COUNCIL REPORT

Edmonton

REVENUE SOURCE FOR TRANSIT - POTENTIAL, RISK AND IMPLEMENTATION AND INTERGOVERNMENTAL ADVOCACY

RECOMMENDATION

That the September 20, 2023, Financial and Corporate Services report FCS01246, be received for information.

Requested Council Action		Information only	
ConnectEdmonton's Guiding Principle		**ConnectEdmonton Strategic Goals**	
CONNECTED This unifies our work to achieve our strategic goals.		**Urban Places**	
City Plan Values	ACCESS.		
City Plan **Big City Move(s)**	A community of communities	**Relationship to Council's Strategic Priorities**	Mobility Network
Council Policy, Program or Project Relationships	• Bus Network Redesign • City Policy C539A - Transit Service Policy • The City Plan • City Policy C624 - Fiscal Policy on Revenue Generation • Mass Transit: Planning for 1.25 Million People		
Related Council Discussions	• CO00607, Mass Transit System - Sustainable Funding and Service Growth, City Council, April 19, 2022		

Previous Council/Committee Action

At the April 19, 2022, City Council meeting the following motion passed:

1. That Administration conduct further analysis on the revenue potential, risks and possible implementation of a suite of options as outlined in the April 13, 2022, City Operations report CO00607, including Community Revitalization Levies, dedicated

transit funding, real estate opportunities and parking fees, and model these tools to determine potential for a long term sustainable, predictable revenue source for transit that meets both the capital and operating mass transit objectives laid out in the City Plan; and

2. That Administration explore interest in shared advocacy opportunities with Alberta municipalities, regional partners and transit stakeholders to push for legislative changes to pursue additional transit revenue options, including but not limited to, possible vehicle registration fees, and a standing agreement to receive a portion of the provincial government's motor fuel tax.

Executive Summary

- Achieving The City Plan's land use concept of deliberate urban intensification within a network of nodes and corridors is one of the best ways to achieve higher transit usage and sustainable revenue for Edmonton Transit Service (ETS).
- In analyzing available revenue tools, Administration applied two scenarios: "Maintain Service Level," which would keep 2022's per capita service hour levels until 2033, and "Grow Service Level", which would grow the bus fleet to increase service hours.
- Administration conducted further analysis on 10 revenue generation tools as presented in the April 13, 2022. City Operations report, CO00607 Mass Transit System - Sustainable Funding and Service Growth. The analysis found that only one was viable for the City of Edmonton given other legal, policy or financial considerations: dedicated transit funding, which is an annual multi-year dedicated property tax increase earmarked for transit service, that can be used for operating or capital needs.
- Administration expanded its review to 24 other possible revenue tools. Of these, five own-source tools are considered to be potentially viable to fund transit: property tax (operating/capital); local improvement tax (capital only); user fees (operating/capital); development charges (capital only); and off-site levies (capital only).
- Administration conducted scenario modelling to estimate future transit funding needs. The Maintain Service Level scenario requires $180.7 million of capital funding for 110 new growth buses, and $70 million of annual ongoing operating funding by 2033 to put the new buses into service. The Grow Service Level scenario requires $692.5 million of capital funding for 415 new growth buses, and $174 million of annual ongoing operating funding by 2033 to put the new buses into service.
- In applying these potential tools to the two types of service scenarios, the Maintain Service Level and Growth Service Level scenario's operating funding shortfalls could be funded through general property taxes, a dedicated transit levy (multi-year dedicated property tax increase earmarked for transit service) and incremental transit fare increases. Both scenarios' operating shortfalls could also be supported through funding support from other orders of government and/or authority from the provincial government to levy new revenue tools. The operating shortfall can be addressed through a combination of these revenue tools with differing levels of revenue generated through each tool. The capital funding needs in both

scenarios will require funding support from other orders of government, and/or authority from the provincial government to levy new revenue tools.

- Given transit's impact on climate and The City Plan outcomes, continued advocacy to other orders of government for transit funding support and additional revenue-generating authorities is required.

REPORT

In response to a motion passed at the April 19, 2021, City Council meeting, Administration presented the April 13, 2022, City Operations report CO00607, Mass Transit System - Sustainable Funding and Service Growth. The report outlined a suite of revenue-generating tools that are employed across North America, and evaluated them for alignment with City of Edmonton goals. The analysis resulted in a short list of tools that could be further explored for potential implementation. The report also suggested that no single tool could provide for all of Edmonton's future transit financial needs, and that a mix of strategies would offer greater resiliency. In response to this report, City Council directed Administration to conduct further analysis on the suite of shortlisted tools, and explore shared advocacy to advance these opportunities.

Context

The City Plan has ambitious and transformative public transit goals, with a target of 50 per cent of trips made by transit and active transportation for a future population of two million Edmontonians.[1] To support these targets, The City Plan includes a Mass Transit Network that will define the future of transit to support mobility, access and inclusion.

The mode shift target can be achieved by realizing The City Plan's land use concept, implementing policies related to enhancing the mobility system, and applying the four levers of change: Policy, Investment, Pricing and Partnerships. The market transformation (50 per cent of net new units added through infill citywide and intensification along nodes and corridors) underpinning The City Plan is the most effective tool towards achieving mode shift and increasing transit ridership. That shift in development will increase funding capacity for transit in two ways: first, by increasing transit fare revenues through higher transit ridership; and second, by growing the property tax base through higher density infill development in the redeveloping area. As discussed in report CR_7810 Transit Mode Share - Increase and Impacts at the February 2, 2021, Urban Planning Committee meeting, in the immediate term, other effective levers to advance The City Plan's mode share target are investments that improve transit service and active transportation, as well as policy and pricing tools reflecting public costs of private vehicle use.

Edmonton Transit Service (ETS) relies primarily on property tax and transit fares to fund day-to-day transit operations. In recent years, these traditional revenue tools have not enabled ETS to accommodate additional service hours to match growth across the city. Additionally, given The City Plan's transit goals, user fee unpredictability since the COVID-19 pandemic and existing

[1] According to the City's long range forecast, Edmonton could reach a population of 2 million in the 2060s.

strains on the property tax base, alternative revenue tools may be needed to accommodate ETS's future transformative growth needs.

At the August 29, 2023, Urban Planning Committee meeting, City Operations report CO01337, Edmonton Transit Services in Newer Developing/Developed Neighbourhoods identified a gap between the current level of transit service citywide and the level of service that would meet the Transit Service Standards. ETS has quantified this gap as approximately 5,000 service hours per week or 260,000 hours annually. Several opportunities were identified to address this gap, including redeploying the Valley Line Southeast Precursor bus service hours, pursuing a satellite garage facility, the new transit garage and fleet renewal to lower the fleet age.

The transit service hours per capita metric is another way to show this gap. Since 2014, ETS service hours have stayed near two million per year. From 2014 to 2023, Edmonton's population grew from approximately 923,000 to 1.12 million,[2] meaning that service levels and hours per capita trended downward: ETS's annual total conventional service[3] hours per capita was 2.13 in 2014, gradually declined to 2.00 by 2019 and increased slightly to 2.10 in 2021 due to the introduction of On Demand transit and temporary funding for Valley Line Southeast precursor bus service. The largest factor in the downward trend is no increase in conventional bus service hours. At this time, ETS does not have adequate garage capacity to grow the bus fleet beyond current levels. As a result, service hours per capita will continue to decline until service growth is possible.

ETS Revenue Requirements

Administration conducted scenario analysis over the 2024 to 2033 forecast period, modelling two potential transit service futures:

1. Maintain Service Level - holds 2022 service hours per capita relatively constant until 2033.
2. Grow Service Level - has significant bus fleet growth to increase service hours per capita, within the constraints of limited transit garage capacity in the near-term.

For modelling purposes, a new growth transit garage is assumed operational in 2031 in the Maintain Service Level scenario, and 2029 in the Grow Service Level scenario. Both scenarios assume a leased satellite garage is operational in 2025 with a capacity of 40 forty-foot buses. Further details on these scenarios are outlined in Attachment 1, forecast of bus capital costs are in Attachment 2, and scenario assumptions are outlined in Attachment 3.

Scenario 1 - Maintain Service Level

The table below summarizes the Maintain Service Level scenario, in which service hours per capita are held relatively stable over the 10-year forecast horizon, with a peak service level of 2.12 service hours per capita in 2024, and a low of 2.03 in 2030. This scenario holds 2022 service hours per capita relatively constant until 2033. In this scenario, the satellite garage lease begins in 2025, with 40 new buses acquired over 2025-2027, and a new growth transit garage becoming

[2] Sources: Statistics Canada and Alberta Treasury Board and Finance; 2023 population estimate from City of Edmonton population forecast.
[3] Conventional service includes LRT, bus and On Demand transit.

operational in 2031, with 40 new buses in 2031, 15 in 2032 and 15 in 2033.[4] The minor fluctuations in service hours per capita are largely due to bottlenecks in garage capacity that prevent the consistent acquisition of new buses. To acquire the 110 new growth buses from 2025 to 2027, and from 2031 to 2033, the capital funding needs in this scenario are $180.7 million over the forecast term.

Incremental operating funding shortfalls range from $4 million to $17 million over the forecast period, with most years closer to the lower range. 2031 has the highest operating funding shortfall of $17 million due to the relatively large addition of 40 buses that year. If these operating shortfalls were funded with property tax increases, a 0.2 to 0.3 per cent tax increase would be required in most years; 2031 has the highest tax increase of 0.6 per cent due to the operating impacts of capital from 40 additional buses in 2031. In total, this scenario requires $70 million in annual ongoing operating funds by 2033 to put the new buses into service, which is equivalent to a cumulative tax increase of 2.8 per cent over the same period.

Scenario 1 Summary Table

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual Service Hours Per Capita	2.12	2.09	2.09	2.07	2.10	2.07	2.03	2.08	2.08	2.07
Bus Fleet Growth - Cumulative	0	10	30	40	40	40	40	80	95	110
Bus Fleet Growth Capital Shortfall ($000)[5]		$14,937	$30,505	$15,558				$67,453	$25,847	$26,412
Operating Funding Shortfall - Incremental ($000s)[6]	$4,667	$4,466	$6,255	$5,755	$3,974	$3,758	$6,757	$16,927	$8,735	$8,971
Operating Funding Shortfall - Incremental (Tax Increase Equivalent)	0.2%	0.2%	0.3%	0.3%	0.2%	0.1%	0.3%	0.6%	0.3%	0.3%

Scenario 2 - Grow Service Level

The table below summarizes the Grow Service Level scenario, in which service hours per capita are relatively stable until 2028, and then steadily increase year-over-year to 2.64 in 2033. In this scenario, the garage lease also begins in 2025, with all 40 new buses acquired that year. The new growth transit garage becomes operational in 2029, with 75 new buses acquired each year until the end of the forecast period.[7] To acquire the 415 growth buses in 2025, and from 2029 to 2033, the capital funding needs in this scenario are $692.5 million over the forecast term.

There are large operating impacts of capital in years with significant bus fleet additions, producing substantial operating funding shortfalls in those years: in 2025, there is a $13.8 million

[4] In this scenario, the Valley Line West and Capital Line South Phase 1 Extension LRT projects come into operational service in 2028.
[5] Assumes all future growth buses are 40-foot E-buses.
[6] This scenario assumes a two per cent annual transit fare increase from 2027-2033.
[7] In this scenario, the Valley Line West and Capital Line South Phase 1 Extension LRT projects come into operational service in 2028.

operating funding shortfall; from 2029-2033, annual operating funding shortfalls are in the range of $28.7 million to $30.9 million, as 75 new buses are put into operational service for each of those years. If these shortfalls were funded with property tax increases, a 0.7 per cent property tax increase would be required in 2025. Modest increases are required in 2024, 2027 and 2028 in the range of 0.1 to 0.2 per cent. A 1.0 to 1.2 per cent annual tax increase would be required from 2029 onward. In total, this scenario requires $174 million in annual ongoing operating funds by 2033 to put the new buses into service, which is equivalent to a cumulative tax increase of 6.6 per cent over the same period.

Scenario 2 Summary Table

	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Annual Service Hours Per Capita	2.12	2.15	2.11	2.07	2.10	2.21	2.33	2.43	2.54	2.64
Bus Fleet Growth - Cumulative	0	40	40	40	40	115	190	265	340	415
Bus Fleet Growth Capital Shortfall ($000)[8]		$59,747				$121,184	$123,789	$126,474	$129,237	$132,060
Operating Funding Shortfall - Incremental ($000s)[9]	$4,667	$13,797	$35	$2,644	$3,974	$30,887	$28,704	$29,116	$29,538	$30,263
Operating Funding Shortfall - Incremental (Tax Increase Equivalent)	0.2%	0.7%	0.0%	0.1%	0.2%	1.2%	1.1%	1.1%	1.0%	1.0%

Alternative Revenue Tools

At the April 13, 2022, Urban Planning Committee meeting, Administration presented the City Operations report, CO00607 Mass Transit System - Sustainable Funding and Service Growth. Administration provided a research report highlighting revenue generation tools employed for transit funding across North America that are also aligned with City Plan goals. The research report identified 10 revenue generation tools, organized into three categories: real estate-based, transportation-based and other.

Real Estate-Based Tools

1. Benefit Area Tax
2. Community Revitalization Levies
3. Dedicated Transit Funding
4. Real Estate Opportunities

Transportation-Based Tools

5. Motor Fuel Tax
6. Parking Fees
7. Road Usage Charging
8. Transportation Network Company (TNC) Fee

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[8] Assumes all future growth buses are 40-foot E-buses.

[9] This scenario assumes a two per cent annual transit fare increase from 2027-2033.

9. Vehicle Registration Fee

<u>Other Tools</u>

10. Tourism Levy

In response to the April 19, 2022, City Council motion, Administration analyzed each of these 10 tools with the objective to better understand which, if any, can provide long-term, sustainable, predictable revenue for transit. Details of this analysis are outlined in Attachment 4, Table 1. The tools were assessed according to the following five criteria:

1. Does the City have the authority to implement this tool?
2. How can the City implement this tool?
3. Can the revenue tool provide stable annual funding?
4. Can the revenue tool provide sufficient levels of funding?
5. Is the revenue tool viable and/or desirable for transit funding?

Based on Administration's assessment, the one funding tool that satisfies the criteria above all others is a dedicated transit fund. The remaining nine tools are not viable for sustainable, long-term transit funding for one or more of the following reasons:

- The City does not have the authority to levy the revenue tool without provincial/ministerial approval.
- Use of the tool would work against, or counteract, other City Plan goals.
- Revenue opportunities are limited from a sufficiency and sustainability perspective.
- Administration already allocates the funds from the revenue tool for some other purpose; diverting those funds toward transit service would produce a funding shortfall elsewhere in the City.
- Use of the revenue tool would counteract financial best practices.
- Implementing the revenue tool for transit funding would contravene Canadian case law.

Administration also analyzed a thorough list of every revenue tool available, or potentially available, to the City under current legislation. Table 2 in Attachment 4 assesses 24 additional revenue tools according to the same five criteria listed above. Of these 24 tools, five were identified as being viable and desirable for transit funding:

1. Property tax (operating/capital)
2. Local improvement tax (capital only)
3. User fees (operating/capital)
4. Development charges (capital only)
5. Off-site levies (capital only)

All five tools are able to, or have the potential to, provide stable annual funding and sufficient levels of funding for ETS. The funding shortfalls shown in scenarios 1 and 2 could be addressed through a combination of several of the following revenue tools.

<u>Dedicated Transit Funding</u>

Dedicated transit funding refers to annual property tax increases that are dedicated for transit operating and/or capital expenditures on an ongoing basis. The Neighbourhood Renewal

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Program dedicated tax levy is a similar type of funding mechanism. It can provide both stable annual funding and sufficient levels of funding needed for transit service. Furthermore, it is an own-source revenue, so is not subject to reduction or elimination by other orders of government, as is sometimes the case when federal or provincial policy objectives shift.

When creating a dedicated transit funding stream, the annual revenue potential is subject to the level of tax increase applied each year, as well as the number of consecutive years the funding strategy is implemented. For illustrative purposes, the table below summarizes the annual revenue potential of a one per cent and 0.5 per cent dedicated tax levy for 10 consecutive years. After 10 years, a one per cent dedicated levy will generate $247.1 million in annual ongoing funding, whereas a 0.5 per cent dedicated levy will generate $123.5 million in annual ongoing funding.

10-Year Dedicated Tax Levy Scenarios

$000s	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
1% Annual Tax Increase - Incremental	$19,237	$20,467	$21,747	$22,987	$24,077	$25,219	$26,413	$27,660	$28,964	$30,326
1% Annual Tax Increase - Cumulative	$19,237	$39,704	$61,451	$84,437	$108,515	$133,733	$160,146	$187,806	$216,770	$247,096
0.5% Annual Tax Increase - Incremental	$9,619	$10,233	$10,873	$11,493	$12,039	$12,609	$13,206	$13,830	$14,482	$15,163
0.5% Annual Tax Increase - Cumulative	$9,619	$19,852	$30,725	$42,219	$54,257	$66,867	$80,073	$93,903	$108,385	$123,548

Dedicated transit funding is ultimately property tax, so using this tool will place further strain on the tax base. As of this report date, the approved tax increases for 2024, 2025 and 2026 are 4.96 per cent, 4.95 per cent and 4.39 per cent, respectively, prior to consideration of the fall 2023 supplementary budget adjustment process. Applying a dedicated transit funding tax levy during this budget cycle would place additional upward pressure on tax increases.

Council Policy C624 - Fiscal Policy For Revenue Generation states that where a City service provides greater or more direct benefits to service consumers, revenues are raised from those consumers to recover, in whole or in part, the cost of the service. Policy C624 also states that where a service provides broad benefits to the community at large, revenues are raised through broad-based taxation to fund, in whole or in part, the service. Transit is a public service that benefits both its direct consumers and the community-at-large. As such, historical practice has been to distribute costs equitably between property taxes and user fees. If a dedicated levy was used for transit operations, it would increase the share of tax support relative to user fees for funding transit operations. Consideration would be required on whether that shift would be an equitable distribution of costs between user fees (service consumers) and the property tax base (community-at-large).

Property Tax

Property tax is the tax levied on the assessed value of a property. Property tax revenues can be applied towards operating or capital (pay-as-you-go) funding needs. It is a stable, predictable, revenue stream wholly within the City's control. The major consideration for using property tax pertains to overall tax tolerance, and the willingness of property owners to incur additional tax increases. The same issues of balance between direct consumers and the community-at-large discussed above are present for any use of property tax for transit funding.

Local Improvement Tax

Local improvement taxes (LIT) can be levied on benefiting areas to finance the cost of some local improvement transit projects. They are applicable for capital projects only. To estimate the revenue potential of a LIT, a defined benefiting area must first be determined. As such, no projection of revenue potential can be provided at this time. Generally, the larger a benefiting area, the more taxable properties there are to distribute the project's costs amongst. Small benefiting areas are likely only able to finance small local improvement projects. LITs can be initiated in two ways: City Council may on its own initiative propose a local improvement, or a group of property owners can petition Council for a local improvement. A large LIT can have the effect of producing property tax differentials across similar properties within and outside of the benefiting area. Furthermore, locational choice of a LIT would need to be considered in the context of City Plan goals: LITs in the redeveloping area may disincentivize infill development/ownership.

User Fees

User fees are fees charged in exchange for public services, and include all transit fare products levied on consumers either in advance or at time of boarding. User fee revenue streams can be applied toward operating funding, or towards financing capital projects. User fees are already in place for transit, so applying this tool for an additional revenue stream would require increasing the existing fare structure. Scenarios 1 and 2 include a two per cent annual transit fare increase from 2027 to 2033; additional user fee revenues to further offset the funding shortfalls in those scenarios would require fee increases above the rate of forecasted consumer inflation over that time frame. There are limits to how high transit fares can be priced: revenues increase with price to a certain point, but then diminish due to reductions in consumption as certain customers are priced out of the service or choose other transportation options. Further investigation, market analysis and engagement would be required to determine optimal user fee increases.

Development Charges

Development charges are charges levied on developers, imposed at time of subdivision or development permit, that require developers to fund their portion of capital improvements that benefit the area being developed. The payment must be proportional to the cost of the infrastructure project. Development charges can only be used for capital projects that are necessary to serve the development, and, if used for transit capital, are only viable on greenfield developments at this time due to the large volume of greenfield growth and consistent rate of development. This source of funding requires the transit infrastructure to be at a scale specific to the development or local neighbourhood.

Development charges can be applied one of two ways: as a financial levy on development to fund a transit infrastructure project, or by having the developer construct the transit infrastructure directly at their own expense and contributing the assets to the City. Development charges can support growth transit infrastructure and facilities in new subdivisions/neighbourhoods, and have the potential to generate funding for transit facilities. Because of the consistent development of Edmonton's greenfield neighbourhoods, development charges have the potential to provide stable, predictable funding. However, given that charges are passed onto greenfield property buyers, consideration should be given for economic, land development and housing market impacts. Too high of a development charge may potentially create housing affordability spillover effects, and may push greenfield residential growth to surrounding municipalities.[10] These effects should be analyzed against other priorities and potential levy increases. The revenue potential of a development charge cannot be reasonably estimated at this time, as several factors must first be determined, such as the cost of capital improvement and the development area being considered.

Off-Site Levies

Off-site levies can also be levied on developments to finance all or part of the cost of a transit project. Also like development charges, off-site levies are only viable for greenfield developments at this time, and can only be used for capital projects. Off-site levies are implemented through bylaw, and the fee is imposed at time of subdivision or development permit. Off-site levies can be implemented as a financial levy on developers. Alternatively, the City can enter into an agreement where the developer constructs the project at their own expense, then contributes the asset to the City upon completion.

Off-site levies can support growth transit infrastructure and facilities in new subdivisions/neighbourhoods, and have the potential to generate funding for larger-scale transit facilities. Because of the consistent development of Edmonton's greenfield neighbourhoods, off-site levies have the potential to provide stable, predictable funding. However, like development charges, consideration should be given for economic, land development and housing market impacts. Too high of a levy rate can have unintended negative spillover effects on the housing and real estate markets. The revenue potential of an off-site levy cannot be reasonably estimated at this time, as several factors must first be determined, such as the cost of capital improvement and the development area being considered.

Applying Options to Scenarios

The Maintain Service Level scenario produces a capital funding shortfall of $180.7 million for new growth buses, and $70 million of annual ongoing operating funding shortfalls by 2033 to put the new buses into service. The Grow Service Level scenario produces more substantial funding shortfalls, with $692.5 million of capital funding needed for new growth buses, and $174 million of annual ongoing operating funding by 2033 to put the new buses into service.

[10] As part of a broader scope of work, Administration will consider the benefits and challenges of the cumulative costs of increased contribution requirements to Industry and the potential impacts to market housing affordability balanced with broader affordability benefits for Edmonton taxpayers.

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For illustrative purposes, generating the necessary operating funds for the Maintain Service Level Scenario by 2033 would require a 10-year 0.3 per cent annual dedicated tax increase beginning in 2024. Similarly, to generate the necessary operating funds for the Growth Service Level Scenario by 2033 would require a 10-year 0.7 per cent annual dedicated tax increase beginning in 2024.

To address the annual operating shortfalls, consideration could be given to any combination of general property tax increases, annual multi-year dedicated property tax increases earmarked for transit service and incremental transit fare increases. Further consideration can be given to operating grant funding support from other orders of government, and/or authority from the provincial government to levy new revenue tools.

Government Grants - Capital

These traditional transit funding tools would not address the growth capital requirement for new buses of $180.7 million in the Maintain Service Level scenario, and $692.5 million in the Grow Service Level scenario. These capital funding needs would need to be addressed through capital grant funding from other orders of government, and/or authority from the provincial government to levy new revenue tools. Capital grants from the federal and provincial governments have historically been an essential component to funding transit capital.

The federal government's recently announced Permanent Public Transit Fund of $3 billion annually is slated to begin in 2026-27. At this stage, the program guidelines have not been rolled out, however it is expected that the allocation method will be a combination of baseline funding, application-based funding and a funding envelope for metro-regions to support expansion plans and long-term investment needs. It is believed that some of the City's future bus fleet growth capital needs could be addressed through this fund. More specifics on funding amounts available to the City will be known as the program is further developed.

Because the City does not have adequate own-source revenues for its capital needs, nor the legislative authority to utilize a diversity of revenue generation tools to generate new capital funding streams, advocacy opportunities with other orders of government for capital funding support and expanded revenue tools should be explored.

Advocacy Opportunities

The City Charter's *Fiscal Framework Act* provided a model for a long-term transit agreement that would have guaranteed predictable funding for Calgary and Edmonton's public transit growth and renewal needs for the long term. However, it was repealed by the Government of Alberta in 2019 and subsequently replaced by the *Local Government Fiscal Framework Act*, which set a new funding formula for the cities of Calgary and Edmonton. Consequently, recent requests for permanent long-term transit funding and new or expanded revenue tools have also been unsuccessful, as demonstrated by the Government of Alberta's response[11] to the 2020 Alberta Municipalities resolution. In the past decade, the City also advocated for greater latitude over revenue generation tools in both the *Municipal Government Act* (MGA) review (2012-2019) and the

[11] Permanent Transit Funding Motion, Alberta Municipalities 2020 (abmunis.ca/resolution/permanent-transit-funding)

City Charter development and negotiation process (2012-2019)[12]. Many of the revenue tools requested by the City could have provided stable, predictable, alternative operating revenue streams for transit. However, these requests were rejected by the province, such as motor fuel taxes.

The Government of Alberta's history of funding support for public transit has been largely through capital grants. The City, along with its municipal and municipal association partners, continues to advocate to the other orders of government for ongoing capital and operating funding to support the transit system. This is done through pre-budget submissions, written correspondence and direct, collaborative engagement with provincial and federal officials. The approach has led to positive results for the City's transit system, including $59.7 million through the Safe Restart Agreement/Municipal Operating Support Transfer (MOST), $66.9 million through the Relief for Shortfalls for Transit Operators (RESTOR), operating grant funding to support the Ride Transit Program ($4.5 million per year) and, more recently, one-time funding of $5 million through the Alberta Transit System Clean-up grant. The City has also seen significant federal and provincial capital funding contributions for LRT expansion projects. As noted above, the federal government has also created the Permanent Public Transit Fund, which is to begin in 2026-27; there remains a continued need to advocate for program match funding from the provincial government.

Should Council wish to proceed with advocating for additional revenue tools, Administration recommends working with partners such as Edmonton Metropolitan Region Board, Alberta Municipalities, the Rural Municipalities of Alberta, the Federation of Canadian Municipalities (including the Big City Mayors' Caucus), the Canadian Urban Transit Association, and others, to build broad support for City proposals.

Community Insight

Since the launch of the current bus network, thousands of Edmontonians have shared feedback and requests for increased service throughout the network. Administration makes service adjustments five times per year, incorporating feedback in alignment with City Policy C539A - Transit Service Policy and considering available budget and resource constraints. Additionally, there is ongoing public engagement with Edmontonians regarding plans for a mass transit network for 1.25 million people. This engagement will inform an implementation framework for mass transit.

As part of public engagement for the October 31, 2022, Communications and Engagement report, Budget 2023-2026 Community Insights, over 32,000 participants provided feedback on a number of City services, including transit. People shared their views that transit is an essential service, however some people indicated they are dissatisfied by high costs, perceived issues with safety and poor project planning/management (specific to LRT construction). Key budget considerations were:

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[12] A memorandum of understanding (MOU) between the province, Edmonton, and Calgary was signed on June 18, 2012, stating a commitment among the three governments to create a charter and establish a general timeline for negotiations.

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- Money spent on the transit system - Some participants called on the City to increase funding for transit, whereas others want the City to spend less on transit.
- Consistency of transit routes - Participants said that transit could be improved through adding routes, frequency and reach.
- Safety of transit - Participants shared that they want the safety of LRT stations to be improved.
- Transit fares - Participants provided a wide range of comments about transit fares, with comments calling for Arc (i.e., Smart Fare), credit/debit card payment options, and transit fare to be reduced or made free.
- Parking near transit stops - Some participants would like to see free parking at LRT stations.
- Transit accessibility - Participants commented on the physical accessibility of transit and the need to improve or maintain related services.

GBA+

When making transit network decisions, ETS considers community feedback, alignment with City Policy C539A and resource availability. However, some equity-seeking groups may face barriers to providing feedback, engaging or otherwise communicating their needs for reasons outside of their control. As a result, the transit needs of these equity-seeking communities may not be fully captured when making transit network decisions.

A preliminary review of Edmonton's transit network with an equity lens was presented to Urban Planning Committee within the City Operations report CO01450 Transit Network Equity Analysis on November 22, 2022. Ongoing work will review the network to align with GBA+ principles, with the aims of identifying equity-seeking populations who may not be receiving adequate transit service to meet their needs, removing barriers, and continually working towards an equitable transit network that enables mobility for all Edmontonians. While the initial review included analysis of populations with lower-income households, Indigenous populations and seniors, ETS will conduct a more comprehensive review of equity-seeking groups in 2023 to determine where additional service improvements or policy changes would help reduce barriers and serve riders more equitably.

Attachments

1. Forecast Scenarios
2. Forecast of Transit Bus Capital Costs
3. Forecast Scenario Assumptions
4. Revenue Tools