

RIDE TRANSIT PROGRAM FUNDING GAP

Recommendation

That the August 28, 2024, City Operations report CO02505, be received for information.

Requested 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	THRIVE		
City Plan Big City Move(s)	A community of communities	Relationship to Council's Strategic Priorities	Mobility network
Corporate Business Plan	Serving Edmontonians		
Council Policy, Program or Project Relationships	<ul style="list-style-type: none"> • C451H - Edmonton Transit Service Fare Policy • C624 - Fiscal Policy For Revenue Generation • Community Safety and Well-Being Strategy 		
Related Council Discussions	<ul style="list-style-type: none"> • May 23, 2024 - CO02390, Ride Transit Program Funding Update • October 26, 2022 - CO01192 Ride Transit and Leisure Access Programs • October 26, 2022 - CO00576 Transit Fare Fines - Repayment Options • November 28, 2018 - CR_5804 Permanent Ride Transit Program - Transition • March 14, 2018 - CR_5409 Ride Transit Program Pilot Update • March 14, 2018 - CR_4704 Sliding Scale Model: Integration of a Low Income Transit Pass Program 		

Previous Council/Committee Action

At the May 23, 2024 Executive Committee meeting, the following motion was passed:

That Administration provide a report with options to address the Ride Transit Program funding gap, including increased program funding, to support growing demand for discounted fare products and long-term program sustainability, with analysis of the implications of changes to fares and eligibility criteria.

RIDE TRANSIT PROGRAM FUNDING GAP

Executive Summary

- The Ride Transit Program plays a vital role in ensuring equitable access to mobility options for Edmontonians. The program has experienced significant growth over the past several years, and this has created financial pressure on the ETS fare revenue budget.
- As outlined in the May 23, 2024 report CO02390, Ride Transit Program Funding Update, there is a funding shortfall within the existing budget for the Ride Transit program due to growth in sales volume for the subsidized passes. This growth has put additional pressure on the Edmonton Transit Service (ETS) revenue budget, as the volume of subsidy is not fully funded.
- Exploring options to resolve the revenue shortfall requires exploring tradeoffs, while also considering the policy framework and impact of transit ridership levers.
- Options are presented to address the Ride Transit Program funding gap, including changes to program eligibility and adjusting the transit user fee schedule. Analysis of the overall fare revenue shortfall is outlined in the structural budget variance action plans as part of the Fall Supplemental Budget Adjustment process.
- Administration does not recommend changing the eligibility criteria for the Ride Transit Program. Program participants represent equity seeking communities, meet foundational eligibility categories and are at risk of being further marginalized if excluded from the program.
- Administration has prepared a transit user fee schedule update and will bring forward an updated user fee schedule during the Fall 2024 Supplemental Operating Budget Adjustment with additional pricing increases to take effect in 2025. The price increase will generate more revenue to partially address the funding gap for delivering the discounted fare program.
- The updated fee schedule aligns with City Policy C451H - Edmonton Transit Service Fare Policy, City Policy C624 - Fiscal Policy for Revenue Generation, and maintains comparable transit fees to similar sized transit services in Canada.
- Administration will also continue to explore options for predictable, sustainable funding for the Ride Transit Program to address future growth needs.

REPORT

Thousands of Edmontonians rely on public transit to connect them to where they work, learn, play and live. ETS is focused on delivering a service that is convenient, reliable and safe. ETS provides mobility options through a range of services, including fixed-route bus service, Light Rail Transit (LRT), paratransit (through Dedicated Accessible Transit Service, also known as DATS) and On Demand Transit. Transit is an essential service for thousands of Edmontonians every day and a core service delivered by the City of Edmonton.

Since September 2017, the Ride Transit Program has provided a monthly fare discount on the regular adult monthly pass for eligible individuals and families experiencing low income. The program supports these Edmontonians to use transit in their daily lives to access work, education, recreation, appointments, healthcare and other activities within their communities. The program has been funded by the City of Edmonton and a grant from the Government of Alberta. This provincial grant was recently renewed for up to \$5.8 million for the 2024-2025 fiscal year.

RIDE TRANSIT PROGRAM FUNDING GAP

The Ride Transit Program has experienced significant growth since it was introduced. The May 23, 2024 City Operations report CO02390 Ride Transit Program Funding Update provided an overview of the program, and presented a projected funding gap for 2024 of approximately \$10 million, with further growth in demand anticipated in future years. Options to address the funding gap, which could be pursued in combination, include amendments to the Ride Transit Program eligibility criteria; adjusting transit fare prices to increase revenue and help offset the revenue reduction caused by increased sales of the discounted Ride Transit passes; and considering increased funding for the program. In addition, ongoing support from the Government of Alberta through the low income transit pass grant can help offset some of the program's costs.

Options to Address the Ride Transit Funding Gap

1. Change Program Eligibility

Ride Transit Program eligibility criteria was established in accordance with the original grant funding agreement with the Government of Alberta, and to align with the Leisure Access Program (LAP). As discussed in the October 26, 2022 City Operations report CO01192 Ride Transit and Leisure Access Programs, eligibility for the Ride Transit Program has expanded over the years to reflect emerging community needs (e.g., refugee eligibility) and to address barriers identified in program reviews.

In 2023, the majority of Ride Transit Program participating individuals and families were eligible for the program under one of these four categories:

- Have a Canada Revenue Agency Notice of Assessment (NOA) that demonstrates household income is within the Government of Canada's Low Income Cut-Off (LICO) criteria;
- Receive income support funding from the Government of Alberta;
- Receive Assured Income for the Severely Handicapped (AISH) from the Government of Alberta; or
- New Permanent Resident or arrived as a Refugee to Canada within the last year - this includes the Canada-Ukraine Authorization for Emergency Travel (CUAET).

These four eligibility qualifiers support access to transit fare for Edmontonians experiencing low income and newcomers to travel to work, education, recreation, appointments, healthcare and other activities. While removing eligibility from one of these four categories is possible, it could impact the quantity of funding received under the provincial grant agreement and would significantly reduce the affordability of public transit for those with lower income levels. Many Ride Transit Program participants represent equity-deserving communities; eligibility for the program removes barriers to accessing transit. Aligned with the Transit Fare Policy's affordability principle, Administration does not recommend removing program eligibility for the above categories.

In 2023, the Government of Canada announced it was phasing out the CUAET program - the last day to apply for a visitor visa under CUAET was July 15, 2023 and the last day to enter Canada to benefit from CUAET measures was March 31, 2024. The phase-out of CUAET will redirect these applicants to other eligibility categories or reduce the associated number of new Ride Transit

RIDE TRANSIT PROGRAM FUNDING GAP

Program participants. Given the rapid population growth in Edmonton, any reduction is likely offset by program growth in other eligibility categories.

2. User Fee Schedule Adjustment

The August 14, 2024 report FCS02478 Financial Stability: Addressing Budget and Growth Challenges outlined the need to strike a balance between delivering the service that Edmontonians rely on and keeping property taxes and user fees manageable. When the cost to provide services and the demand for user fee discounts increase faster than the tolerance for tax increases, adjustments to services and user fees are necessary.

Transit Service Fare Policy

Approved by Council in 2019, City Policy C451H- Transit Service Fare Policy directs how the ETS fare structure is set as part of the City's User Fee Schedule. It outlines principles related to a balanced user fee structure, equity, affordability and rewarding frequent riders. The Policy was informed by public engagement including focus groups and online surveys.

The Fare Policy discusses the balance between the individual benefit of using transit (associated with the user fee or fare) and the broader public benefit of having a municipal transit service. The Policy also sets a revenue-to-cost ratio, outlining that the cost of delivering transit should be offset by user fee revenues by a target of 40 to 45 per cent. As fare revenue has not fully recovered to pre-pandemic levels, this target has not been achieved over the last four years. The most recent data indicates that in June 2024 revenue covered 36 per cent of expenditures. As outlined in the 2023-2032 Operating Investment Outlook, Administration estimates it could take up to 2029 to fully recover fare revenue to pre-pandemic levels. This component of the policy creates a relationship where user fees will generally need to increase in relation to the cost of providing the service and is similar to approaches used by other Canadian cities. In addition, the Fare Policy is aligned with City Policy C624 - Fiscal Policy for Revenue Generation. Approved in 2020, this policy outlines that the cost of providing service must be shared, in some way, amongst the tax base and benefiting parties, and these costs be equitably distributed according to the accrual of benefits throughout the community.

Public engagement for the Fare Policy gathered feedback from Edmontonians about the policy principles and approach to setting fare prices. Edmontonians demonstrated support for a needs-based approach to faring, ensuring discounted fare options were provided to riders, based on income eligibility. As a result, the Transit Fare Policy established discount rates using income eligibility for Ride Transit Program participants and introduced a fare-free transit product for seniors experiencing low income. Some age-based discounts were also included for youth, seniors and children 12 and under.

History of ETS Fare Pricing

The user fee schedule for transit service is presented as part of the City's operating budget to demonstrate how the revenue budget will be achieved and outline the pricing structure for using the service. Over the past 10 years, fare changes for ETS have been minimal, as outlined in Attachment 1.

RIDE TRANSIT PROGRAM FUNDING GAP

- In 2014, cash fare was priced at \$3.20. In 2016, it increased to \$3.25 and remained at this level for three years until it increased in 2020 to \$3.50. The cash fare has remained at this price for the last five years.
- In 2021, a single trip fare using Arc smart fare payment was introduced at \$2.75 to incentivize riders to transition to electronic fare payment and reduce the use of cash, and this fee replaced the ticket price in a former multi-ticket pack for all rider groups. It has remained at this price point for the past four years.
- The standard adult monthly fare price incrementally increased to \$97 in 2018. This price point was held for three years until a price increase to \$100 in 2021. It has remained at this price point for the past four years.

Compared to other large comparable municipalities that offer bus, LRT and paratransit service in Canada, ETS fares tend to be lower than most, as illustrated in Attachment 2. Calgary, Ottawa, Toronto and the Vancouver region have monthly fares priced higher than Edmonton. As of 2024, the standard adult monthly fare is priced at \$112 in Calgary, \$128.75 in Ottawa, \$156 in Toronto and between \$107.30 and \$193.80, depending on the zone, in Metro Vancouver. Cash fares are also higher in most of the comparator cities, including Calgary, Montreal, Ottawa and the Metro Vancouver region.

When considering price increases for transit fares, the single trip fare is assessed first, and serves as a reference point for establishing the remaining price points. To encourage the use of Arc electronic fare payment, the price point for cash fares is higher than the price for a single trip using Arc, and, as such, should increase if the single trip price increases. The standard adult daily and monthly fare caps also increase proportionally to the Arc single trip fare, so that the same number of trips are needed before reaching a fare cap. Once these rates are determined, the fare caps for seniors, youth and the Ride Transit Program would be adjusted in accordance with City Policy C451H and their eligible discount rates.

The user fee schedule approved by Council as part of the 2023-2026 budget included no changes to ETS fares for 2023 and 2024, and introduced a small fare increase to some categories in 2025 (Attachment 3).

Impacts of Fare Price Point Increases

In addition to inflationary challenges which have resulted in higher costs for major expenses like fuel, labour, parts and maintenance, the increased demand for transit service has compounded these cost pressures. The user fee revenues collected to offset these service costs have not kept up with inflation and growth pressures, nor do they meet the cost recovery ratio target established in City Policy C451H. In addition, growth in the Ride Transit Program has exceeded the program's funding for providing discounted fare pricing to program users. As a result, adjustments to user fees are needed to address some of the funding gap.

As outlined in the May 23, 2024 City Operations report CO02390 Ride Transit Program Funding Update, ETS conducts fare revenue modelling to inform the budget process in a manner consistent across transit services in Canada. It examines anticipated rider demand, pricing of fare categories and impacts of price adjustments on rider behaviours by reviewing fare elasticities.

RIDE TRANSIT PROGRAM FUNDING GAP

Fare elasticity refers to how ridership is impacted by a change in the price of fare. Income-based eligibility for fare discounts helps support equity and affordability for those who need it the most.

There are several other core levers of transit ridership, including both internal levers that a municipality has more control over and external levers that a municipality has less direct control over. In addition to faring, internal levers that ETS has been actively addressing include service factors (frequency, speed, reliability, coverage and span of service), safety and accessibility. Transit ridership in Edmonton is growing and has exceeded pre-pandemic 2019 levels.

Other factors may have a mitigating effect on negative ridership impacts associated with a price increase. Mitigating factors include:

- Forecasted population growth and related demand growth for transit service.
- Increasing costs of alternative modes of transportation such as vehicle ownership.
- Continued service improvements, including improved span of service, coverage and service frequencies. As an example, investments in growing off peak service in 2023 have grown ridership; weekend ridership has grown by as much as 50 per cent in some months. Although peak ridership generates the most fare revenue, transit services across Canada have seen a change in travel patterns, with fewer commuter trips and more off peak trips post-pandemic.
- Fleet renewal to modernize the fleet, improve rider comfort and improve service reliability.
- Accessibility improvements to reduce barriers and support more inclusion for persons with disabilities.
- Enhanced rider outreach and travel training support for youth, seniors and new riders.
- Continued implementation of the Enhanced Transit Safety Plan.
- Implementation of Transit Priority Measures and continued planning for the Mass Transit Plan.

Transit Fare Price Adjustments

Administration explored the following fare price changes:

- Scenario 1: Arc single trip rate increases to \$3.25, standard adult monthly fare cap increases to \$110 and cash fare increases to \$4.00. Youth, Seniors and Ride Transit Program monthly fare caps are adjusted to align with City Policy C451H, with the youth and seniors' monthly cap set at 65 per cent (\$71.50) of the standard adult fare cap, and Ride Transit set at 35 per cent (\$38.50) and 50 per cent (\$55) of the standard adult fare cap depending on the eligibility tier.
- Scenario 2: Arc single trip rate increases to \$3.50, standard adult monthly fare cap increases to \$120 and cash fare increases to \$4.25. Youth, Seniors and Ride Transit Program monthly fare caps are adjusted to align with City Policy C451H, with the youth and seniors' monthly cap set at 65 per cent (\$78) of the standard adult fare cap, and Ride Transit set at 35 per cent (\$42) and 50 per cent (\$60) of the standard adult fare cap depending on the eligibility tier.

The corresponding increase in annual revenue and decrease to ridership for 2025 and 2026 are projected as follows, as a result of the proposed fare increases:

RIDE TRANSIT PROGRAM FUNDING GAP

Net Revenue	2025	2026
Scenario 1	\$4.2 million	\$4.3 million
Scenario 2	\$7.8 million	\$8.0 million
Trip Volume (Ridership ¹)	2025	2026
Scenario 1	(0.5) million	(0.5) million
Scenario 2	(1.1) million	(1.1) million

In Scenario 1, \$0.7 million of the total increase in annual revenue is attributed to increasing Ride Transit fares each year. In Scenario 2, \$1.6 million of the total increase in annual revenue is attributed to increasing Ride Transit fares each year.

As a result of increasing fares in each Scenario, a decrease in trip volume (ridership) of between 0.5 and 1.1 million riders per year is projected as a result of analyzing fare elasticity, measuring the impact of price increases on ridership decisions. This represents less than two per cent of the overall system trip volume (ridership).

Based on the above analysis, Administration will advance Scenario 2 and bring forward an updated user fee schedule during the Fall 2024 Supplemental Budget Adjustment. This will include the following fare change for 2025 onward:

- Arc single trip fare is increased to \$3.50.
- Cash fare is increased to \$4.25.
- Standard adult monthly fare cap is increased to \$120.
- Youth and senior monthly fare caps are increased to equal 65 percent of the standard adult monthly fare cap, as outlined in the Transit Fare Policy.
- Ride Transit monthly fare cap is increased to equal 35 or 50 percent of the standard adult monthly fare cap.

Updating the user fee schedule based on Scenario 2 increases revenue by approximately \$8 million annually for 2025 and 2026.

Multi-day Arc Pass

As outlined in the May 23, 2024 City Operations report CO02930 Ride Transit Program Funding Update, Administration is exploring new fare categories for transit riders, including multi-day Arc passes. Offering multi-day Arc passes would provide an additional fare option for weekend riders or occasional riders who may be using transit for multi-day civic events, visitors to Edmonton and hybrid workers who commute to work locations a few days a week.

Administration conducted a jurisdictional scan of transit services in other cities in Canada that offer multi-day passes (such as three-day passes), including Société de transport de Montréal, OC Transpo (Ottawa) and Réseau de transport de la Capitale (Quebec City). As an example, for three-day passes, the pricing is typically equivalent to six to eight trips using the single trip smart

¹ Ridership refers to the number of origin-to-destination trips taken on ETS buses and LRT, regardless of the number of transfers required to complete the trip.

RIDE TRANSIT PROGRAM FUNDING GAP

fare rate. In Edmonton, this would mean the price could range from \$18 to \$24 using the approved 2025 Arc single trip fare price of \$3. These types of passes typically account for up to one per cent of total fare revenue in Canadian cities that offer them². Administration is conducting an analysis on the potential demand, price points in the transit user fee schedule and implementation timelines.

3. Program Funding

Overall fare revenue shortfall for ETS, including the Ride Transit Program related gap, was further explored in the structural budget variances action plan outlined in the August 14, 2024 report FCS02478 Financial Stability: Addressing Budget and Growth Challenges. The action plan included increased random fare inspections conducted by Transit Peace Officers, audio and visual reminders in the LRT system to encourage fare payment, actions to increase ridership, a multi-day Arc pass, rider outreach and education and enhanced safety measures.

Budget/Financial Implications

The overall projected 2024-2026 fare revenue shortfall for ETS is expected to be \$13 million annually, including the Ride Transit Program funding gap of \$10 million, based on 2024 current projections. The following table outlines the estimated impact Scenario #2 could have on reducing the overall fare revenue shortfall:

Impact to Overall Fare Revenue Shortfall*	2025	2026	Total
Projected Fare Revenue Budget Variance	(\$13.0)	(\$13.0)	(\$26.0)
Scenario #2 Additional Revenue Generated	\$7.8	\$8.0	\$15.8
Remaining Fare Revenue Shortfall	(\$5.2)	(\$5.0)	(\$10.2)

Increasing fare prices as outlined in Scenario #2 will fund the majority of the Ride Transit Program funding gap, however, a revenue shortfall for the program of \$2.2 million and \$2 million, respectively, will remain in 2025 and 2026. Further, an overall revenue shortfall of \$5.2 million and \$5 million, respectively, will remain in 2025 and 2026. This overall shortfall includes the impact from the Ride Transit program. As noted above, fare revenue shortfall remaining after fare prices are increased will be explored as part of the structural budget variances action plan work.

The proposed Transit User Fee Schedule with revised fees will be brought forward for Council's consideration in the Fall 2024 Supplemental Operating Budget Adjustment report later this fall, with corresponding Edmonton Transit Services revenue budget increases.

Community Insight

The October 31, 2022 Communications and Engagement report CE01489 Budget 2023-2026 Community Insights provided details on the extensive engagement Administration conducted on the 2023-26 capital and operating budgets in summer 2022. The City engaged with the general

² Primary research with transit services offering multi-day Arc passes

RIDE TRANSIT PROGRAM FUNDING GAP

public, organizations and community groups, and harder-to-reach communities, tailoring the engagement approach to each group. Among the themes that emerged included:

- *Containing Costs:* Participants shared their concerns about escalating costs of living and the resulting pressure placed on businesses, families and individuals. While participants did not indicate strong comfort levels with raising taxes, members of partner and stakeholder groups were more supportive of the idea than the general public.
- *Transit and connectivity:* Participants shared a need to improve transit service, accessibility and connectivity throughout Edmonton, as well as concerns around the safety of transit.
- *Efficiency and Innovation:* Participants said they want the City to be transparent in demonstrating efficiency and innovation in service delivery. They asked that the City work at finding efficiencies, streamlining operations and identifying new revenue streams.

Extensive public engagement also took place between 2017 and 2018 to inform the revised Transit Fare Policy. This feedback was used to develop a draft of four core principles for the Fare Policy: balanced, equitable, affordable and rewarding. Further engagement took place for the development of the Fare Policy, split into two streams:

- The first stream was a qualitative review of the draft principles through focus groups and workshops with seniors, those with lower incomes, monthly pass holders, individuals with other barriers, and community organizations. This was supplemented with further input through the Edmonton Insight Community, testing adjusted wording of the four principles.
- The second stream was an online survey on fares and approaches to cost recovery - over 3,700 respondents completed the survey in July 2018.

Administration regularly collects feedback from transit riders through 311, rider research, community engagement and customer service interactions. The monthly transit rider satisfaction survey collects 3,000 responses from transit riders annually, gathering insights on travel patterns, perceptions of transit, reasons for transit use and satisfaction along the transit journey. One of the key components captured in the survey is satisfaction with value for money. In 2023, satisfaction with value for money was 67 per cent. In addition, feedback in open-ended comments demonstrated that one of the top reasons for recommending transit to friends or family was the affordability of transit.

GBA+

Transit is accessed by a diverse representation of riders, including youth, seniors, those experiencing low income, persons with disabilities, Indigenous peoples, newcomers, parents with children and other marginalized communities. Factoring in the needs of different marginalized groups and their expectations in terms of contributing to the cost of transit, i.e. transit fare, is complex. There are several equity considerations, including but not limited to:

Cash Fare and Single Trip Rates

Increases in cash fare and single trip rates may disproportionately impact marginalized communities such as those experiencing low income or newcomers to Canada (less than five years) who have not accessed discounted fare products or fare programs like Transit Access

RIDE TRANSIT PROGRAM FUNDING GAP

Grant (TAG) and Providing Accessible Transit Here (PATH). Administration remains committed to helping those eligible for concession fares to access those fares.

TAG and PATH provide free transit fare products to social agencies supporting equity-deserving groups and are intended to partially mitigate these challenges. Over the years, Administration has worked to improve access to these programs by increasing the number of agencies participating in the programs and the number of fare products provided. Additionally, children 12 and under continue to ride for free with a fare-paying rider.

Ride Transit Program

As outlined in the May 23, 2024 City Operations report CO02390 Ride Transit Program Funding Update, the Ride Transit Program is accessed by a diverse representation of intersecting identities and marginalized communities experiencing low income - this is validated through sales and survey data received through program applications. This program mitigates some of the challenges experienced by Edmontonians experiencing low income and newcomers to Canada by offering income-based discounts to those who need the most financial support.

Seniors

There are seniors with multiple intersecting identity factors who are impacted differently with changes to the transit user fee schedule. To support seniors experiencing low income, ETS offers a two-tiered low income annual pass program for seniors which provides a free annual pass for seniors ages 65 and over with incomes below \$29,380 in 2023/2024 and a \$139 annual pass for seniors with incomes between \$29,381 and \$32,318 in 2023/2024. In 2023, more than 14,000 seniors accessed the low income seniors fare program. A user fee price change does not impact seniors who are eligible for this fare category.

Seniors who do not meet the income thresholds for the low income annual pass program pay fares in accordance with the Transit Fare Policy and will still receive a discount of 35 per cent on the standard adult fare category, along with youth riders. This enables equity among seniors and youth riders, where they receive the same age-based discount.

Fare Capping and Pay-As-You-Go Fare Payment

Fare caps include daily and monthly maximum prices for all transit riders in Edmonton. Once the cap is reached, riders travel the remainder of the period fare-free. Riders can also load their Arc card incrementally throughout the month to spread out the cost of using transit rather than having to pay the full cost of a monthly transit pass at the start of the month. Fare capping also ensures that riders who typically pay for single rides individually through cash or tickets, but use transit frequently, do not pay more than those who purchase passes. These measures mitigate some of the impacts of pricing changes while supporting more equitable distribution of fares and increased affordability.

Attachments

1. ETS Fare History 2014-2024
2. Transit Fare Jurisdictional Scan 2024
3. Approved Transit User Fee Schedule 2024-2026