

2016 | MULTI-YEAR 2019 | BUDGET



London
CANADA

AMENDMENT FORM – CASE #20

STRATEGIC AREA OF FOCUS: STRENGTHENING OUR COMMUNITY

INITIATIVE: REDUCED RATE TRANSIT PASS FOR YOUTH (AGES 13-17)

SERVICE(S): SUBSIDIZED TRANSIT

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

TYPE OF AMENDMENT: NEW COUNCIL DIRECTION

Budget Amendment Tax Levy Impact (\$000's)	2016	2017	2018	2019	2016-2019 TOTAL
Expenditure	\$0	\$0	Note 1	Note 1	Note 1
Revenue	\$0	\$0	Note 1	Note 1	Note 1
Net Requested Tax Levy (Cumulative)	\$0	\$0	\$0	\$0	\$0
Net Incremental Tax Levy	\$0	\$0	\$0	\$0	\$0
Annual Tax Levy Impact % ²	0.0%	0.0%	0.0%	0.0%	

Note 1: Varies based on the options outlined in this amendment.

Note 2: The tax levy impact is calculated using the approved budget.

Overview

On October 17, Municipal Council directed Civic Administration to bring forward a budget amendment in the 2018 Annual Budget Update outlining the options, and the associated financial implications, for a reduced rate transit pass for youth. This Budget Amendment outlines the options for the reduced rate transit pass for youth based on consultation with LTC. These alternatives are independent of each other and are presented for Council consideration and direction with respect to the preferred alternative if Council wishes to proceed with the program.

Currently, youth ages 13 to 17 have three transit fare options:

- Pay the cash fare (\$2.75);
- Purchase student tickets (5 tickets for \$7.70); or,
- Purchase a monthly bus pass at the full adult fare of \$81.00/month, or a monthly bus pass that is valid weekdays only at the full adult fare of \$69.00/month. There is also a student summer pass offered to this demographic that sells for \$81.00 but is valid for the months of July and August combined.

This document outlines three potential models (representing a total of 5 options) to explore in consideration of subsidized transit models for youth ages 13-17:

- 1) Model 1: \$52 bus pass for youth (ages 13-17)
 - a) \$52 bus pass for all youth
 - b) \$52 bus pass for youth under the Low Income Cut Off – After Tax (LICO-AT) threshold
- 2) Model 2: Extend current free transportation for children under 12 up to and including age 17
- 3) Model 3: Bulk purchase and re-sale of bus passes
 - a) Bulk purchase of passes and re-sale to youth (ages 13-17) at \$52/month
 - b) Bulk purchase of passes and re-sale to youth (ages 13-17) at \$250/year

Challenges with the Development of Options for this Program

- There is no available baseline data on the number of youth transit riders ages 13 to 17, including:
 - Frequency of ridership
 - Breakdown of fare types currently utilized by youth (e.g. cash fare vs. student tickets vs. monthly passes)
- Without baseline data, it is difficult to estimate potential participation, as well as the potential impact on current transit revenue from this demographic.
- LTC's technology does not currently support a youth bus pass fare option, so the effective date of a youth transit program would need to account for a sufficient lead time to implement this technology.
- A process to administer the program would have to be developed and is dependent on the option selected.
- There may be unintended consequences on LTC service delivery that are difficult to ascertain at this time.

Proposed Timeline for a Pilot Project

Based on the potential challenges identified above, should Council elect to proceed with a reduced rate transit program for youth, Civic Administration recommends this program be established as a 22-month pilot project, beginning September 1, 2018. This timeline would align with the multi-year budget as outlined below:

Spring 2018: Civic Administration brings proposed policy, by-law, implementation plan, and agreements forward for approval

September 1, 2018: Subsidized youth bus pass pilot begins

Fall 2019: Business case submitted for the 2020-2023 multi-year budget for consideration for permanent funding

June 30, 2020: Subsidized youth bus pass pilot ends

AMENDMENT 1A: \$52 BUS PASS FOR ALL YOUTH

Operating Budget Table (\$000's)

Subsidized Transit	2016	2017	2018		2019		2020-2025	
	Net	Net	Expenditure	Net	Expenditure	Net	Expenditure	Net
Approved Budget	584	745	755	755	766	766	4,596	4,596
Cumulative Amendment			240 – 2,413	0 ¹	720 – 7,240	0 ¹	360 – 3,620	0 ¹
Revised Budget			995 – 3,168	755	1,486 – 8,006	766	4,956 – 8,216	4,596

Note 1 – The proposed source of financing is Operating Budget Surplus and, if required, through a drawdown from contingency reserves.

Tax Levy Per Cent Impact Table

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

Staffing Table

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

Description

Through this model, all young people ages 13-17 would be eligible for a \$52 bus pass, representing a 36% savings from the cost of an adult monthly pass. This is an extension of the subsidy that is provided to residents 18+ through the new income-related subsidized transit program.

According to Statistics Canada, there are just under 21,000 young people aged 13-17 in London that would be eligible for subsidized transportation under this option.¹

In 2013, the Middlesex London Health Unit was presented with a report from Youth Create Healthy Communities – a Youth Advocacy Group facilitated by a Public Health Nurse from the Health Unit. This group of young people created a survey and received more than 1,000 responses from high school students in London. The key findings of this survey highlight the importance of reducing transportation costs for young people:

- 47% of respondents use the city bus as their main mode of transportation
- 57% of students take the city bus to school
- 90% of students do not think that the adult pass is affordable
- 65% state they would buy a student monthly bus pass, if available

Using the statistics above to inform potential participation in the program, the following table outlines the potential financial implications of this option:

Uptake	# of Participants	Annual Cost to the City
10%	2,081	\$0.72 million
20%	4,161	\$1.45 million
50%	10,403	\$3.62 million
65%	13,523	\$4.71 million
100%	20,805	\$7.24 million

¹ Statistics Canada, Age (in Single Years) and Average Age (127) and Sex (3) for the Population of Canada, Census Metropolitan Areas, Census Agglomerations and Census Subdivisions, 2016 and 2011 Censuses - 100% Data

Risks and Implementation Considerations:

- As noted in the table above, the total cost for the program will vary greatly depending on the uptake/participation level of eligible youth. The lack of available youth ridership data makes it challenging to estimate program participation. Any estimate would be subject to significant uncertainty.
- A process would need to be developed for the administration of this subsidy with specific consideration given to the process for selling the subsidized passes to eligible youth and the process for verifying age, noting that some in this demographic do not have photo identification.
- The existing by-law with LTC that outlines fare subsidies would need to be amended to include youth 13-17.

AMENDMENT 1B: \$52 BUS PASS FOR YOUTH UNDER THE LICO-AT THRESHOLD

Operating Budget Table (\$000's)

Subsidized Transit	2016	2017	2018		2019		2020-2025	
	Net	Net	Expenditure	Net	Expenditure	Net	Expenditure	Net
Approved Budget	584	745	755	755	766	766	4,596	4,596
Cumulative Amendment			63 – 627	0 ¹	190 – 1,880	0 ¹	95 – 940	0 ¹
Revised Budget			818 – 1,382	755	956 – 2,646	766	4,691 – 5,536	4,596

Note 1 – The proposed source of financing is Operating Budget Surplus and, if required, through a drawdown from contingency reserves.

Tax Levy Per Cent Impact Table

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

Staffing Table

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

Description

Through this model, young people ages 13-17, from families with an income below the low-income cut off after tax (LICO-AT) threshold would be offered a 36% subsidy on the cost of an adult monthly pass, which would support eligible youth to purchase a bus pass for \$52/month. This is an extension of the subsidy that is provided to residents 18+ through the new income-related subsidized transit program

Under this option, families experiencing low-income would be eligible to submit an application for the income-related subsidized transit program, and could access a bus pass for all members of the household ages 13 and over. It is estimated that 26% of young people are from families with an income below LICO-AT.² It is important to note that this is an estimate based on available Census data, and that there may be some variation on the total number of children living in a household with income below LICO-AT. Based on this data, an estimated 5,400 youth ages 13-17 would be eligible for subsidized transportation.

Using the statistics in option 1A to inform potential participation in the program, the following table outlines the potential financial implications of this option:

Uptake	# of Participants	Annual Cost to the City
10%	541	\$0.19 million
20%	1,082	\$0.38 million
50%	2,705	\$0.94 million
65%	3,516	\$1.22 million
100%	5,409	\$1.88 million

Risks and Implementation Considerations:

- The risks and implementation considerations outlined in option 1A are applicable to this option as well.
- Because LICO-AT is based on household size, eligibility for youth through this option would be based on household income. A process would be established in alignment with existing Discretionary Benefits policies to verify household income, which would include consideration of youth living independent of their families to apply on their own.
- Currently, Discretionary Benefits is supporting the eligibility assessment component of the 18+ Income-Related Subsidized Transit Program; if youth 13-17 are included in this program additional support may be needed for Discretionary Benefits to assess eligibility for transit subsidy applications, depending on the uptake of both programs.

² Poverty Trends in London, 2016.

AMENDMENT 2: EXPAND CURRENT FREE PROGRAM FOR CHILDREN UNDER 12 TO INCLUDE YOUTH UP TO AND INCLUDING AGE 17

Operating Budget Table (\$000's)

Subsidized Transit	2016	2017	2018		2019		2020-2025	
	Net	Net	Expenditure	Net	Expenditure	Net	Expenditure	Net
Approved Budget	584	745	755	755	766	766	4,596	4,596
Cumulative Amendment			818 – 1,138	0 ¹	2,453 – 3,413	0 ¹	1,227 – 1,707	0 ¹
Revised Budget			1,573 – 1,893	755	3,219 – 4,179	766	5,823 – 6,303	4,596

Note 1 – The proposed source of financing is Operating Budget Surplus and, if required, through a drawdown from contingency reserves.

Tax Levy Per Cent Impact Table

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

Staffing Table

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

Description

This model would extend the current free public transportation program for children 12 & under, to youth up to and including age 17. As noted previously, there are just under 21,000 young people ages 13-17 in London that would be eligible for subsidized transportation with this option.

The financial impact for this option has been assessed based on the assumption that all current fare revenue from this demographic will be lost, noting riders will be allowed to ride free of charge. Under this model, the City would commit to cover LTC's lost revenue as a result of the new youth subsidized fare. As noted earlier, the actual ridership and related revenue for this demographic is difficult to assess given they currently have the

option to pay in a wide variety of methods, the only one of which that is limited to this demographic being the student ticket category. In an effort to understand the total range of impacts this option may have, 2016 London Transit ridership and related revenues were utilized. The following chart represents the 2016 student ticket and student summer pass revenue (which is 100% tied to this demographic), as well as three estimates of the proportion of this age 13-17 demographic that utilizes the other fare options (10%, 15% and 20%).

	Ages 13-17 Makeup 10% of Other Fares	Ages 13-17 Makeup 15% of Other Fares	Ages 13-17 Makeup 20% of Other Fares
Current LTC Student Revenue			
Student Tickets	\$ 1,449,500	\$ 1,449,500	\$ 1,449,500
Student Summer Pass	42,800	42,800	42,800
Total Revenue from this Demographic	\$ 1,492,300	\$ 1,492,300	\$ 1,492,300
Cash Revenue	\$ 394,500	\$ 591,700	\$ 789,000
Citipass Rider Revenue	477,600	716,500	955,300
Weekday Pass Rider Revenue	88,200	132,300	176,400
Total Estimated Revenue from this Demographic	\$ 960,300	\$ 1,440,500	\$ 1,920,700
Total Estimated Impact on Revenue	\$ 2,452,600	\$ 2,932,800	\$ 3,413,000

As indicated above, the potential financial impact of this option on transit fare revenue is estimated to be between \$2.45 and \$3.41 million per year. This impact could be offset to some extent by new riders in this demographic, who do not currently utilize LTC at all. The extent of this impact would not be known until such time as the program is in place.

Risks and Implementation Considerations:

- The provision of free ridership to this demographic has the potential to significantly impact service on a number of LTC routes, noting that 28 of the 43 current LTC routes provide access to one or more secondary schools in London. Further analysis of the 28 routes indicates that approximately 33% of them are currently experiencing passenger loads in excess of seated capacity during morning and afternoon peak periods, which is the time frame this demographic would be likely to take the bus to and from school.
- While the prospect of increased transit ridership is positive, if it occurs to the extent of overcrowding on these routes, there is the potential to cause loss of riders outside this demographic, who are currently paying a fare. These impacts have not been incorporated into the above estimates and would not be known definitively until the program is in place.
- The opportunity to respond to ongoing overcrowding issues on any given route occurs once per year through allocation of the annual service expansion hours to address service quality issues versus utilizing the hours to expand transit services. In the draft 2018 service plan, approximately 20% of the draft changes are targeted to address schedule adherence issues for the current ridership, which will result in deferring some of the planned service improvements to 2019, or further into the future.

- The opportunity to respond to an overcrowding issue during peak periods also requires an additional bus to be added to the fleet, noting the current delivery schedule for transit buses is approximately 12 months from confirmation of purchase. The cost of adding 1 bus to service to address overcrowding/schedule adherence on one route is estimated to be:

Capital Cost of 40' Diesel Bus	\$550,000
Annual Ongoing Operating Cost	\$330,000
- Given the short period of the pilot for this program, there would be little to no opportunity to address any overcrowding/schedule adherence issues during the pilot (due to bus delivery timelines and service change opportunities) and therefore these costs are not factored into the amount above. However, should the program be continued post-pilot, these costs would need to be built into either the program itself, or the annual LTC operating budget allocation and capital budget allocation for the associated bus purchases.
- The existing by-law with LTC that provides that children 12 and under ride for free would need to be amended to include youth 13-17.

AMENDMENT 3A: BULK PURCHASE AND RE-SALE OF BUS PASSES AT \$52/MONTH

Operating Budget Table (\$000's)

Subsidized Transit	2016	2017	2018		2019		2020-2025	
	Net	Net	Expenditure	Net	Expenditure	Net	Expenditure	Net
Approved Budget	584	745	755	755	766	766	4,596	4,596
Cumulative Amendment			167 - 737	0 ¹	500 - 2,210	0 ¹	250 - 1,105	0 ¹
Revised Budget			922 - 1,492	755	1,266 - 2,976	766	4,846 - 5,701	4,596

Note 1 – The proposed source of financing is Operating Budget Surplus and, if required, through a drawdown from contingency reserves.

Tax Levy Per Cent Impact Table

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

Staffing Table

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

Description

Under this option, the City would negotiate an agreement with the LTC to purchase bus passes in bulk at a negotiated rate, and then re-sell them to youth ages 13-17 at a rate of \$52/month. The revenue generated through the resale of bus passes would help to offset the overall cost of the program to the City. As noted previously, there are just under 21,000 young people ages 13-17 in London that would be eligible for subsidized transportation with this option.

It is important to note that the actual financial impact of this option cannot be determined until an agreement to purchase monthly bus passes in bulk has been negotiated with the LTC. As an example, the table below illustrates potential options using a sliding scale for a bulk discount that could be considered.

# of Passes Purchased Per Month	Discount on Adult Monthly Pass Rate	Total Cost to Purchase from LTC	Portion Recovered through Re-sale @ \$52/month	Net Cost to the City
2,000	10%	\$1.75 million	\$1.25 million	\$0.50 million
4,200	15%	\$3.47 million	\$2.62 million	\$0.85 million
10,500	20%	\$8.16 million	\$6.55 million	\$1.61 million
21,000	25%	\$15.31 million	\$13.10 million	\$2.21 million

Risks and Implementation Considerations:

- A new agreement with LTC would be required that would outline the negotiated bulk discount based on the number of passes purchased.
- The negotiated discount rate would need to be monitored and adjustments may be required if LTC's loss of revenue associated with this program is not being offset by the sale of passes at the negotiated price.
- Under this model, the City would commit to purchasing a fixed number of passes and would be responsible for re-selling them. The City would retain the risk for any unsold passes, and these would increase the net cost of the program to the City. As a result, the number of youth bus passes purchased by the City would need to be evaluated monthly based on ongoing participation in the program until appropriate baselines were established.
- A new process would need to be established for the distribution of purchased passes. The distribution process would likely leverage the existing process put into place to manage the income-related subsidized transit passes through City of London customer service locations.

- As an alternative to the City re-selling the passes in an attempt to reduce risk and administrative costs, the City could commit to funding a fixed number of passes and the LTC would sell them to youth as they currently sell other passes. This would require further discussion with LTC about establishing a youth fare.

AMENDMENT 3B: BULK PURCHASE AND RE-SALE OF BUS PASSES AT \$250/YEAR

Operating Budget Table (\$000's)

Subsidized Transit	2016	2017	2018		2019		2020-2025	
	Net	Net	Expenditure	Net	Expenditure	Net	Expenditure	Net
Approved Budget	584	745	755	755	766	766	4,596	4,596
Cumulative Amendment			0 – 1,733	0 ¹	0 – 5,200	0 ¹	0 – 2,600	0 ¹
Revised Budget			755 – 2,488	755	766 – 5,966	766	4,596 – 7,196	4,596

Note 1 – The proposed source of financing is Operating Budget Surplus and, if required, through a drawdown from contingency reserves.

Tax Levy Per Cent Impact Table

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

Staffing Table

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

Description

As noted previously, there are just under 21,000 young people ages 13-17 in London. Under this option, the City would commit to purchasing 21,000 annual bus passes from LTC in bulk at \$250 each and then re-sell them to youth ages 13-17, similar to the cost of the bus pass programs offered to Western University and Fanshawe College students. This model is based on the assumption that those who do not make extensive use

of the program cross-subsidize those that use the bus more often. The revenue generated through the re-sale of bus passes to youth would help to offset the overall cost of the program to the City, noting that not all youth are likely to purchase the pass. The net cost of the program to the City would be entirely dependent on the participation in the program.

Participation Rate	Total Cost to Purchase from LTC	Portion Recovered through Re-sale @ \$250/year	Net Cost to the City
10%	\$5.20 million	\$0.52 million	\$4.68 million
20%	\$5.20 million	\$1.04 million	\$4.16 million
50%	\$5.20 million	\$2.60 million	\$2.60 million
65%	\$5.20 million	\$3.38 million	\$1.82 million
100%	\$5.20 million	\$5.20 million	\$0

Risks and Implementation Considerations:

- Under this model, the City would commit to purchasing a fixed number of passes (21,000) and would be responsible for re-selling them to youth. The City would retain the risk for any unsold passes, and these would increase the net cost of the program to the City.
- A new process would need to be established for the distribution of purchased passes. The distribution process would likely leverage the existing process put into place to manage the income-related subsidized transit passes through City of London customer service locations.
- As an alternative to the City re-selling the passes in an attempt to reduce risk and administrative costs, the City could commit to funding a fixed number of passes and the LTC would sell them to youth as they currently sell other passes. This would require further discussion with LTC about establishing a youth fare.
- A new agreement with the LTC would be required that would outline the terms of the agreement to purchase 21,000 annual youth bus passes for \$250 each.

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

Regardless of the option selected, the provision of subsidized transit for youth has many benefits, including:

- Increased access to transportation for youth will have the effect of enhancing the ability for young people in London to access a variety of different programs and employment opportunities, providing the means to access everything our community has to offer.
- Increased access to transportation for youth will also have the important impact of increasing transit ridership (which may result in an increase in the City’s provincial gas tax allocation), and supporting important city-building initiatives that help our entire community to grow and thrive.