

# 2016 2019 | MULTI-YEAR BUDGET



London  
CANADA

## AMENDMENT FORM – CASE #21

**STRATEGIC AREA OF FOCUS:** STRENGTHENING OUR COMMUNITY

**INITIATIVE:** NO COST/REDUCED TRANSIT FARES FOR CHILDREN & HIGH SCHOOL STUDENTS

**SERVICE(S):** SUBSIDIZED TRANSIT, LONDON TRANSIT COMMISSION (LTC)

**SERVICE LEAD(S):** LYNNE LIVINGSTONE, MANAGING DIRECTOR, NEIGHBOURHOOD, CHILDREN AND FIRE SERVICES AND KELLY PALECZNY, GENERAL MANAGER, LTC

**REQUESTOR:** MUNICIPAL COUNCIL, BY WAY OF RESOLUTION DATED NOVEMBER 22, 2016

Budget Amendment Tax Levy Impact (\$000's)	2016	2017	2018	2019	2016-2019 TOTAL
Free Transit for Children ages 5 – 12	\$0	\$150	\$150	\$150	\$450
Net Incremental Tax Levy	\$0	\$150	\$0	\$0	\$150
Annual Tax Levy Impact %	0.0%	0.03%	0.0%	0.0%	
Free Transit for Children ages 5 – 14	\$0	\$566	\$566	\$566	\$1,698
Net Incremental Tax Levy	\$0	\$566	\$0	\$0	\$566
Annual Tax Levy Impact %	0.0%	0.11%	0.0%	0.0%	
Free Transit for Children ages 5 – 14 & Reduced Transit Pass for High School Students (15 – 19)	\$0	\$971	\$971	\$971	\$2,913
Net Incremental Tax Levy	\$0	\$971	\$0	\$0	\$971
Annual Tax Levy Impact %	0.0%	0.18%	0.0%	0.0%	

Note: The tax levy impact is calculated using the approved 2016-2019 budget.

## What is the reason(s) for the budget amendment(s)?

Municipal Council on April 19, 2016 resolved that:

*Civic Administration BE DIRECTED to consult with the Administration of the London Transit Commission (LTC) and report back at a future meeting of the Community and Protective Services Committee on the feasibility of undertaking the following processes:*

- i) the provision of free transit on LTC buses for all children of 12 years of age and younger; and*
- ii) as an alternative to, or in addition to a) above, the provision of free transit on LTC buses for all children 13 years of age or younger, which reflects the general maximum age of children enrolled in elementary school;*

*it being understood the report back shall include information from the City of London and the LTC with respect to the sources of financing for both options a) and b) noted above; it being further understood that the Civic Administration will consult with the LTC, the London District Catholic School Board and the Thames Valley District School Board and their staff; it being noted that these Boards have been advised of this communication.*

On November 15, 2016, Civic Administration provided the Community and Protective Services Committee (CPSC) with information regarding the provision of free transit on London Transit Commission (LTC) buses for all children 12 years of age and younger; and 14 years of age and under. In addition, at this meeting, a delegation from the London Youth Advisory Council presented on a London Transit Commission Discounted Bus Pass Petition and Plan for high school students in London.

On November 22, 2016, Municipal Council resolved that an Amendment Form be brought forward to the 2017 Annual Budget Update to include:

1. Children 12 and under ride for free on public transit
2. Children 13 and 14 years of age ride for free on public transit
3. Cost implications of a discounted bus pass for high school students (15% discount as requested by the delegation)

Furthermore, on November 21, 2016, the Strategic Priorities and Policy Committee requested that Civic Administration determine the costs associated with extending subsidized transportation to children ages 5 – 13 and high school students ages 14 – 18 in addition to the model proposed in the November 15th CPSC report (proposed subsidy model based on the ability to pay for individuals 18 years of age and over). Please refer to Appendix A for the cost estimates associated with this scenario.

## AMENDMENT 1: COST OF FREE TRANSIT FOR CHILDREN AGES 5-12

Operating Budget Table (\$000's)

No Cost Transit Fares for Children Ages 5-12	2016	2017		2018		2019		2020-2026	
	Net	Expense	Net	Expense	Net	Expense	Net	Expense	Net
Approved Budget	0	0	0	0	0	0	0	0	0
Cumulative Amendment		150	150	150	150	150	150	1,050	1,050
Revised Budget		150	150	150	150	150	150	1,050	1,050

*\*Note: Budgets for 2018 forward will be subject to adjustment based on actual ridership in this category as well as impacts of any fare adjustments.*

### Tax Levy Per Cent Impact Table

Tax Levy Impact (Incremental Changes)	2016	2017	2018	2019	2016-2019 Average
Operating Impact	0.0%	0.03%	0.0%	0.0%	0.01%
Capital Impact	0.0%	0.0%	0.0%	0.0%	0.0%

### Staffing Table

Staffing Summary (Cumulative Changes)	2017	2018	2019
# of Full-Time Employees Impacted	0	0	0
# of Full-Time Equivalents Impacted	0.0	0.0	0.0
Full-Time Equivalents Cost Inc./(Dec.) - \$000's	0	0	0

### Key Performance Indicator(s) Table

Metrics (Cumulative Changes)	2016	2017	2018	2019
# of free transit rides provided to children aged 5-12 (estimated)	N/A	130,500	130,500	130,500
% increase in ridership (estimated)	N/A	0.1%	0.1%	0.1%

### Cost for Children 12 and Under

The LTC administration provided a report to the London Transit Commission on April 27, 2016, responding to the *London for All* recommendation to provide free transit for children under 12 years of age (see [London Transit Commission Staff Report # 2](#)). Included in this report is the estimated ridership and associated potential loss of revenue (cost) for the provision of free transit for children ages 5 to 12.

Given the lack of detail available with respect to how many children in these age categories currently utilize transit, these estimates were prepared based on a number of assumptions. As such, it is important to recognize the numbers as estimates only, that can only be confirmed once a program of this nature is in place (the tracking of which will ultimately be facilitated using smart card technology). The costs provided are based on 2015 actual child ridership, increased by 10% to account for the anticipated growth in ridership associated with the provision of free rides for this demographic.

The subsidy relating to the provision of free transit for children ages 5 to 12 would be managed in the same manner as the current subsidies in place for seniors and the blind. The budget for this subsidy would reside with Neighbourhood, Children and Fire Services, and LTC would provide an invoice each month based on the actual ridership. This approach ensures that the actual costs associated with the specific subsidy can be tracked and reported on annually.

The following table sets out projected costs associated with this subsidy. For budgeting purposes, a 10% increase in ridership over the 2015 base is projected, noting the actual costs will be based on actual ridership occurring in 2017.

### Estimated Ridership and Cost of Free Transit for Children Ages 5-12

	2015 Ridership		5% Increase in Ridership		10% Increase in Ridership	
	Rides	Revenue	Rides	Revenue	Rides	Revenue
Child (5-12)						
Cash	24,287	\$ 32,787	25,501	\$ 34,427	26,716	\$ 36,066
Ticket	94,370	103,807	99,089	108,997	103,807	114,188
	<u>118,657</u>	<u>\$ 136,594</u>	<u>124,590</u>	<u>\$ 143,424</u>	<u>130,523</u>	<u>\$ 150,254</u>

As set out in the above table, assuming a 10% increase in ridership in the affected category results in an estimated annual cost of \$150,254 relating to this subsidy. It is important to note the financial requirements for these programs are based on the current fare structure, and subsidy levels will be subject to fluctuation based on actual ridership as well as future fare adjustments.

There is currently no funding included in the 2016-2019 Multi-Year Budget for this program. It should be noted that there could be some positive financial implications for the LTC, including the possibility of increased ridership, which could increase access to additional funding (e.g. additional gas tax revenues). However there is no data available at this time to support a correlation between the impact of this amendment to any positive or negative implications on ridership or additional funding.

### Risks of doing nothing

Families with low income will continue to face the current costs for children to take transit. Allowing children 12 and under to ride for free helps more families that use public transit get to where they need to go. This strategy is deliberately universal; public transit should not be a stigmatized method of transportation, and a vibrant, well-used transit system is an important part of building a healthy and inclusive community (*London for All*).

## AMENDMENT 2: COST OF FREE TRANSIT FOR CHILDREN AGES 5 - 14

Operating Budget Table (\$000's)

No Cost Transit Fares for Children Ages 5-14	2016	2017		2018		2019		2020-2026	
	Net	Expense	Net	Expense	Net	Expense	Net	Expense	Net
Approved Budget	0	0	0	0	0	0	0	0	0
Cumulative Amendment		566	566	566	566	566	566	3,962	3,962
Revised Budget		566	566	566	566	566	566	3,962	3,962

\* Note: Budgets for 2018 forward will be subject to adjustment based on actual ridership in this category as well as impacts of any fare adjustments.

Tax Levy Per Cent Impact Table

Tax Levy Impact (Incremental Changes)	2016	2017	2018	2019	2016-2019 Average
Operating Impact	0.0%	0.11%	0.0%	0.0%	0.03%
Capital Impact	0.0%	0.0%	0.0%	0.0%	0.0%

Staffing Table

Staffing Summary (Cumulative Changes)	2017	2018	2019
# of Full-Time Employees Impacted	0	0	0
# of Full-Time Equivalents Impacted	0.0	0.0	0.0
Full-Time Equivalents Cost Inc./(Dec.) - \$000's	0	0	0

Key Performance Indicator(s) Table

Metrics (Cumulative Changes)	2016	2017	2018	2019
# of free transit rides provided to children aged 5-12 (estimated)	N/A	130,500	130,500	130,500
# of free transit rides provided to children aged 13-14 (estimated)	N/A	236,700	236,700	236,700
% increase in ridership (estimated)	N/A	0.2%	0.2%	0.2%

## Cost for Children 13 and 14

The LTC administration provided a report to the London Transit Commission on April 27, 2016, responding to the *London for All* recommendation to provide free transit for children under 12 years of age (see [London Transit Commission Staff Report # 2](#)). Included in this report is the estimated ridership and associated potential loss of revenue (cost) for the provision of free transit for children ages 13 and 14 as well.

Given the lack of detail available with respect to how many children in these age categories currently utilize transit, these estimates were prepared based on a number of assumptions. As such, it is important to recognize the numbers as estimates only, that can only be confirmed once a program of this nature is in place (the tracking of which will ultimately be facilitated using smart card technology). The costs provided are intended to provide an “order of magnitude” with respect to the range of potential costs associated with this program.

The estimates associated with extending the free (to the customer) rides program to include 13 and 14 year old children (grade 8 students in elementary school) is more complicated given that riders aged 13 and 14 currently pay the student rates for tickets, or adult rate for cash fare, and also have the option of the student summer pass for the months of July and August. The table below sets out the estimated ridership for 2015 for children aged 13 and 14 including potential changes to same as noted above.

<b>Estimated Ridership and Cost of Free Transit for Children in Elementary School Age 5 -14</b>						
	<b>2015 Ridership</b>		<b>5% Increase in Ridership</b>		<b>10% Increase in Ridership</b>	
	<b>Rides</b>	<b>Revenue</b>	<b>Rides</b>	<b>Revenue</b>	<b>Rides</b>	<b>Revenue</b>
Child (5-12)						
Cash	24,287	\$ 32,787	25,501	\$ 34,427	26,716	\$ 36,066
Ticket	94,370	103,807	99,089	108,997	103,807	114,188
	<u>118,657</u>	<u>\$ 136,594</u>	<u>124,590</u>	<u>\$ 143,424</u>	<u>130,523</u>	<u>\$ 150,254</u>
Student (13&14)						
Cash	45,592	\$ 125,377	47,871	\$ 131,645	50,151	\$ 137,914
Ticket	157,437	242,453	165,309	254,576	173,181	266,698
Summer Pass	12,154	9,945	12,762	10,465	13,370	10,963
	<u>215,183</u>	<u>377,775</u>	<u>225,942</u>	<u>396,686</u>	<u>236,701</u>	<u>415,576</u>
<b>Total</b>	<b><u>333,840</u></b>	<b><u>\$ 514,369</u></b>	<b><u>350,532</u></b>	<b><u>\$ 540,110</u></b>	<b><u>367,224</u></b>	<b><u>\$ 565,830</u></b>

As set out in the above table, assuming a 10% increase in ridership in the affected category results in an estimated annual cost of \$415,576 relating to this subsidy. It is important to note the financial requirements for these programs are based on the current fare structure, and subsidy levels will be subject to fluctuation based on actual ridership as well as future fare adjustments.

The subsidy relating to the provision of free transit for children ages 5 to 14 would be managed in the same manner as the current subsidies in place for seniors and the blind. The budget for this subsidy would reside with Neighbourhood, Children and Fire Services, and LTC would provide an invoice each month based on the actual ridership. This approach ensures that the actual costs associated with the specific subsidy can be tracked and reported on annually.

There is currently no funding included in the 2016-2019 Multi-Year Budget for this program. It should be noted that there could be some positive financial implications for the LTC, including the possibility of increased ridership, which could increase access to additional funding (e.g. additional gas tax revenues). However there is no data available at this time to support a correlation between the impact of this amendment to any positive or negative implications on ridership or additional funding.

### Risks of doing nothing

Families with low income will continue to face the current costs for children to take transit. Allowing children aged 5-14 to ride for free helps more families that use public transit get to where they need to go. This strategy is deliberately universal; public transit should not be a stigmatized method of transportation, and a vibrant, well-used transit system is an important part of building a healthy and inclusive community.

## AMENDMENT 3: COST OF FREE TRANSIT FOR CHILDREN AGES 5 – 14 AS WELL AS REDUCED (15% DISCOUNT) TRANSIT PASS FOR HIGH SCHOOL STUDENTS (AGES 15-19)

Operating Budget Table (\$000's)

No Cost Transit Fares for Children Ages 5-14, along with Reduced (15% Discount) Transit Pass for High School Students	2016	2017		2018		2019		2020-2026	
	Net	Expense	Net	Expense	Net	Expense	Net	Expense	Net
Approved Budget	0	0	0	0	0	0	0	0	0
Cost of Free Transit for Children Ages 5 - 14		566	566	566	566	566	566	3,962	3,962
Reduced (15% Discount) Transit Pass for High School Students (Ages 15 – 19)		405	405	405	405	405	405	2,835	2,835
Cumulative Amendments		971	971	971	971	971	971	6,797	6,797
<b>Revised Budget</b>		971	971	971	971	971	971	6,797	6,797

\* Note: Budgets for 2018 forward will be subject to adjustment based on actual ridership in this category as well as impacts of any fare adjustments.



### Tax Levy Per Cent Impact Table

Tax Levy Impact (Incremental Changes)	2016	2017	2018	2019	2016-2019 Average
Operating Impact	0.0%	0.18%	0.0%	0.0%	0.05%
Capital Impact	0.0%	0.0%	0.0%	0.0%	0.0%

### Staffing Table

Staffing Summary (Cumulative Changes)	2017	2018	2019
# of Full-Time Employees Impacted	0	0	0
# of Full-Time Equivalents Impacted	0.0	0.0	0.0
Full-Time Equivalents Cost Inc./(Dec.) - \$000's	0	0	0

### Key Performance Indicator(s) Table

Metrics (Cumulative Changes)	2016	2017	2018	2019
# of free transit rides provided to children aged 5-12 (estimated)	N/A	130,500	130,500	130,500
# of free transit rides provided to children aged 13-14 (estimated)	N/A	236,700	236,700	236,700
# of reduced monthly high school passes (estimated)	N/A	11,800	11,800	11,800
% increase in ridership (estimated)	N/A	0.2%	0.2%	0.2%

### Cost of a discounted bus pass for high school students (15% discount)

When estimating the potential cost and impact of such a program, there are two key areas for consideration. The first area relates to the subsidy, which is the difference between the current adult fare, and the discount provided to the student group (15% or \$12 off of the current \$81 Citipass). There is currently a discounted student ticket, however with the introduction of a discounted monthly pass, it is anticipated that a number of students currently paying with tickets will switch to the pass, resulting in a reduced overall revenue (each ticket ride costs \$1.54, each pass ride at the reduced rate would cost \$1.11 assuming 2 rides per day).

Given there is no way to determine the number of students that are actually currently purchasing a Citipass, nor how many currently utilizing tickets would switch to a discounted pass, a range of estimates has been provided as set out below. The first column provides the estimated subsidy required to accommodate shifts ranging from status quo to 20% from students currently purchasing a Citipass to a discounted student pass. The second column provides the estimated impact on revenue associated with students who currently pay with tickets transferring to a monthly pass.



<b>Cost to City of London for Subsidy</b>	<b>Total Estimated</b>		
	<b>Citipass Transfer</b>	<b>Ticket Transfer</b>	<b>City Cost</b>
Same number as Student Summer Pass	\$ 68,688	\$ 68,688	\$ 137,376
Low - 10% shift	\$ 71,017	\$ 68,688	\$ 139,705
Medium - 15% shift	\$ 106,526	\$ 131,411	\$ 237,937
High - 20% shift	\$ 142,034	\$ 262,821	\$ 404,856

As set out in the above table, assuming a 20% shift in use from both Citipass and student tickets, results in an estimated annual cost of \$404,856 relating to this subsidy. The rate of 20% was utilized in this case given high school students are much more likely to partake in a program of this nature given their age and travel patterns. It is important to note the financial requirements for these programs are based on the current fare structure, and subsidy levels will be subject to fluctuation based on actual ridership (the tracking of which will ultimately be facilitated using smart card technology) as well as future fare adjustments.

The subsidy relating to the provision of discounted transit for high school students ages 15 to 19 would be managed in the same manner as the current subsidies in place for seniors and the blind. The budget for this subsidy would reside with Neighbourhood, Children and Fire Services, and LTC would provide an invoice each month based on the actual ridership. This approach ensures that the actual costs associated with the specific subsidy can be tracked and reported on annually.

There is currently no funding included in the 2016-2019 Multi-Year Budget for this program. It should be noted that there could be some positive financial implications for the LTC, including the possibility of increased ridership which could increase access to additional funding (e.g. additional gas tax revenues). However there is no data available at this time to support a correlation between the impact of this amendment to any positive or negative implications on ridership or additional funding.

### **Risks of doing nothing**

Families with low income will continue to face the current costs for children to take transit. Allowing children aged 5-14 to ride for free helps more families that use public transit get to where they need to go. This strategy is deliberately universal; public transit should not be a stigmatized method of transportation, and a vibrant, well-used transit system is an important part of building a healthy and inclusive community.

High school students will continue to have the choice to either pay for discounted student tickets or pay the current Citipass (monthly transit pass) rate.

## APPENDIX A: COST ESTIMATES TO EXTEND THE PROPOSED SUBSIDIZED TRANSIT MODEL TO INCLUDE LOW INCOME CHILDREN AND HIGH SCHOOL STUDENTS

### Proposed Subsidy Model for Public Transportation ([CPSC report](#) dated November 15, 2016)

On November 21, 2016, the Strategic Priorities and Policy Committee requested that Civic Administration determine the costs associated with extending subsidized transportation to children ages 5 – 13 and high school students ages 14 – 18 in addition to the model proposed in the November 15th CPSC report (proposed subsidy model based on the ability to pay for individuals 18 years of age and over).

Please note the numbers below are estimates based on the current fare structure, available population data from Statistics Canada and a general assumption that children ages 5 through 18 years of age would ride the bus an estimated average of 21 times/month.

### Annual Cost Estimates Based on 50% Subsidy for all ages living under LICO-AT (Low Income Cut Off – After Tax)

The annual totals below reflect an estimated cost based on participation rates as well as the number of individuals that will be impacted by the program, noting that a 20% participation level is estimated to be the most likely scenario.

Age Group	5-13	14-18	18+	Totals
Estimated population below LICO-AT	4,642	2,873	28,699 <sup>1</sup>	36,214
20% Participation	\$129,000 (928 participants)	\$111,000 (575 participants)	\$2,790,000 (5,740 participants)	\$3,030,000 (7,243 participants)
50% Participation	\$322,000 (2,321 participants)	\$279,000 (1,437 participants)	\$6,970,000 (14,350 participants)	\$7,571,000 (18,108 participants)
100% Participation	\$643,000 (4,642 participants)	\$557,000 (2,873 participants)	\$13,950,000 (28,699 participants)	\$15,150,000 (36,214 participants)

The above calculations are based on the following fare amounts:

- Child (Age 5-Grade 6) - \$1.10
- Student (Grade 7-12) - \$1.54 per trip
- Adult - \$81 monthly pass

<sup>1</sup> Excluding the # of individuals who are receiving support for transportation through Ontario Works Employment Related Expenses (3,776 individuals).

**Annual Cost Estimates Based on 100% Subsidy for Children under LICO-AT ages 5 to 13 and a 50% Subsidy for High School Students and Adults over 18 under LICO-AT**

The annual totals below reflect an estimated cost based on participation rates as well as the number of individuals that will be impacted by the program, noting that a 20% participation level is estimated to be the most likely scenario.

<b>Age Group</b>	<b>5-12</b>	<b>13</b>	<b>14-18</b>	<b>18+</b>	<b>Totals</b>
Estimated population below LICO-AT	4,386	256	2,873	28,699	36,214
20% Participation	\$243,000 (877 participants)	\$20,000 (51 participants)	\$111,000 (575 participants)	\$2,790,000 (5,740 participants)	\$3,164,000 (7,243 participants)
50% Participation	\$608,000 (2,193 participants)	\$50,000 (128 participants)	\$279,000 (1,437 participants)	\$6,970,000 (14,350 participants)	\$7,907,000 (18,108 participants)
100% Participation	\$1,216,000 (4,386 participants)	\$99,000 (256 participants)	\$557,000 (2,873 participants)	\$13,950,000 (28,699 participants)	\$15,822,000 (36,214 participants)

The above calculations are based on the following fare amounts:

- Child (Age 5-Grade 6) - \$1.10
- Student (Grade 7-12) - \$1.54 per trip
- Adult - \$81 monthly pass

There is currently no funding included in the 2016-2019 Multi-Year Budget for this program. It should be noted that there could be some positive financial implications for the LTC, including the possibility of increased ridership which could increase access to additional funding (e.g. additional gas tax revenues). However there is no data available at this time to support a correlation between the impact of this amendment to any positive or negative implications on ridership or additional funding.