

Region of Waterloo
Transportation Services
Transit Services

To: Planning and Works Committee
Meeting Date: February 7, 2023
Report Title: Transit Services Fare Structure, Discounts and Revenues

1. Recommendation

That the Regional Municipality of Waterloo take the following action with respect to Grand River Transit fares as set out in report TSD-TRS-23-004, dated February 7, 2023:

- a) Endorse the continuation of the affordable transit program (ATP) that provides a discount on fares for individuals and families whose income falls below the existing threshold of 15% above the poverty line as measured by Statistics Canada for a community in Ontario greater than 500,000 persons; and
- b) Approve a 2.5% general public transit fare increase effective July 1, 2023 as set out in the preliminary 2023 Public Transit Operating Budget; and
- c) Direct staff to mitigate the impact of any fare increase for individuals and families eligible for ATP by increasing the discount from 48% to 50% effective July 1, 2023 with a net 2023 property tax levy increase of \$20,500; and
- d) Approve the creation of an extended family day pass applicable every day of the week, decreasing the cost of travel for accompanied youth; and
- e) Direct staff to bring forward a comprehensive review of age-specific fare for seniors and youth discounts forward as part of the new Grand River Transit Business Plan; and
- f) Forward the approved resolutions to the Strategic Planning and Budget Committee for consideration.

2. Purpose / Issue:

This report outlines staff's review of the transit budget proposals and options related to fares and provides a preliminary response to Councillors submissions relating to alternative fare proposals.

3. Strategic Plan:

The restoration and expansion of transit service levels and appropriate fare structure

supports the delivery and funding of Sustainable Transportation Objective 2.1: Enhance the transit system to increase ridership and ensure it is accessible and appealing to the public.

4. Report Highlights:

- Transit equity is best supported through access to reduced fares based on income through the affordable transit program (ATP), as documented in previous Council decisions leading up to the implementation of this innovative program (see TES-TRS-19-13/CSD-EIS-19-04 and TES-TRS-19-20/CSD-EIS-19-11).
- The 2023 preliminary transit operating budget assumes an average fare increase of 2.5% effective July 1, 2023. Due to price elasticity of demand, it is anticipated that notionally 106,000 fewer rides will be taken as a result of the fare increase, which is four times less than the number of projected rides generated by the service increases proposed for 2023.
- The ATP offers a 48% discount on fares for individuals or families whose income falls below a certain threshold. In 2021, the threshold was set at 15% above the poverty line as measured by Statistics Canada for a community in Ontario greater than 500,000. The proposed 2.5% fare increase is estimated to result in approximately 17,000 fewer ATP rides due to affordability. This could be mitigated by increasing the discount to 50%, resulting in a 2023 revenue reduction of approximately \$20,500, with an annual impact of \$41,000, which would need to be covered by the property tax levy.
- As directed by Council, staff have reviewed options to offer free transit to certain age categories:
 - a. Youth aged 5-12 years of age: It is estimated that 76,000 fare-paid rides by youth are taken annually. If transit service were offered free to this age category, it is estimated that \$150,000 in fare revenue will be foregone that would need to be covered by the property tax levy. An alternative to offering free transit for youth would be to implement a new family day pass at \$10 for 5 family members. The revenue for the proposed family pass would roughly offset the fare revenue loss in other categories while having a long-term revenue growth potential.
 - b. Seniors aged 65+ on Wednesdays and Sundays: It is estimated that approximately 150,000 fare-paid rides by seniors are taken on these days annually. If transit service were offered free on these days, it is estimated that approximately \$306,000 in revenue would be foregone that will need to be covered by the property tax levy. There may be additional impacts

of changes in seniors' behaviour to ride on days when transit is free, but those impacts are difficult to quantify at this time.

- Although affordability is not a specific barrier to transit use among seniors, who are three times less likely than the general population to have low incomes in the Region, understanding how the system works can be an issue for seniors who only travel occasionally. Staff recommend extending the Ride-A-Bus program to encourage seniors to learn how to use the transit system. This would require additional staff time but have no budget impact.
- Development of the 2023-2027 GRT business plan is underway and the plan will be presented to Council in Spring 2024. Staff intend to undertake a comprehensive review of the fare structure as part of that planning process and include recommendations when that plan comes forward for Council approval.

5. Background:

Transit fares are a critical component of revenue to support required transit service levels. With ridership levels back to pre-pandemic levels, fare revenue is expected to exceed \$40M in 2023, covering 31% of the system costs. Given the significant increase in fuel costs, as well as staff's proposal to increase service on key routes where ridership is growing in order to mitigate crowding, fare levels have a critical impact on the transit operating budget.

Transit fares are not the barrier for most residents in terms of their decision-making in choosing to take transit more. Improved service levels are the primary factor to support more residents in making transit their mode of choice for travel. As shown in Appendix B, a very low proportion of riders suggested the fares were too expensive compared to a number of other identified issues. While 8% felt it was getting more expensive from 2017 to 2019, far more issues were identified as needing to be addressed, particularly on-time performance.

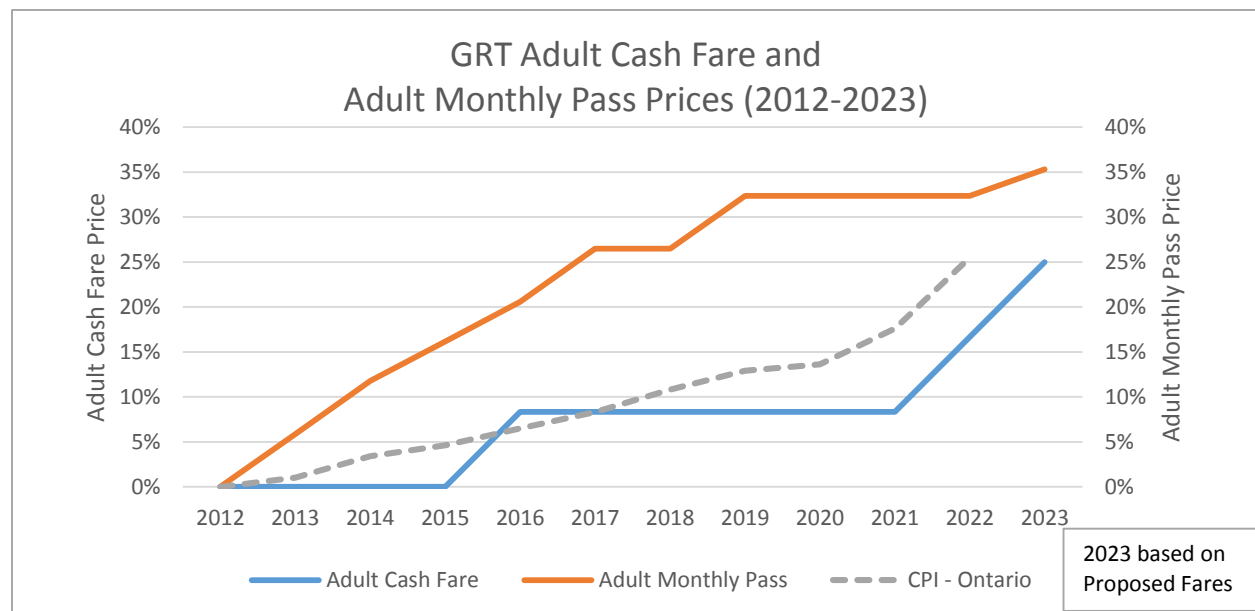
The GRT fare structure includes a wide range of products, adapted to different customers depending on frequency of use, age, income levels, etc. The most popular fares used by our customers in 2022 was Pass (51%), U-Pass (20%), Stored Value (18%) and Cash (6%). The complete table of fares and passes can be provided in Appendix A.

In preparation of the 2023 operating budget proposal, staff projected that inflation (in particular increase in fuel costs) and service reinstatements that Council had directed to implement in 2023 would increase transit costs by over \$12M. In order to mitigate this impact, and following the guidance of Council to provide options to reduce impacts on the 2023 tax levy, staff developed different scenarios for fare adjustments.

GRT fare levels

GRT fares are usually adjusted each year to cover part of the increases in operating costs. Over the last decade, fares have generally increased by 2% on average per year, except in 2020 and 2021 where fares remained flat to take into account the impact of the pandemic on the community and reflect some reductions in service that were implemented due to low ridership. Fares increased on average by 2% in June 2022.

Year	Fare Increase (Average)	Ontario CPI	Canada CPI
2018	0%	2.4%	2.3%
2019	3.0%	1.9%	1.9%
2020	0%	0.7%	0.7%
2021	0%	3.5%	3.4%
2022	2.0%	6.8%	6.8%
2023 (proposed)	2.5%	-	-



In the 2023 budget proposal shared with Council on February 18, staff presented three scenarios for fare increases, all below inflation.

	Current Fares	2023 Budget Scenario 1 2.5% Fare increase	2023 Budget Scenario 2 5% Fare increase
Cash Fare	\$3.50	\$3.75	\$4.00
Stored Value Payment	\$2.92	\$2.98	\$3.07
Monthly Pass	\$90.00	\$92.00	\$95.00
Annual Revenue Increase		\$545,000	\$1,193,000
Incremental Revenue in 2023 (fare increases effective July 1, 2023)		\$272,500	\$596,500
Net Ridership Change		-106000 (~0.5% ridership loss)	-255000 (~1.1% ridership loss)

The effects of the fare increase on ridership are notional figures forecasted based on average demand elasticity for each fare category. These impacts are evaluated “all other things being equal”, so they do not take into account the increased ridership generated by reallocating resources to increase service on high-demand routes. Report TSD-TRS-23-003 on transit services highlights that proposed service adjustments are expected to support more than 440,000 additional annual rides, which is significantly more than the ridership loss forecasted in any of the fare increase scenarios.

Ridership decreases associated with the proposed 2.5% fare increase is estimated at about 106,000 rides or approximately 0.5% of 2023 projected ridership. The largest impacts are on cash riders with about 47,000 fewer riders and on monthly pass users with about 39,000 fewer riders. ATP pass uses would decrease by about 17,000 rides, which could be mitigated by increasing the discount level of the ATP pass from 48% to 50%, at an estimated annual cost of approximately \$41,000.

Beyond 2023, as part of the 2023-2027 GRT Business Plan, staff will examine the benefits and costs of gradually decreasing fares over a five year period to below 75% of the current annual adult pass.

Equity impacts and the affordable transit program

In 2019, Council endorsed the new low-income transit program that was put forward in report TES-TRS-19-20/CSD-EIS-19-11. Based on extensive research and a randomized control study whose results were reported in TES-TRS-19-13/CSD-EIS-19-04, a dedicated discount program was established and gradually implemented in 2020 and 2021.

This program provides a 48% discount to households with income below a given threshold. The thresholds were initially based on the Market Based Measure, which

refers to Canada's official measure of poverty based on the cost of a specific basket of goods and services representing a modest, basic standard of living developed by Employment and Social Development Canada (ESDC). This measure is priced for 53 different geographical areas, and the reference used by GRT is that related to “Ontario – large urban population centres with 500,000 persons or more”. In 2021, eligibility to the program was expanded, and current thresholds are 15% above the Market Based Measure (see table below).

Household size	1 person	2 people	3 people	4 people	5 people	6 people
Household income after taxes	\$26,625.95 or less	\$37,654.78 or less	\$46,117.50 or less	\$53,251.90 or less	\$59,537.43 or less	\$65,219.99 or less

Youth fare discounts

Today, children 4 years old and less ride free. Youth aged 5-12 years old benefit from the family day pass, which enables them to travel for free with an accompanying adult on week-ends and winter and March break.

Council directed staff to examine a proposal brought forward by a delegation, to provide free transit for all youth aged 5-12 years old. While the number of children between 5 and 12 can only be estimated as the Region doesn't track riders by age, it is estimated that approximately 76,000 children are currently riding the system with a revenue of approximately \$150,000. While there may be a slight increase in usage if no fare was charged, further analysis would be needed. Most children this age would still be riding while accompanied by an adult. Staff recommend that this proposal be studied in more detail as part of the GRT business plan.

In the meantime, staff recommend the creation of an extended family day pass, to enable adults and youth from the same household to travel together any day of the week for \$10. This new product could be implemented on July 1, 2023. The increased revenue for the proposed family day pass would roughly offset the fare revenue loss in other categories while having a long-term revenue growth potential.

Senior fare discounts

Today, seniors do not benefit from any specific discounts on GRT.

Council directed staff to examine a proposal brought forward by a delegation, to provide free transit for seniors (defined as 65 years old and over) on Wednesdays and Sundays.

Staff estimate that about 155,000 seniors are riding on those days, generating a revenue of \$306,000. It is anticipated that some current riders will move to Wednesday from other weekdays along with any increase in ridership. There are an estimated 2.9%

of GRT riders that are seniors based on the farecard activity from 2019 when it was last possible to track seniors as a separate group.

As noted in the last budget presentation, a smaller proportion of seniors (2.9%) are below the low-income threshold compared to those 18 to 64 (7.2%). From an equity perspective, staff therefore do not recommend implementing a specific discount for seniors.

However, in order to facilitate access for seniors to the transit system, it is proposed to extend the Ride-a-bus program to have additional sessions to assist seniors with learning how to use the current transit system.

6. Area Municipality Communication and Public/Stakeholder Engagement:

Area Municipality Communication: None

Public/Stakeholder Engagement: Opportunities for input are through the on-going 2023 Budget public input sessions.

7. Financial Implications:

Total Grand River Transit use fee revenue is estimated at \$43M in 2023. The 2023 Preliminary Public Transit operating budget assumes an average fare increase of 2.5% effective July 1, 2023. This would generate \$272,500 in incremental revenue in 2023 (approximately \$545,000 on an annualized basis).

Mitigating the average fare increase for households eligible for the Affordable Transit Program would decrease the revenue by approximately \$41,000 on an annualized basis.

The creation of a new extended family day pass is not expected to have any measurable financial impacts, with new revenues offsetting fare revenue loss.

Should Council direct staff to implement new age-based discounts in 2023, the financial impacts are estimated as follows:

- Free transit for youth aged 5-12 years of age: annualized revenue loss of \$150,000 in fare revenue
- Free transit for Seniors aged 65+ on Wednesdays and Sundays: annualized revenue loss of \$306,000 in fare revenue

8. Conclusion / Next Steps:

Any approved Committee recommendations will be forward to the Strategic Planning and Budget Committee for final consideration on February 22, 2023. Development of the 2023-2027 GRT business plan is underway and the plan will be presented to Council in Spring 2024. Subject to direction from Council, staff intend to undertake a comprehensive review of the fare structure as part of that planning process and include recommendations when that plan comes forward for Council approval.

9. Attachments:

Appendix A: Table of fares and passes

Appendix B: Grand River Transit Customer Satisfaction Survey (2019)

Prepared By: Blair Allen, Acting Manager, Transit Development
Neil Malcolm, Acting Director, Transit Services

Reviewed By: Neil Malcolm, Acting Director, Transit Services

Approved By: Mathieu Goetzke, Commissioner, Transportation Services