Agenda – Executive Policy Committee – May 13, 2025

Report – Standing Policy Committee on Public Works – May 6, 2025

Item No. 2 Transit Automatic Fare Collection Strategy

STANDING COMMITTEE RECOMMENDATION:

On May 6, 2025, the Standing Policy Committee on Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That the 2025 Automatic Fare Collection System capital project budget as detailed in Appendix B be amended to include an additional $4.0 million, financed through external debt funding, to facilitate the purchase of a new cloud-native, account-based Automatic Fare Collection System that supports open payments and fare capping.

2. That Council approve new capital borrowing authority of and enact a borrowing by-law in accordance with section 294 of The City of Winnipeg Charter for $4.0 million.

3. That the estimated net operating budget impact from the implementation of a new fare collection system in the estimated amount of $2,100,000 annually, and anticipated to start in mid-2027, be referred to the 2026 budget process.

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

Agenda – Executive Policy Committee – May 13, 2025

Report – Standing Policy Committee on Public Works – May 6, 2025

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On May 6, 2025, the Standing Policy Committee on Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

On October 2, 2024, the Standing Policy Committee on Public Works granted an extension of time to its May 2025 meeting for the Winnipeg Public Service to report back on the following:

1. That Winnipeg Transit be directed to review its current fare structure, policies, and technologies, and report to the appropriate committee of Council within 180 days, with a fare collection strategy, describing a recommended path forward for implementing modern fare collection technology, and identifying an optimal mix of fare policy, products and structure to grow ridership, revenue, and customer satisfaction.

David Grant submitted a communication with respect to the matter.

COUNCIL DECISION:

On March 20, 2024, Council concurred in the recommendation of the Executive Policy Committee and adopted the following:

1.H. That Winnipeg Transit be directed to review its current fare structure, policies, and technologies, and report to the appropriate committee of Council within 180 days, with a fare collection strategy, describing a recommended path forward for implementing modern fare collection technology, and identifying an optimal mix of fare policy, products and structure to grow ridership, revenue, and customer satisfaction.

ADMINISTRATIVE REPORT

Title: Transit Automatic Fare Collection Strategy

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

AUTHORIZATION

Author	Department Head	CFO	CAO
K. Cumming	G. Ewankiw	T. Graham	S. Armbruster, Interim CAO

EXECUTIVE SUMMARY

Winnipeg Transit's existing fare collection system is over 10 years old. It is not meeting customer expectations. In 2024, Council established an Automatic Fare Collection System capital project with $6.5 million in funding. The purpose of this project was the upgrade/renewal of fare collection technology. This budget was based on a preliminary, Class 5 estimate.

Winnipeg Transit engaged a consultant to provide a fare collection strategy. The strategy contains recommendations for modern fare collection technology and fare policy. The aim is to grow ridership, revenue, and customer satisfaction.

The report (Appendix A) outlines a current state assessment and recommendations for the future. It also has a Class 3 estimate for a new fare collection system. The report has estimates for three levels of functionality, termed "bronze", "silver", and "gold".

The recommended "silver" option is needed to support Winnipeg Transit programs like UPass and EcoPass. It is also needed to meet customer expectations of a modern system. Key features of this option include fare capping, open payments, mobile payments, and institutional portals. This would give Winnipeg Transit riders a modern, stable, convenient fare collection system with options that are currently available in a number of other cities.

The Class 3 estimate for the "silver" option is $10,500,000. With the existing adopted 2024 capital budget of $6,500,000, additional capital funding of $4,000,000 is needed. The Public Service recommends that additional capital budget be approved for 2025, funded through external debt. Additionally, a cloud-native system will result in additional operating budget expenses. The net operating budget impact is estimated to be $2,100,000 per year starting in approximately mid-2027. This estimate is based on the consultants' analysis of publicly available information regarding the costs of similar projects in other public transit agencies and includes borrowing costs. It is recommended this operating budget impact be referred to the 2026 budget process. It is important to recognize that the actual operating expense structure will only be known once the vendor is selected and future budgets will reflect the actual impact which may vary from the estimate.

RECOMMENDATIONS

1. That the 2025 Automatic Fare Collection System capital project budget as detailed in Appendix B be amended to include an additional $4.0 million, financed through external debt funding, to facilitate the purchase of a new cloud-native, account-based Automatic Fare Collection System that supports open payments and fare capping.

2. That Council approve new capital borrowing authority of and enact a borrowing by-law in accordance with section 294 of The City of Winnipeg Charter for $4.0 million

3. That the estimated net operating budget impact from the implementation of a new fare collection system in the estimated amount of $2,100,000 annually, and anticipated to start in mid-2027, be referred to the 2026 budget process.

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

REASON FOR THE REPORT

On March 20, 2024, Council directed Winnipeg Transit to review its current fare structure, policies, and technologies, and report to the appropriate committee of Council within 180 days, with a fare collection strategy, describing a recommended path forward for implementing modern fare collection technology, and identifying an optimal mix of fare policy, products and structure to grow ridership, revenue, and customer satisfaction.

On October 2, 2024, the Public Service was granted an extension of time to May 2025.

Council approval is required for changes to the budget of a previously approved capital project.

IMPLICATIONS OF THE RECOMMENDATIONS

The goals of a new fare collection system are to address and eliminate the shortcomings of the existing system and provide Winnipeg Transit users with a modern platform that provides additional payment options and a more intuitive fare structure.

In order to implement the optimal level and functionality for a new fare collection system, Transit requires a capital budget adjustment and additional borrowing approved in the amount of $4.0 million. The funding source for this budget would be external debt.

Additionally, there is an estimated operating budget impact from a new fare collection system in the amount of $2,100,000 per year starting in approximately mid-2027.

HISTORY/DISCUSSION

Winnipeg Transit’s current Automatic Fare Collection System (AFCS), commonly known by the branded name of its smart-card payment system, peggo, has been in place since June 2013. The smart cards themselves were launched in June 2016. Since that time, the AFCS has been Winnipeg Transit’s primary means of enabling customer payments and collecting fare revenue.

However, in the intervening years, technology has changed, and customer expectations have changed along with it. The expectations of the City and Winnipeg Transit, with regards to features such as data analysis and administrative functionality, have changed as well. Additionally, the current system does not support unified fare collection for all Transit services, including Winnipeg Transit Plus, as is required to align with the Winnipeg Transit Master Plan and the Accessibility for Manitobans Act.

In recognition of this, as part of the 2024 Capital Budget, Council established an Automatic Fare Collection System capital project with $6.5 million in funding towards the upgrade/renewal of fare collection technology enabling a variety of options for fare payment. This budget was based on a preliminary, Class 5 estimate, which was created without a full analysis of the requirements of the future system, the experiences of other transit agencies, and a market scan of fare collection technologies. This estimate is now over two years old. At the time the capital budget was approved, it was understood that subsequent work with a consultant would provide requirements and an estimate based on Winnipeg Transit's future fare collection needs. Therefore, as part of the 2024-2027 Multi-Year Operating and Capital Budget recommendations, Council directed Winnipeg Transit to review its current fare structure, policies, and technologies, and report to the appropriate committee of Council within 180 days with a fare collection strategy, describing a recommended path forward for implementing modern fare collection technology, and identifying an optimal mix of fare policy, products and structure to grow ridership, revenue, and customer satisfaction.

At the October 2, 2024 Standing Policy Committee on Public Works meeting, Winnipeg Transit requested an extension to the original 180-day deadline, to allow for the consulting engagement to be completed. This extension was granted, allowing for the report to be presented to the May 2025 meeting of the Standing Policy Committee on Public Works.

The review and recommendations form the basis for a path forward for Winnipeg Transit's future fare structure, policies, and technology. They have been developed with the assistance of Left Turn Right Turn, a consulting firm specializing in the Transit industry. This consultant was selected through a competitive bid process, and the consulting engagement began in September 2024.

The Final Report (Appendix A), is based on:

- Analysis of existing City policies
- Discussions with subject matter experts within Winnipeg Transit
- Analysis of data produced by Winnipeg Transit information systems
- Extensive consultation with other public transit agencies
- A market scan of existing fare collection technologies

The report provides the City of Winnipeg with the following:

- A current state assessment of Winnipeg Transit fare collection policy and technology
- Fare policy goals to guide decision making and technology selection
- Specific recommendations for future fare policy decisions
- Expected benefits of adopting the recommendations
- Functional requirements of a future fare collection system
- An implementation plan for a future fare collection system
- Class 3 estimated project costs for purchasing and implementing a future fare collection system

Findings of the Report

The report presents an analysis of the current state of Winnipeg Transit's fare collection system. The key findings indicate the current system's challenges are as follows:

- Limited payment options
- Complex fare structure
- Operational inefficiencies
- Inadequate data and reporting
- System unreliability
- Fare evasion concerns
- Customer dissatisfaction

The report goes on to identify fare policy goals that will guide future policy decisions and inform the selection of future technology to:

- Ensure every rider pays the lowest fare
- Support needs-based concession fares
- Modernize the customer experience
- Provide fare parity for all users across all forms of service
- Improve fare payment compliance
- Support economic elevation and development

Based on these goals, the report outlines the following Fare Policy Recommendations:

- Simplify the fare structure
- Transition to needs-based concession fares
- Develop and implement a fare payment and enforcement policy
- Implement fare capping

As well, the report outlines the following Fare System Recommendations:

- Procure and implement a new fare collection system
- De-emphasize the use of physical cards
- Integrate with existing systems
- Simplify existing fareboxes
- Eventually phase out paper tickets and passes

Winnipeg Transit's Future Fare Collection System

As recommended by the report, Winnipeg Transit's future fare collection system will be a cloud-native, account-based system that supports open payments and fare capping.

Cloud-native means that the system will be hosted in a secure, enterprise-grade environment managed by the vendor to improve system reliability.

Account-based means that customer balances and transactions will be stored in a central online account that can be managed by the customer via mobile phone or computer. This is different from the current system, where balances and transactions are stored on the customer's card. Account-based systems greatly enhance customer functionality such as online purchases, fare capping, and auto reloads. Furthermore, it ensures that online transactions happen immediately, with no delay.

Open payments refer to payment by tapping a credit or debit card when boarding a bus.

Fare capping means that riders are automatically charged for a pass once they have ridden a certain number of times in a day, week, or month, instead of having to buy a pass ahead of time. This ensures that riders always pay the lowest applicable fare for the number of times they ride in a given time period.

The final report provides key functional requirements that will be used in a future procurement for a new fare collection system. These functional requirements will ensure that the system that Winnipeg Transit purchases meets the needs of its riders.

The recommended option also aligns with the Poverty Reduction Strategy action item which requires Transit to 'explore a fare collection system that uses an equity lens in identifying improved fare collection options for Transit riders, which may include fare capping or mobile ticketing to make purchasing more financially accessible'.

Cash will continue to be collected and at this time there are no plans to replace the existing fareboxes. The fareboxes are at the end of their useful life and the related capital funding needed to replace them will be proposed in a future, separate capital project.

Paper products will also continue to be used during the transition period at a minimum. The future of paper products will be assessed post-go-live of the new system once customers' purchasing patterns with the new options have been established and the relevance of paper products is better able to be assessed.

Budgetary Estimate

The final report provides a Class 3 estimate for the purchase and implementation of a new fare collection system. The report contains budgetary estimates for 3 levels of functionality, termed "bronze", "silver", and "gold". The features included in each option are presented in the following table, along with capital budget estimates. Note the total capital budget numbers provided below differ from those presented in the consulting report due to refinement of internal costing and the addition of project contingency.

Feature / Characteristic	Bronze	Silver (Recommended)	Gold
Core System Features			
Account-Based System	Yes	Yes	Yes
Tap Payment - Mobile	No	Yes	Yes
Transit-issued Card Type	QR-code / Magnetic stripe	Tap	Tap
QR-Code Mobile Ticketing	Yes	No	Yes
Web / Mobile App	Yes	Yes	Yes

Enhanced Features			
Open Payment (Tap payment with credit and debit cards)	No	Yes	Yes
Fare Capping	Partial (not with credit/debit cards)	Partial (not with credit/ debit cards)	Yes (all digital)
Mobile Inspection Devices	No	Partial (supported)	Yes (supported + 50 devices)
Institutional Portal	No	Yes	Yes
Third-Party App Integration	No	Partial (Existing Partners)	Yes
Implementation			
Number of Validators	700	775 (includes Winnipeg Transit Plus)	775 (includes Winnipeg Transit Plus)
Fare Vending Machines	No	No	Yes
System Integration	No	Partial	Yes
Capital Budget Estimate			
	$6,750,000	**$10,500,000**	**$14,375,000**

The “bronze” option has been deemed insufficient as without the institutional portal Transit’s existing programs (UPass, Post Secondary, EcoPass, etc) will not be able to be managed and the core features that were deemed necessary to meet both customer expectations and the recommended fare policy goals are not included.

For these reasons both the consulting report and the Public Service is recommending the “silver” option.

The total estimated capital budget required for the “silver” option is $10,500,000. With the existing adopted 2024 Automatic Fare Collection System capital budget in the amount of $6,500,000, there is additional capital funding in the amount of $4,000,000 needed.

The technology that powers Transit fare collection systems (hardware and software) is provided by an international community of vendors with complex supply chains. It is not possible to estimate the effect of any future tariffs on the price, but it may be possible to mitigate the effects of future tariffs at the time of vendor selection.

The migration to a cloud-native system also has an operating budget impact as the system will be hosted, maintained, and operated by the vendor. While there may be an anticipated positive

impact on fare revenue, and some existing operating costs will be replaced; the total net operating budget impact at this time, based on the operating budget projections that are included in the 2025 adopted budget, is estimated to be $2,100,000 per year anticipated to start mid-2027. The cost increase is mostly attributable to a very different payment structure for a cloud-native system from what Transit is currently in and includes the cost of borrowing for the external debt. This estimate is based on the consultants' analysis of publicly available information regarding the costs of similar projects in other public transit agencies. Further refinements to the estimated operating budget impact will be done when the fare collection system is selected and the proposed fare structure changes have been analyzed. The Public Service is recommending this operating impact be referred to the 2026 budget process. The impact to fare revenue is still to be determined and will be assessed in conjunction with changes in the future fare structure, pending fare evasion policy and the outstanding risk amounts for revenue shortfalls as detailed in the 2025 budget book for Operating, Reserves and Capital.

Next Steps

Based on the recommendations made by the consultant, the results of the municipal market scan that was conducted, and pending Council approval, the Public Service will be proceeding with an Expression of Interest (EOI) to create a short list of vendors who would be eligible to respond to a subsequent bid opportunity which requires them to provide a system that can meet the requirements specified in the report. The EOI will be followed by the issuance of a Request for Proposal, vendor selection, contract negotiation, the development of a communication plan, and the implementation and rollout of a new fare collection system to the public.

Additionally, the Public Service will need to undertake a comprehensive review of the impacts of the consultant's recommendations on the provision of various programs and overall fare revenue. Final recommendations related to a new fare structure and pricing along with the estimated impacts on overall fare revenue will be discussed in a separate report that will be brought forward for Council consideration at a future date.

Implementing these changes will provide Winnipeg Transit riders accessing Fixed-route, On-Request, and Winnipeg Transit Plus with a modern, stable, and convenient fare collection system with fare options that are currently available in a number of other cities.

Debt Strategy

On February 22, 2024, Council adopted an updated Debt Strategy for total City borrowing.

If Council decides to fund the Transit Automatic Fare Collection System of $4 million through debt borrowing authority $145 million of City borrowing capacity will remain.

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

Total City net debt as a percentage of revenue not to exceed	100%
Forecasted peak rate including proposed debt from this report	94.4%

FINANCIAL IMPACT

Financial Impact Statement

Date: April 4, 2025

Project Name:
Transit Automatic Fare Collection Strategy

First Year of Program **2025**

	2025	2026	2027	2028	2029
Capital					
Capital Expenditures Required	$ 10,500,000	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	6,500,000	-	-	-	-
Additional Capital Budget Required	$ 4,000,000	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	4,000,000	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ 4,000,000	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ 4,000,000				
Total Additional Debt Required	$ 4,000,000				
Current Expenditures/Revenues					
Direct Costs	$ -	$ 105,000	$ 1,151,750	$ 2,117,380	$ 2,138,100
Less: Incremental Revenue/Recovery	57,100	-	-	-	-
Net Cost/(Benefit)	$ (57,100)	$ 105,000	$ 1,151,750	$ 2,117,380	$ 2,138,100
Less: Existing Budget Amounts	(57,100)	-	-	-	-
Net Budget Adjustment Required	$ -	$ 105,000	$ 1,151,750	$ 2,117,380	$ 2,138,100

Additional Comments: The Capital Expenditures required represents estimated costs for the recommended option based on the Class 3 estimate that has been received, and Corporate administration/ interest overheads. Council has approved $6,500,000 for the Automatic Fare Collection System project as part of the 2024 adopted capital budget leaving an additional $4 million in funding required. This funding source is assumed to be external debt.

The Directs Costs consist of the estimated net additional costs from implementing a cloud-native, account-based system plus interest expense from external borrowing. The incremental revenue/recovery consists of Corporate administration/interest overheads being charged to the capital project. The net operating budget adjustment required is recommended to be referred to the 2026 budget process.

Laurie Fisher April 4, 2025

Laurie Fisher, CPA, CA
Manager of Finance and Administration

CONSULTATION

This Report has been prepared in consultation with:

- Financial Services

OURWINNIPEG POLICY ALIGNMENT

OurWinnipeg 2045

Goal: Environmental Resilience, Objective 2: Prioritize sustainable transportation as the mobility options of choice.

> Prioritize sustainable transportation as the mobility options of choice. Transition to a sustainable transportation system that safely and efficiently moves people, goods and services, increases access to a variety of affordable mobility choices, encourages less reliance on personal vehicle travel, reduces travel time, mitigates congestion and related greenhouse gas emissions, and supports the development of denser, better-connected, healthy and complete communities.

Policy 2.9: Reduce Road Congestion

> Increase the efficiency, convenience and usage of the active and public transportation system, to improve air quality, provide a viable alternative to the automobile, and reduce current and future road congestion.

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 (p.46).

Relevant actions include: Deliver continuous improvement in transit service with a focus on customer service, reliability, and route connectivity, and public education (found on page 46 of the WCAP).

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Goal 5(a) Transportation System Equity is Enhanced – the affordability and accessibility of transportation and transit service is increased.

Goal 5(b) Transportation System Equity is Enhanced – improvements to transportation and transit infrastructure and services prioritize areas of higher poverty, and increased interconnectivity to employment and affordable goods and services.

SUBMITTED BY

Department: Innovation and Technology, Transit
Division: Innovation and Technology, Finance and Administration, Service Development
Prepared by: Kirk Cumming, Manager of Innovation and Technology, Transit
Laurie Fisher, Manager of Finance, Transit
Bjorn Radstrom, Manager of Service Development, Transit
Date: April 16, 2025
File No:

Attachments:
Appendix A – Final Report - Winnipeg Transit Fare Policy and System Upgrade Plan
Appendix B – 2025 Automatic Fare Collection System Capital Budget Detail Sheet