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Transportation Standing Committee
January 24, 2013

TO: Chair and Members of Transportation Standing Committee
Original Signed

SUBMITTED BY: _____
Eddie Robar, Director, Metro Transit

DATE: November 20, 2012

SUBJECT: Transit Funding Sources

INFORMATION REPORT

ORIGIN

On May 24, 2012, the Transportation Standing Committee approved the following motion:

MOVED by Councillor Watts, seconded by Councillor Hendsbee, that the Transportation Standing Committee request a staff report on options for increasing funding of transit services, including looking at partnerships and how other municipalities fund transit services. MOTION PUT AND PASSED.

On May 30, 2012, the Transportation Standing Committee also requested:

“That the measure of effectiveness of Metro Transit’s fare transfer system (including ferry services), and examination of a more effective way of dealing with fare equity in general be included in the staff report currently being prepared regarding “options for increasing funding of transit services, including looking at partnerships and how other municipalities fund transit services.”

BACKGROUND

Public Transit in HRM is funded primarily through municipal taxes, fares, Gas Tax Funding, and advertising revenue. The majority of funding is collected by HRM through commercial and residential taxes. Fares paid to Metro Transit by transit users are the second largest revenue source. Federal funding, in the form of Gas Tax Funds, is used to fund specific capital projects. Income generated from advertising is a modest source of revenue, contributing to less than 1% of the total annual budget. In 2011/12, funding in the amount of \$500,000 was also provided by the Halifax International Airport Authority to assist in funding the new MetroX Route 320 Airport/Fall River.

As illustrated in the following table, overall funding sources for transit throughout Canada are more diverse, and include significant provincial contributions as well as other miscellaneous funding sources.

2011 Transit Funding Sources		
	Canada	Metro Transit
Operating Funding		
Fares/advertising	53%	30%*
Municipal Contributions	29%	70%
Provincial Contributions	8%	
Other Sources	10%	
Capital Funding		
Municipal Contributions	21%	41%
Provincial Contributions	58%	
Federal Contributions	18%	56%
Other Sources	3%	3%
* Metro Transit's Operating Funding percentages represent total business unit operating costs, which in addition to operating transit service, includes debt, reserve transfers, etc. This table is intended to show the diversity of funding sources used, and does not accurately reflect the percentage of transit service operating costs recovered by fare collection in Canada vs Metro Transit.		

Sources: Canadian funding based on: "2011 Transit Stats, Summary of Canadian Transit Statistics, 2011 Operating Data". Canadian Urban Transit Association, 2012. Metro Transit funding based on 2011/12 actuals.

The costs of providing Metro Transit's existing transit service increase annually, as expenses such as fuel and wages rise. As a result of the limited funding sources available, these annual increases, as well as any service improvements/expansions can only be accommodated through increased tax collection, fare increases, or cost savings through service efficiencies (typically in the form of reductions to underperforming services).

On May 24, 2012, the Transportation Standing Committee (TSC) requested a report to identify any potential additional transit funding sources. Specifically, the TSC requested information on funding programs established by other transit systems, as well as information on provincial and federal contributions to transit.

This report includes a brief overview of alternatives that could be pursued for funding public transit, as well as information on provincial and federal funding for transit.

DISCUSSION

Federal Funding

The Federal Government has funded a number of programs in recent years that have benefited public transit systems by providing capital funds for transit infrastructure. These include the Gas Tax Fund, Building Canada Fund, Infrastructure Stimulus Fund, P3 Canada Fund, and the Green Municipal Fund. None of these programs specify that the funding must be spent on public transit. As such, variations in the amount of federal funding for public transit, whether from Province to Province, or from year to year, are primarily a reflection of individual municipalities decisions to apply to federal programs or use federal funding for public transit, and the federal government's commitment or interest in public transit cannot be inferred from these values.

The P3 Canada Fund, which was developed to support the delivery of public infrastructure through public-private partnerships, is an example of a program in which individual projects are evaluated based on a set of established criteria, and funding is not guaranteed. Eligible projects can receive funding support for up to 25% of construction costs². This program has the potential to assist in delivering public transit projects through an efficient and cost effective model, but is not a reliable funding source as applications must be approved on a case by case basis.

Alternatively, the Gas Tax Fund is distributed by the provinces to municipalities, which then determine which public infrastructure projects to fund. In HRM, a portion of the Gas Tax Funding received has been spent on public transit projects. Recently, approximately \$3 million dollars in Gas Tax Funding was used to support the purchase of buses and the construction of a Park & Ride in Fall River for the MetroX Route 320 Airport/Fall River. In addition, \$8.4 million in Gas Tax Funding contributed to the construction costs of the Metro Transit Bridge Terminal in Dartmouth. An advantage of the Gas Tax Fund is that it is a predictable and long term funding commitment, which allows municipalities to plan for infrastructure needs.

The Federal Government is currently in the process of consulting stakeholders to prepare a new long term infrastructure plan. In November, 2012, the Federation of Canadian Municipalities (FCM) submitted a recommendation to the Government of Canada, entitled, "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge – Submission to the Government of Canada's Long-Term Infrastructure Plan Consultation."³ In this submission, the FCM recommends improvements to the Building Canada Fund, Green Municipal Fund, and Gas Tax Fund. The FCM also recommends the creation of a new fund, to be matched by Provincial and Municipal governments, which could be used to fund a variety of initiatives, including public transit projects. They also specify that a portion of the funding be dedicated to reducing commuting times by investing in public transit.

In the past, the FCM has also supported the introduction of a National Transit Strategy. Previous attempts to introduce a strategy have not been successful, including the recent rejection of Bill C-

305, A National Transit Strategy Act, by Parliament in September 2012. As such, federal investment in transit is limited to capital funding of projects through broader public infrastructure programs, and the Federal Government does not provide funding for public transit operating costs.

Provincial Funding

HRM does not receive funding for public transit from the Provincial Government. In Nova Scotia, provincial funding for transit services is only available for regions with low population density. This provides some modest funding for smaller transit systems, available through the Community Transit Assistance Program (CTAP), Nova Scotia Transit Research Incentive Program (NS-TRIP), and Accessible Transit Assistance Program (ATAP). The parameters of the programs typically also exclude rural Metro Transit services from being eligible. Community based transit initiatives in rural areas of HRM have qualified for and received provincial funding in the past.

While some provinces in Canada have minimal transit funding available, other provinces, including Ontario, Quebec, Alberta, and Manitoba, provide substantial amounts of funding for public transportation. Attachment 1 illustrates operating and capital funding sources by Province as a percentage of total spending for 2011.

Methods of distributing funds vary between Provinces, with each having unique programs and criteria. In Quebec, programs range from fifty percent cost sharing on new services and the promotion of public transit, to reimbursing smaller municipalities for discounts offered on monthly passes. In Ontario, a portion of the provincial tax collected on fuel purchases is redistributed to public transit. An alternative arrangement exists in Manitoba, where transit services in Winnipeg, Brandon, Thompson and Flin Flon benefit from a 50/50 transit operating funding agreement with the Province. Under the agreement, the province is required to fund 50% of the net operating costs of the transit systems. As a result, in 2010, Winnipeg received over \$30 million dollars from the Province of Manitoba for operating costs. They also received capital funding for bus purchases, and funding as part of a partnership to develop a rapid transit corridor.⁴

Additional Funding Sources

Other Canadian cities are investigating, or have adopted, alternatives to funding public transit that go beyond collecting fares or receiving government funding. TransLink in British Columbia has one of the most diverse funding portfolios in Canada. They collect funds from a parking site tax, a utility levy, a fuel tax, and bridge tolls. The collection of these funds is enabled by legislation in British Columbia.

The city of Toronto is currently examining funding options for upcoming transit projects. A recent discussion paper evaluates potential funding sources and identifies the ten most favourable

options (income tax, sales tax, property tax, payroll tax, road tolls, fuel tax, vehicle tax, parking levy, land transfer tax, and development charges). The options were evaluated based on the screening table shown below. The city is now undertaking public consultation to further evaluate the list and determine the way forward.⁵

	Revenue Tools Screening Criteria
Policy Fit	Alignment of market response with objectives of reduced congestion, increased intensification and transit use, minimizing negative collateral market impacts/distortions
Revenue	Potential revenue amount, predictability – revenue capacity, predictability, sustainability
Fairness	Equity, fairness, in terms of beneficiary pay, affordability, equitable enforcement
Efficiency	Cost, complexity – implementation, collection & enforcement cost, public understanding & acceptance

Source: “Long Term Transportation Plan and Funding (Investment) Strategy, Appendix B—Discussion paper headed “Transportation Funding Strategy” City of Toronto Report, prepared by the Deputy City Manager and Chief Financial Officer, September 24, 2012. (<http://www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-50609.pdf>)

In August 2012, the Victoria Regional Transit Commission and Capital Regional District in British Columbia published a report on transit funding options, evaluating 17 funding options against nine criteria based on regional planning objectives. The process was fairly comprehensive, and included literature reviews, website surveys and focus groups. The options considered included fare increases, property tax increases, sales tax, fuel tax, carbon tax, vehicle levy, employee levy, utility levy, road tolls, vehicle-km fees, parking sales tax, parking levy, development cost charge, land value capture, station rents, station air rights, and advertising. The study does not specifically recommend one or more solution(s), but instead proposes that the Province be engaged to assist in developing a funding strategy comprised of these sources.⁶

Section 7.3 of Metro Transit’s Five-Year Strategic Operations Plan does include preliminary analysis of several funding options, and recommends the following five sources be pursued in HRM: new fare media (to increase ridership), parking levies, bridge tolls, value capture levies and fuel taxes.

A list of the potential funding sources that have been explored elsewhere, or have been suggested for this region, have been included as Attachment 2 to this report. The options vary widely, and range from those that would generate modest amounts of funding, to those that could potentially have a substantial impact. Many of the options listed would require provincial support and changes to legislation, and all would require a thorough analysis to determine what challenges and opportunities exist for using these funding sources in HRM.

Request for Sustainable, Predictable Operating Funding

To address increasing demand for public transit services, and in recognition of the social, environmental, and economic benefits of providing public transit, the Union of Nova Scotia Municipalities (UNSM) passed a resolution (Attachment 3) in September 2012, an excerpt of which includes:

“Therefore be it resolved that the Union of Nova Scotia Municipalities and municipalities enter into discussions with the Province of Nova Scotia concerning the possibility of increased sustainable, predictable operating funding on an annual basis for public transit within the Province and/or providing municipalities with the means to raise funds for public transit outside property taxes and paid fares; and

Further be it resolved that the Union of Nova Scotia Municipalities urge the provincial government to re-engage in the provision of public transit in the Province of Nova Scotia and work with the municipalities to develop a Public Transit Strategy for the Province. “

In addition, the Town of Wolfville, Town of Kentville, and County of Kings, authored a complementary resolution, which requested that the Province establish a Transit Fund, funded with one half of a percent of HST. The resolution (Attachment 4) states that this fund would generate an estimated \$80 million dollars a year for public transit in Nova Scotia.

Both of these resolutions have been submitted to the Province of Nova Scotia for a response.

Metro Transit Financial Roadmap

In the 2012/13 Metro Transit Annual Budget, one of the key deliverables identified is a Financial Roadmap. The intent of the Financial Roadmap is to determine both the funding requirements of Metro Transit over the next five to ten years and how these needs could be met. This includes the costs of accommodating an increasing operating budget as expenses rise, as well as ensuring the transit system is in a state of good repair, and planning for service improvements.

One of the components of the Financial Roadmap will be determining how increasing costs impact fares. The Transportation Standing Committee requested information on the measure of effectiveness of the fare transfer system, as well as fare equity in general. This review is outside of the scope of the current report, and a review of fare policies will be evaluated comprehensively in the context of budget information as part of the Financial Roadmap.

BUDGET IMPLICATIONS

There are no budget implications at this time.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

No community engagement is required as this report is only providing information to the Transportation Standing Committee.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications associated with this report as it is only providing information to the Transportation Standing Committee.

ATTACHMENTS

Attachment 1: Chart - 2011 Transit Funding Sources

Attachment 2: Potential Transit Funding Sources

Attachment 3: UNSM Resolution 4C – Sustainable Transit Funding

Attachment 4: UNSM Resolution 24A – Provincial Transit Fund

REFERENCES

1. "2011 Transit Stats, Summary of Canadian Transit Statistics, 2011 Operating Data". Canadian Urban Transit Association, 2012.
2. "P3 Canada Fund". Government of Canada: PPP Canada. (<http://www.p3canada.ca/p3-canada-fund-overview.php>)
3. "The Road to Jobs and Growth: Solving Canada's Municipal Infrastructure Challenge – Submission to the Government of Canada's Long-Term Infrastructure Plan Consultation." Federation of Canadian Municipalities, November 2012. (http://www.fcm.ca/Documents/backgrounders/The_Road_to_Jobs_and_Growth_Solving_Canadas_Municipal_Infrastructure_Challenge_-_Submission_EN.pdf)
4. "Federal, Provincial & Territorial Public Transit Funding Programs in Canada". Canadian Urban Transit Association, March 2011. (http://www.cutaactu.ca/en/publicaffairs/resources/FedProvTerrfunding2010_EN-NoPassword.pdf)
5. "Long Term Transportation Plan and Funding (Investment) Strategy, Appendix B— Discussion paper headed "Transportation Funding Strategy" City of Toronto Report,

prepared by the Deputy City Manager and Chief Financial Officer, September 24, 2012.
(<http://www.toronto.ca/legdocs/mmis/2012/ex/bgrd/backgroundfile-50609.pdf>)

6. “Regional Transit Local Funding Options”. Prepared for the Capital Regional District (CRD) and BC Transit by the Victoria Transportation Policy Institute, August 22, 2012.
(http://www.lrtlocalfunding.ca/images/lrtlocalfunding/pdf/crd_local_transit_funding_options_report_22aug2012.pdf)
7. “Canadian Transit Factbook, 2011 Operating Data”. Canadian Urban Transit Association, 2012.

A copy of this report can be obtained online at <http://www.halifax.ca/boardsom/SCtransp/index.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

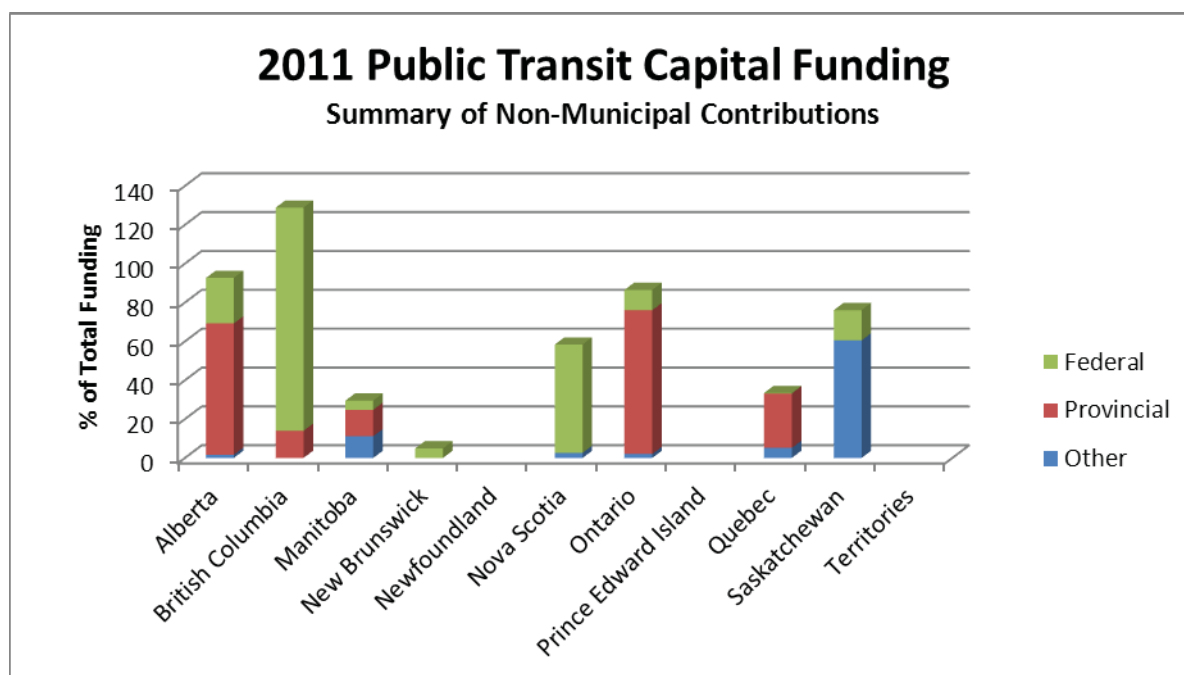
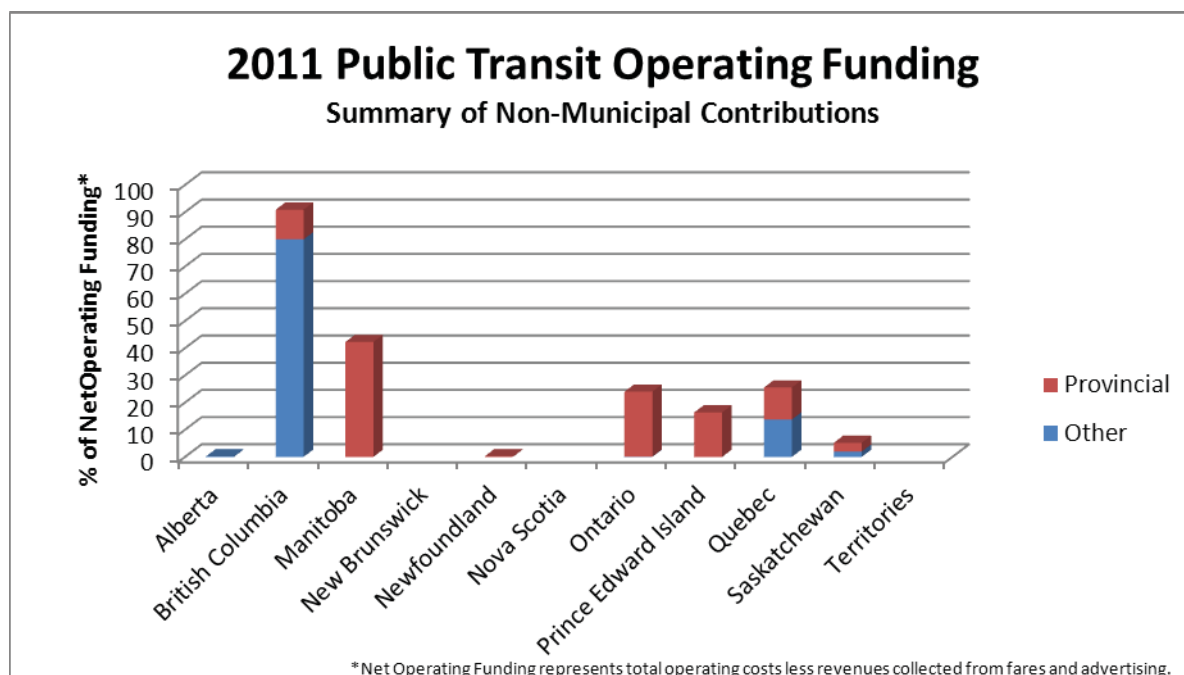
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Source : “Canadian Transit Factbook, 2011 Operating Data”. Canadian Urban Transit Association, 2012.; updated to reflect include actual Metro Transit funding for 2011/12.

Potential Transit Funding Sources

This list has been compiled to be inclusive of potential sources cited throughout Canada, and applicability to HRM varies. A thorough investigation of the opportunities and constraints of each potential funding source has not been completed.

Federal/Provincial Funding	A Federal and/or Provincial Transit Strategy that contains sustainable long term funding for public transit.
Fuel Tax	A tax on fuel purchases that is dedicated to public transit. This can take the form of a new tax on fuel, or dedication of a portion of the existing revenue collected by the Province to fund transit. This is a significant funding source in several Canadian provinces and cities.
Sales Tax	An increase in sales tax (HST) used to fund public transit. According to Resolution 24A of the UNSM, if the Province of Nova Scotia were to create a Transit Fund funded by one half of a percentage of HST collected, the fund would generate an estimated \$80 million dollars annually for public transit in Nova Scotia.
Road Tolls/ Tolls on Express Lanes/ Area Wide Tolling/ Congestion Fees	A toll that applies to specific roads. It can be applied to some or all lanes on designated roads, or can be applied to all roads in a particular area. Some systems include exemptions for high occupancy vehicles or travel outside of peak times.
Bridge Tolls	An increase to tolls for motorists on the Harbour Bridges. The additional funding generated would be dedicated to providing public transit. Alternatively, a cost savings would be realized if Metro Transit buses were exempt from the existing Bridge tolls.
Parking Levy/Fee/Tax	Funding associated with parking could potentially take the form of a tax based on the number of parking stalls present, a surcharge on parking fees, or a sales tax on parking fees. Parking related fees are currently funding public transit in Vancouver, Toronto, and Montreal.
Capital Cost Contribution (CCC's)	Extension of HRM's Capital Cost Contribution program, used to offset the costs of new infrastructure required to support the development, to include public transit.
Community Pass Programs	A program requiring developers to purchase and provide transit passes for residents in newly developed communities, which could include new subdivisions or multiple unit buildings to offset the costs of providing transit.
Vehicle Registration Fees	A fee added to existing vehicle registration fees for all vehicles in HRM. Montreal and Quebec City receive approximately \$30 per year for each vehicle licensed in their regions.

Driver License Levy	A surcharge added to the renewal of driver's licenses in the region.
Vehicle-km fees	A fee based on the number of kilometers a vehicle is driven.
Utility levy	A levy added to utility bills in the region.
Personal Income Tax	A tax surcharge or premium added to the personal income tax of all residents that have access to public transit.
Land Transfer Tax	An additional fee associated with the transfer of land during the sale/purchase of land.
Employee Levy	A fee collected from employers in areas within walking distance of frequent transit service, based on the number of employees.
Payroll Tax	A fee collected as part of payroll for employees in the region.
Value Capture Levy	A levy on households in areas served by higher order transit services.
Advertising	An increase in the sources of advertising revenue.
Private Sponsorship Opportunities	Development of private sector sponsorship of targeted programs. An example is the UPass program in Metro Vancouver. A local financial institution contributed to the program to offset the discounts provided to students, in exchange for advertising/promotional rights.
Event Tickets	A surcharge on tickets to events that would allow the ticket holder transit service to and from the event.
Hotel/Room/Occupancy Tax	An increase to the existing hotel room tax with the additional funds being dedicated to public transit.
Car Rental Tax	A tax or surcharge collected on vehicle rentals.
Cargo Tax	A fee collected for each tonne of cargo being shipped in or out of the Halifax Port.
Taxi Fare levy	A levy or surcharge applied to taxi fares.
Traffic Citation Fees	Fees collected from traffic citations. These could take the form on surcharges on all traffic citations, or be specific to public transit related offences (failure to yield to bus, parking in bus stops).
Carbon Tax	In provinces where carbon taxes are collected, using a portion of the revenue to fund public transit.
Station Rents	A fee for occupying a space in close proximity to a transit facility.
Station Air Rights	A fee for occupying the space above a transit facility.

Resolution 4C

SUSTAINABLE TRANSIT FUNDING (PASSED)

⇒ Halifax Regional Municipality

WHEREAS public transit ridership is rising significantly throughout Canada, with an all time record 1.9 billion trips in 2010; and

WHEREAS transit systems across the country continue to expand their services to meet rising demand; and

WHEREAS effective public transit systems reduce traffic congestion and gridlock, which Transport Canada estimates cost Canadians up to \$4.6 billion per year; and

WHEREAS public transit systems have significant environmental health and economic benefits; and

WHEREAS increasing energy prices and concerns over carbon emissions are leading to increased demands on public transit systems; and

WHEREAS the availability of public transit is a significant factor in the continued independence of senior citizens and Nova Scotia has the highest proportion of senior citizens in Canada; and

WHEREAS municipalities are responsible for operational funding for public transportation in Nova Scotia; and

WHEREAS it is estimated that over \$105 million is needed annually to operate and maintain transit systems in Nova Scotia;

THEREFORE BE IT RESOLVED that the Union of Nova Scotia Municipalities and municipalities enter into discussions with the Province of Nova Scotia concerning the possibility of increased sustainable, predictable operating funding on an annual basis for public transit within the Province and/or providing municipalities with the means to raise funds for public transit outside property taxes and paid fares; and

FURTHER BE IT RESOLVED that the Union of Nova Scotia Municipalities urge the provincial government to re-engage in the provision of public transit in the Province of Nova Scotia and work with the municipalities to develop a Public Transit Strategy for the Province.

Background: *Examples of potential public transit funding sources outside of property taxes and paid fares include advertising, parking fees, capital cost levies,*

increased bridge tolls, vehicle registration tax and car rental tax, property value capture tax, cargo tax, sales tax, gasoline tax, carbon tax, employer tax, and room/occupancy tax.

Forwarded to:

*Minister of the Department of Transportation and Infrastructure Renewal
&
Minister of Service Nova Scotia & Municipal Relations*

RESPONSE:

Resolution 24A

PROVINCIAL TRANSIT FUND (PASSED)

- ⇒ Town of Kentville
- ⇒ Town of Wolfville
- ⇒ County of Kings

WHEREAS there is an increasing demand for transit services throughout Nova Scotia; and

WHEREAS municipalities may provide public transportation services under the Municipal Government Act; and

WHEREAS both the Province and municipalities are interested in reducing greenhouse gas emissions; and

WHEREAS municipal units have limited fiscal capacity and are unable to fund the deficits resulting from providing public transportation services; and

WHEREAS the Province has announced its intention to reduce the HST by one percentage point in 2014;

THEREFORE BE IT RESOLVED that the Union of Nova Scotia Municipalities work with the Province to establish a Transit Fund which would be used to match municipal spending on transit services; and

FURTHER BE IT RESOLVED that the Union of Nova Scotia Municipalities request that the Province establish the fund at an amount equal to one-half of the one per cent reduction in HST (approximately \$80 million per year); and

FURTHER BE IT RESOLVED that the Union of Nova Scotia Municipalities request that the Province consider redirecting a portion of the proposed HST reduction to fund the Transit Fund.

Forwarded to:

Minister of the Department of Transportation and Infrastructure Renewal

RESPONSE: