use of the BRT investments were paying for today.

I look forward to your timely reply.

Sincerely,

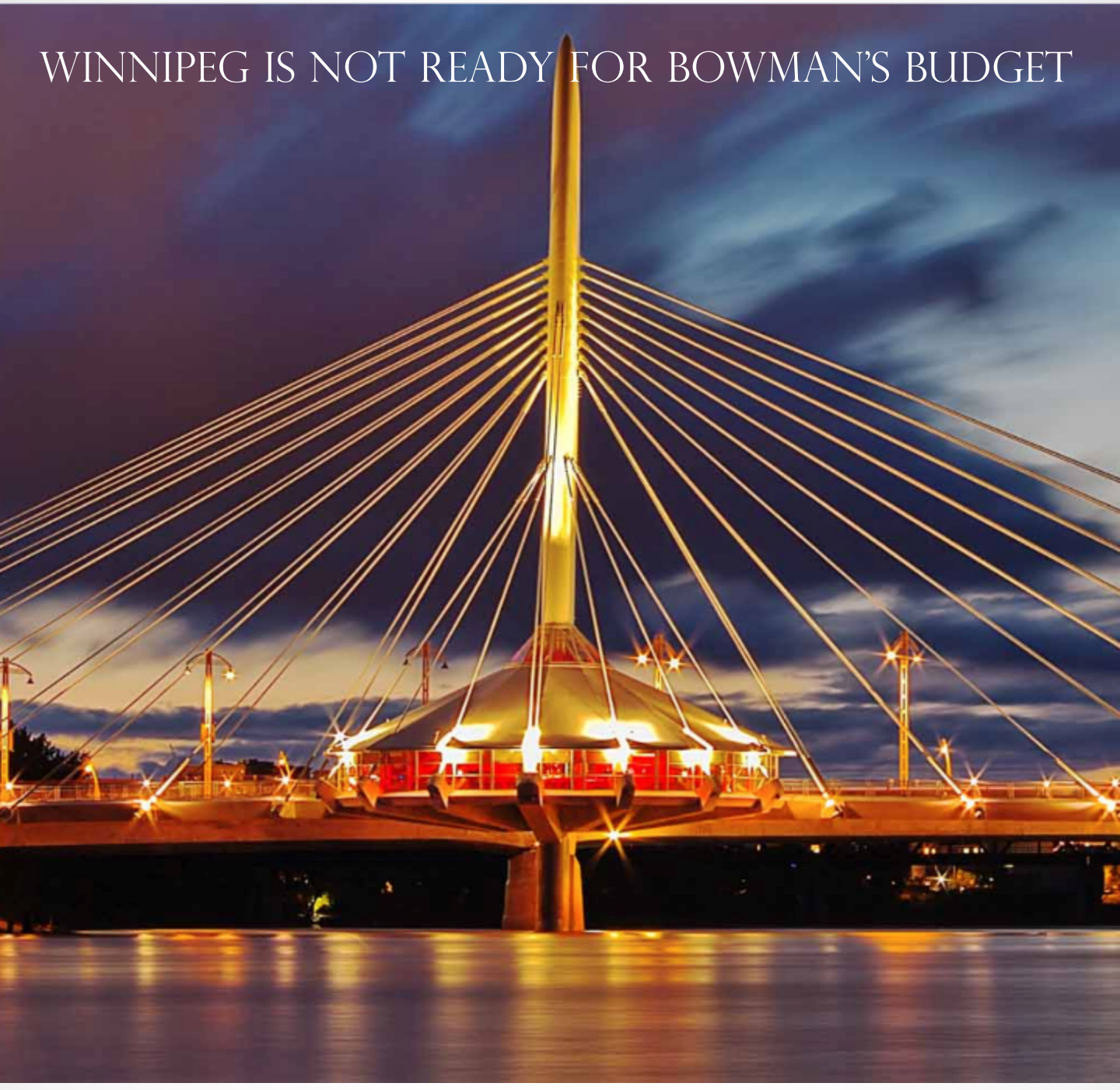
Kevin E. Klein
Councillor Serving Charleswood-Tuxedo-Westwood
Chair of the Winnipeg Police Board

cc: Winnipeg City Council



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WINNIPEG IS NOT READY FOR BOWMAN'S BUDGET



A NEW WAY OF THINKING #ForABetterWpg

Kevin Klein
Charleswood-Tuxedo-Westwood

Shawn Nason
Transcona

The U-pass

After a full review of all the information provided by the Administration since the Bowman Budget started in late 2019, we have discovered major errors in the budget.

Currently, the U-Pass is viewed as negatively impacting the City through a $15 million loss over four years.

We don't believe that to be accurate. In fact the math indicates, with the addition of Red River College, the U-pass generates a PROFIT of nearly $48 MILLION over four years.

Let us show you how.

A New Way of Thinking

#ForABetterWpg

A NEW WAY OF THINKING #ForABetterWpg

What residents are saying……

“I am a single mom with two daughters in University. They use the bus to get to and from school and their jobs. If the U-Pass is discontinued, it will double my daughters' monthly transportation cost. We would like the U-Pass to be continued.”
MB, Winnipeg

“I definitely wouldn’t have been able to go to post-secondary without a U-Pass. Both of my siblings are in the same boat because we never had money for parking, gas and insurance. Any money I made from work went into paying rent or food costs. The add-on cost to tuition was simple because loans or bursaries would directly cover it. I never had more than $100 in my chequing account, so paying monthly wasn’t an option. Revoking U-Passes effectively punishes the most vulnerable kind of students — the poor ones.”
AK, Winnipeg

“Recently, individuals are being given 9:30 am pickup times for 12:30pm business meetings. Being picked up 3 hours early for meetings is excessive. Non-disabled commuters would not put up with being picked up 3 hours early for work.”
NH, Winnipeg

“My mother uses Winnipeg handi-transit when she needs to. She is visually impaired and has the right to use it. Unfortunately after trying to book her rides for this past Wednesday afternoon she was denied service. She was attempting to book a ride from a funeral to get to my place off of Transcona Blvd. Unfortunately she was told she couldn't because I didn't live within 500 metres of a bus stop. According to Google maps I am 800 metres. But my mom having used Winnipeg handi-transit has used this service for 12 years and has never been told this only that it has to be within city limits. She did not have time that day to wait on hold to speak to a manager. This rule seems absurd if it is accurate and if it is needs to be eliminated as quickly as possible because eliminates any area that is new development as Winnipeg transit has not fixed there bus routes yet.”
MP, Winnipeg

The Old Way of Thinking:

A “Fifteen Million Dollar” Loss



Part 1 – Explaining the Non-Existent $15 million Cost of Running the U-Pass Program:

The City Administration developed its budget for the U-Pass Program as displayed in the table below (sourced from the city). This table only presents revenue values as well as the differential in revenue values. **There are no cost amounts listed in the table below.**

UPass	2020 (one semester only)	2021	2022	2023	
Cost of 4 month pass:	Fall				
Post Secondary	$ 278.00	$ 283.56	$ 289.23	$ 295.02	
UPass (average term rate)*	$ 138.29	$ 139.68	$ 142.47	$ 145.32	
Estimated # of passes sold (UofM and UofW)**	21,236	42,537	43,284	43,284	
Revenue generated - sale of post secondary semester pass	$ 5,903,608	$ 12,061,792	$ 12,519,031	$ 12,769,646	
Less:					
Lost revenue (UPass budget)	$ 3,903,699	$ 7,963,545	$ 8,122,816	$ 8,285,273	4 year total
Net Financial impact	1,999,909	4,098,247	4,396,215	4,484,373	14,978,744

The following section will guide you through an analysis of the information presented in this table. The table is isolated to the year 2021 to simplify the discussion.

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In the budget calculations for the transit department, the city administration assumed that 42,537 students from the U of M and U of W (formerly on the U-Pass) would register for the 4 month post secondary pass (a higher fare of $283.56 per semester).

The total revenue from the sale of these passes is 42,537 x $283.56 = **$12,061,792**

UPass		
		2021
Cost of 4 month pass: Post Secondary		283.56
Estimated # of passes sold (UofM and UofW)**		42,537
Revenue generated - sale of post secondary semester pass	$	12,061,792
Less:		
Lost revenue (UPass budget)	$	7,963,545
Net Financial impact		**4,098,247**

The city then declares that the operational revenue from running the U-Pass program (per semester, for only the U of M and U of W) is **$7,963,545.**

UPass		
		2021
Cost of 4 month pass: Post Secondary	$	283.56
Estimated # of passes sold (UofM and UofW)**		42,537
Revenue generated - sale of post secondary semester pass	$	12,061,792
Less:		
Lost revenue (UPass budget)	$	7,963,545
Net Financial impact		**4,098,247**

The total difference between the revenue derived from 42,537 students purchasing the higher fare post-secondary pass when compared with the U-Pass is:

$12,061,792 - $7,963,545 = *$4,098,247 = "Net Financial impact"*

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Over the multi-year budget period, these "Net Financial impacts" total $14,978,744 often quoted as **"Fifteen Million Dollars"**:

UPass					
Less:	2020 (one semester only)	2021	2022	2023	
Lost revenue (UPass budget)	$ 3,903,699	$ 7,963,545	$ 8,122,816	$ 8,285,273	4 year total
Net Financial impact	1,999,909	4,098,247	4,396,215	4,484,373	14,978,744

The city administration has framed this difference as a "Net Financial impact" or loss to the city. **This "Net Financial impact" is theoretical (an opportunity cost*) and isn't an actual operational cost to the city. Real world operational costs (ex. Bus Maintenance, Staff Salaries, etc…) seem to have been completely ignored in the analysis done by the city administration.**

Further, the "Net Financial impact" is based on the unsubstantiated and improbable assumption that all 42,537 students (previously on the U-Pass) will purchase the higher rate post-secondary pass. Economical basics state that if price rises then the demand will decrease. So it should be expected that, with the higher fare post-secondary pass, the ridership will drop.

Also, the budget calculations of the city administration do not account for the ridership from Red River College (a student base of more than 5000).

*opportunity cost (academic) – the revenue which could have been earned at a higher fare rate

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UPass					
Less:	2020 (one semester only)	2021	2022	2023	
Lost revenue (UPass budget)	$ 3,903,699	$ 7,963,545	$ 8,122,816	$ 8,285,273	4 year total
Net Financial impact	1,999,909	4,098,247	4,396,215	4,484,373	14,978,744

Through only examining and overstating a theoretical "Net Financial impact", the city administration has led the Budget Working Group (EPC+2) to very poor decision making based on incorrectly calculated financial information. The elimination of the U-Pass program, based on this "Net Financial impact" of $15 Million, is a substantial error.

The ability for this error to move all the way through the budget process to council for final approval demonstrates an extreme lack of the proper oversight and fiscal management which would be expected by the city's finance department.

Further, it demonstrates the lack of thorough investigation and detailed analysis by the members of the Budget Working Group, the Transit Department, and the Standing Policy Committee – all who could have prevented the cancellation of the U-Pass Program, but who instead chose to enable it.

This significant error places in question the accuracy of all other financials presented in the Multi-Year Budget publications.

Part 2 – Calculation of the U-Pass Program Revenues, Operational Expenses, and Profit:

So does the city administration know the actual estimated cost of running a U-Pass program? Does the city administration know the difference between the incoming U-Pass revenue and the outgoing expenses?



The Answer, demonstrated below: obviously NOT !

Part 2 – Calculation of the U-Pass Program Revenues, Operational Expenses, and Profit:

Estimate of Revenues:

The revenue of the U-Pass program (for one semester) is calculated as follows:

1. **5350 Red River College Students** (based on city data) **x $160.75** (U-Pass Fare Rate for 1 Semester - Ratified by the student unions and Passed by Council at end of 2019)
2. **Plus $7,963,545** as stated in the table above (U-Pass Budget for UofM and UofW)

Total U-Pass Revenues (UM, UW, and RRC per Semester) = (5350×$160.75) + $7,963,545

= $8,823,557.50

Estimate of Operational Expenses:

The table below is taken from the Agenda of Council – November 21, 2019*. It states that the operating cost to run the U-Pass program for one semester is $317,750 for 5350 students.

	2020 (1 term only)
Total Estimated Eligible Students – 5,350	
Operating Cost of Additional Service Required	$317,750

This indicates that the operational cost of running the U-Pass per student (per semester) is:

Operational Cost of U-Pass per student ≈ $317,750 ÷ 5350 ≈ **$59.39**

The estimate of **operational cost** for the U-Pass program amongst all students (UM and UW: 42,537 students and RRC: 5350 students; as per the city data stated above) is:

Total Operational Cost of U-Pass Program per Semester ≈ (5350 + 42,537) × $59.39 ≈ **$2,844,000**

*Item No. 2 Negotiation of U-Pass Agreements with University of Manitoba, University of Winnipeg and Red River College
http://clkapps.winnipeg.ca/DMIS/ViewDoc.asp?DocId=18691&SectionId=547140&InitUrl=/DMIS/Documents/c/2019/a18691

Calculation of Profit:

The profit to the city of running the U-Pass program at UM, UW, and RRC is estimated as follows:

Profit from U-Pass Program per Semester =

Total U-Pass Revenues (UM, UW, and RRC per Semester) - Total Operational Cost of U-Pass Program per Semester =

$8,823,557.50 - $2,844,000 ≈ $5,979,557

≈ $6 Million of U-Pass Profit per semester

Over a 4 year budget (8 semesters), this would amount to:

$48 Million in Profit

Thus, the U-Pass Program is actually **a profit to the City**.

A NEW WAY OF THINKING #ForABetterWpg

The City Administration, Finance Department, Transit Department, the Budget Working Group (EPC+2), and the Standing Policy Committee on IRPW all enabled the rejection of a program (the UPASS) which outputs a

$48 Million Profit.

Does such an oversight bring you to have more questions and concerns about the City's ability to Manage **Your** Tax Dollars?

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With $48 Million in Profit What Could Be Done?



Part 3 – Uses of $48 Million in U-Pass Profit:

If the U-Pass program ratified by the UMSU, UWSA, and the RRCSA in 2019 (subsequently passed by council) was implemented, then $12 Million of annual U-Pass **profit is available to cover the cost** of all cuts suggested to community grants, libraries, and community programming combined:

Service Changes to Achieve Operating Budget Target:	2020 Draft Budget *	2021 Draft Projection*	2022 Draft Projection*	2023 Draft Projection*
a. Cancel the Infrastructure Capital Grant Provided to General Council of Winnipeg Community Centres (GCWCC).	(0.100)	(0.100)	(0.100)	(0.100)
b. Beginning in 2021 reduce grants by 10%, excluding Universal Funding Formula grants to Community Centres; General Council of Winnipeg Community Centres (with the exception of the Infrastructure Capital Grant); Assiniboine Park Conservancy; Garden City Community Centre and East End Community Club annual arena financing grants; pending completion of the City-wide grant evaluation framework.		(0.126)	(0.126)	(0.126)
c. Reduce program funding by 10% beginning in 2021, to Art City Inc., Graffiti Art, North End Community Renewal Corp. and University of Manitoba		(0.021)	(0.021)	(0.021)
d. Change library evening hours by closing at 8:00 pm effective September 2020	(0.113)	(0.343)	(0.350)	(0.356)
e. Close Libraries with Sunday service hours effective September 2020 (six libraries)	(0.100)	(0.328)	(0.335)	(0.341)
g. Reduce Free/Drop-In Recreation Programming by 25% of 2019 programing levels effective September 1, 2020, increasing to 33% from 2019 levels effective January 1, 2022	(0.388)	(0.582)	(0.783)	(0.796)
h. Reduce Leisure Guide Programming by 50% effective January 1, 2021, excluding Learn to Swim Programs		(0.611)	(0.598)	(0.611)

Year:	2021	2022	2023
	0.1	0.1	0.1
	0.126	0.126	0.126
	0.021	0.021	0.021
	0.343	0.35	0.356
	0.328	0.335	0.341
	0.582	0.783	0.796
	0.611	0.598	0.611
Total Budget Cut:	2.111	2.313	2.351

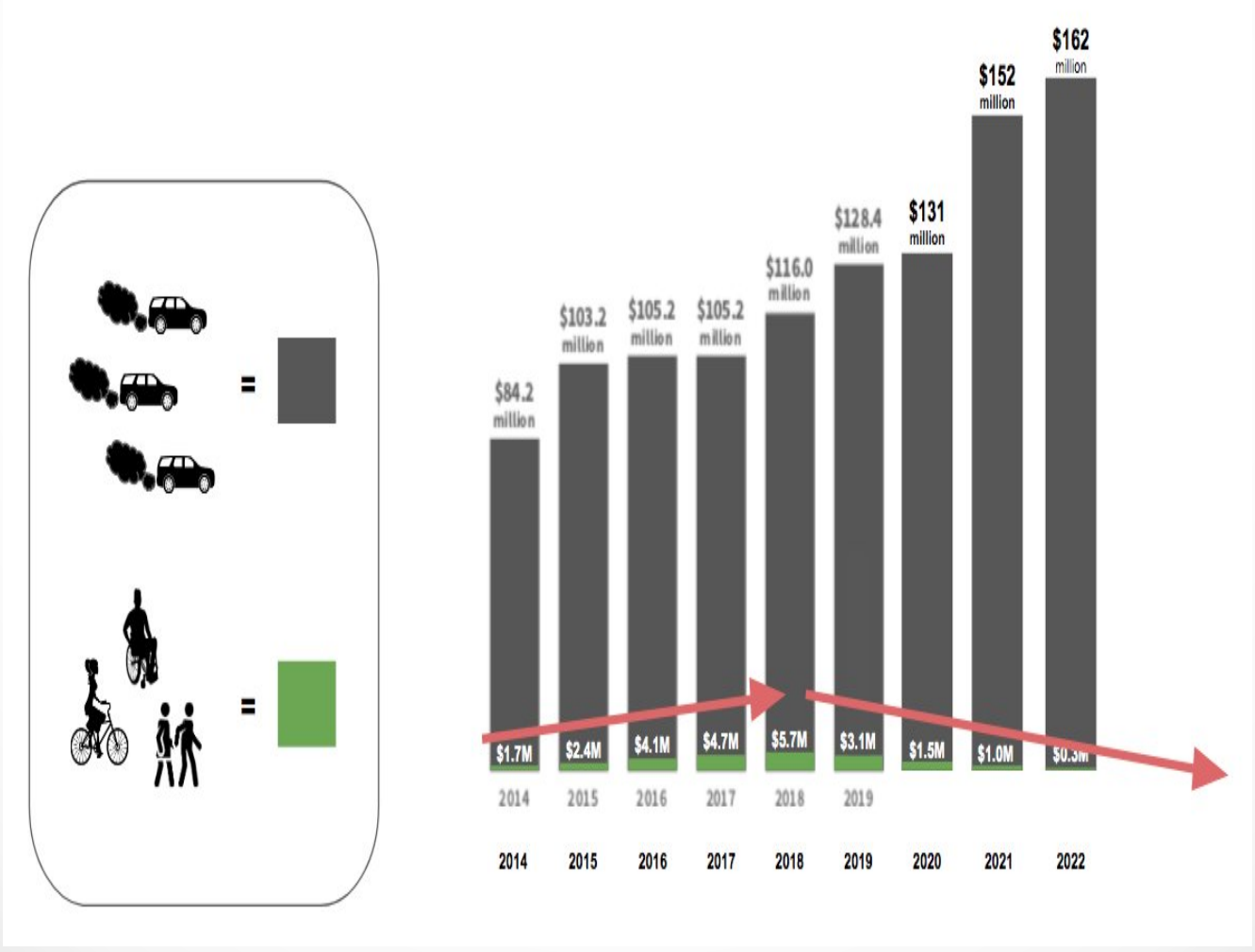
But that only costs about $2.5 million!
What else can be done with the remaining $9.5?

https://winnipeg.ca/interhom/Budget/2020Budget/pdfs/2020-Multi-year-Budget-Presentation_Community-Services_20191116.pdf

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What else can be done with the remaining $9.5 million?

SEXTUPLE (six times) THE ACTIVE TRANSPORTATION BUDGET FUNDING
(in 2020: $1.5 Million to $9 Million)?



https://twitter.com/SwansonAnders
(NOT Affiliated with The Development of This Presentation)

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What else can be done with the remaining $9.5 million?

RE-INSTATE ALL THE QUESTIONABLE TRANSPORTATION BUDGET CUTS ?

c. Reduce Community Grants	(0.296)	Includes elimination of Santa Bus and grant to Winnipeg Harvest
d. Discontinue BUStxt as a service information tool	(0.200)	
e. Reduce Transfer to Bus Replacement Program	(15.679)	Impacts Transit Bus capital budget
f. Decrease Frequency of Interior Bus Washes	(0.222)	
g. Decrease Frequency of Shelter Cleaning	(0.500)	
h. Remove Downtown Spirit Service	(1.826)	Change effective September, 2020
l. Service Rationalization*	(23.250)	Specific routes have been identified, change effective September, 2020

Total Cost for 4 Years	41.973	
Total Cost Per Year	10.49325	~ $10.5 *Million*

https://www.winnipeg.ca/interhom/Budget/2020Budget/pdfs/2020-2023-Winnipeg-Transit-Preliminary-Operating-Capital-Budget-Presentation.pdf

A NEW WAY OF THINKING #ForABetterWpg

The hope is our Mayor and the EPC + 2 will recognize the discrepancies in the #BowmanBudget and act accordingly to stop a four-year mistake. At a minimum:

1) Reinstate the U-Pass program for U of M, U of W, and RRC, and work to further expand this program (and increase profits) wherever possible.

2) Direct the $48 million of U-Pass profits specifically to mass improvements in community services, active transportation, and an improved and growing Winnipeg bus service (and not to a general revenue fund or infrastructure and roads).

With $48 Million in Profit
Imagine what Could Be Done?

Do YOU have any suggestions?

Share them using the hashtag: #ForABetterWpg

A NEW WAY OF THINKING #ForABetterWpg

Without **Your** Public Oversight and **Your** Participation in the Budget**,**
$48 Million in City Profits
(plus all the associated fiscal, environmental and social benefits)
would have gone unnoticed.

With such a large error in the budget, imagine all of the other unnoticed profits and benefits which could be going in the trash right now if Bowman's Budget is passed!

Councillor Klein can be reached for comment
204-986-5232 or email kklein@winnipeg.ca

Councillor Nason can be reached for comment
204-986-8087 or email snason@winnipeg.ca

We have received a question about the numbers. A reporter said we didn't factor in the loss of potential revenue from the higher priced Student pass currently offered.

Let's assume, as there Administration did, that ALL Red River Students currently buy the more expensive student pass.

RRC Students (5350) x City Student Pass cost ($278) x Number of semesters in 4-years = $11,898,400.

Assuming, as the Administration did in the Bowman Budget, that all students did buy the City Student pass last year ($11,898,400) and with the new U-Pass for all three post secondary participants profit projected at $48,000,000 over 4-years

$48,000,000
- $11,898,400
$36,101,600 in PROFIT and that's only if ALL RRC student have been purchasing the higher priced student pass.

A important point to include, the U-Pass money is guaranteed for 4-years, the higher priced student pass is **NOT**.

We're happy to answer all questions, please call 204-986-5232 or email kevink@kevinklein.ca