



PO Box 1749
Halifax, Nova Scotia
B3J 3A5 Canada

Item No. 3

Halifax Regional Council
March 3, 2009
Committee of the Whole

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:

A handwritten signature in cursive script, appearing to read "Dan English".

Dan English, Chief Administrative Officer

A handwritten signature in cursive script, appearing to read "Wayne Anstey".

Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: January 26, 2009

SUBJECT: Transit Funding Options

ORIGIN

The origin of this report is a motion by Halifax Regional Council Committee of the Whole, directing staff to return to Council with options to close the Operating Funding Gap in order to allow Metro Transit to expand service as contemplated in the 5 Year Approach to Transit Enhancements.

RECOMMENDATION

In order to begin to address the operating funding gap for Council's 5 year Approach to Transit Enhancements, it is recommended that Regional Council direct staff to:

1. Include a transit fare increase in the proposed 2009/10 operating budget.
2. Prepare future budgets and business plans on the assumptions contained within this report.
3. Initiate discussions with potential funding partners, such as the Province of Nova Scotia, to help enable sustainable transit operating funding.

BACKGROUND

At the November 18, 2008 Committee of the Whole, staff made a presentation outlining the current and proposed plans for Metro Transit. The presentation provided highlights of Metro Transit's operations and identified that current capital investments, planned over a 5 year period to fiscal year 2012/13, will lead to an estimated \$15.6 million Operating Funding Gap (Appendix A) if no new measures are undertaken to close the gap. Council directed staff to return early in 2009 with some options for them to consider to close the gap.

DISCUSSION

Over the past six years, Metro Transit has experienced unprecedented growth in ridership of more than 40%, with 2008/09 on target to carry in excess of 25 million customers. Most North American transit properties have experienced similar increases to demand due to changing economic factors, an increased emphasis on the environment, and dramatically higher fuel prices. However, Metro Transit's growth has outpaced most comparably sized operations. With the approval in April, 2008 of the 5 Year Approach to Transit Enhancements, Council signalled its commitment to the continued growth of the transit system within HRM. Council's subsequent approval of the 5 Year Operational Plan on October 21, 2008 ensures all future service expansion will be done within a strategic framework. The last component of a Comprehensive Transit Plan is the Operating Funding Plan.

In order to understand the scope of the funding gap, staff evaluated a wide range of service expansion options made possible by the additional transit vehicles to be acquired as set out in the 5 Year Approach to Transit Enhancements. A number of assumptions were made in order to estimate the costs:

- ▶ The funding gap is based strictly on expanded service and does not reflect normal base budget adjustments required in each year to account for normal cost escalations related to wages, salaries or goods, with the exception of the anticipated budget shortfall in 2008/09 due to fuel prices.
- ▶ All estimates are in 2009/10 dollars and have not been adjusted for inflation in future years.
- ▶ Recent moderation of diesel fuel prices has positively impacted the gap and based on current prices it has been decreased to an estimated \$14.6 million (\$3.4 million in 2009/10).
- ▶ As stated in November, the funding gap does not include any additional operating costs related to the proposed HarbourLink service. This will be addressed in the Business Case currently in development.
- ▶ The expansion vehicles would be fully utilized in order to meet the demand for service and optimize the use of an expensive asset.
- ▶ The identified funding gap is a "best guess" estimate of providing the expanded service and in subsequent years the estimates will be fine-tuned through the normal Operating Budget development process.
- ▶ Proposed taxation changes on transit (COW, December 16, 2009) have been treated as revenue-neutral.

Staff have developed a number of possible funding strategies for Council to consider. In developing these options, staff employed a philosophy of shared-pay and considered the options based on a phased implementation to match the incremental differences in each year of the Plan. Further, options were categorized as New Revenue Opportunities, Efficiency Opportunities or Internal Reallocation Opportunities as well as who has the legal authority to implement the proposed options and the Stakeholder group most affected. The options are broad estimates only and have been presented for discussion purposes only. All would require further analysis. The following Table 1 summarizes the various options and is by no means exhaustive:

Table 1: Funding Options

Category	Option	Legal Authority	Stakeholder Impact
New Revenue	Fare increase	HRM Council	Customers
New Revenue	Property Tax increase	HRM Council	Property Owners
New Revenue	Fuel Tax	Province	Vehicle Operators
New Revenue	Bridge Toll	Province	Bridge Users
New Revenue	Parking Tax - Meters	HRM Council	Meter Users
New Revenue	Capital Cost Charge	HRM Council	Developers/Property Purchasers
Efficiency	Attendance Support	Metro Transit	Employees
Efficiency	Deadheading - New Garage	Metro Transit	N/A
Efficiency	New technology	Metro Transit	N/A
Efficiency	Bridge toll - New Garage	Metro Transit	N/A
Efficiency	FRED - cost sharing	HRC	CBD Businesses
Internal Reallocation	Program Review	HRM Council	HRM Departments

Some of these options are relatively simple to implement and are within the realm of HRM (including Metro Transit) or HRM Regional Council to introduce. Ease of implementation does not imply that they would be without controversy and considerable public consultation would be necessary. Other options are outside of HRC's jurisdiction, such as a Fuel Tax levy, and are very complex and require legislative changes to introduce. Further, the recent approval in principle of changes in Transit Taxation requires time to assess and ultimately implement and is assumed to be a revenue-neutral process as stated above. The following Table 2 sets out one possible time line for implementation, mapped against the estimated incremental funding gaps:

Table 2: Phasing

	Year 2 2009/2010 *	Year 3 2010/2011	Year 4 2011/2012	Year 5 2012/13	Year 6 2013/14
Operating Funding Gap - Fiscal Year	\$2.6 million	\$7.2 million	\$3.6 million	\$2.2 million	\$0.7 million
Cumulative Operating Funding Gap	\$2.6 million	\$9.8 million	\$13.4 million	\$15.6 million	\$16.3 million
Options	Fare increase eff. July 1st/09 - 25 cents - \$2.6 million in 09/10 (\$3.4 million annually)	Efficiencies - various - Metro Transit \$0.5 million in 10/11 (\$1.0 million annually) Property Tax increase - TBD HRM Program Review - TBD (0.5% reallocated from HRM to Metro Transit ~ \$3.25 million) Cost Shared Services Province - various - TBD	Fare increase eff. July 1st/11 - 25 cents - \$2.6 million in 11/12 (\$3.4 million annually)	Parking Meters - TBD (\$2.5 million rec'd in FY 07/08) Property Tax increase - TBD	

* Residual costs of service expansion introduced in 2008/09 of \$4.1 million is not included in this total

BUDGET IMPLICATIONS

If accepted, the Proposed Operating Budget for 2009/10 will reflect both the Operating Fund Gap and the fare increase. Council will then be able to review and debate the Proposed Transit Budget and fare change.

Future budgets would be developed using the principles included in this report as well as any additional direction provided by Council before that time.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ATTACHMENTS

Appendix A: Backgrounder

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

Report Prepared by : Pat Soanes, General Manager Metro Transit, 490-6608



Report Approved by: Mike Labrecque, Director Transportation & Public Works. 490-4855



Report Approved by: Cathie O'Toole, CGA, Director of Finance, 490-6308

Appendix A Background

Transit Initiatives In HRM February 2009

Background

A strategic focus on transit and transportation planning has been a priority of Halifax Regional Council for many years. Recently, this priority has been enhanced by an increasing demand for service and an unprecedented growth in ridership. In the past six years, Metro Transit has experienced ridership growth of approximately 40 percent, resulting in more than 25 million passengers being served in the current year. This rate of growth continues to outpace most comparably sized operations in Canada.

Because of the continuing public demand for Metro Transit, improving transit has increasingly become a key deliverable for Council. Since the inception of Council Focus Areas (CFAs) in 2006/2007, transit has been an important piece of decision-making for Transportation and Infrastructure CFAs. This renewed focus has resulted in successful measures such as service improvements to existing routes, addition of new routes, the introduction of MetroLink and Upass, and enhancement to community transit.

In addition, transit has been and remains linked to many of the municipality's priorities and strategies, such as the regional plan, integrated transportation plan, and five-year capital plan.

Again, in planning for the 2009/2010 budget, enhancing transit service is front-and-center in the Transportation Council Focus Area.

Recent Service Enhancements

Over the past four years, Metro Transit service has grown more than 60 percent. Citizens in HRM would have seen some of the following service enhancement examples:

- Successful implementation of MetroLink from Cole Harbour and the Sackville Corridor;
- Transit U-Pass program at Saint Mary's University, Dalhousie University/University of Kings College, MSVU and NSCAD;
- Enhanced Woodside ferry service to help accommodate the new NSCC campus;
- Increased Sunday Service to meet the needs of citizens for Sunday shopping;
- New temporary Satellite Garage to service Access-A-Bus and MetroLink vehicles and equipment;
- Additional bus services, such as those introduced on the # 60 Eastern Passage route;
- New routes, such as #16 Parkland; and
- New transfer options for community transit.

All of this has been added to the Metro Transit service offering without any increased cost to passengers. In fact, Metro Transit has not introduced a fare increase since January 2005. At that time, cash fares increased from \$1.75 to \$2.00 and monthly passes increased from \$57 to \$60. This modest increase was intended to encourage more regular usage and reward regular customers.

New Service Provision

In April 2008, Council approved a new Five Year Approach to Transit Enhancements. The integrated transit planning undertaken by Metro Transit will see an investment of more than \$150 million in new capital and a corresponding growth in service of more than 175,000 service hours. This represents a further 25 percent growth over existing service levels. Some of the strategic priorities proposed for this new investment include:

- New Transit Garage;
- Rural Express;
- Additional MetroLink service;
- Downtown Shuttle;
- Local Rural Transportation;
- Harbor Link;
- Service Expansion;
- Security Improvements;
- Improved Fare Collection; and
- New/Upgraded Terminals.

Costs

The total cost of transit service in HRM is approximately \$65 million per year. Significant efforts have been undertaken on a regular basis to ensure any and all internal efficiencies have been realized. Strategic investments in technology, infrastructure and vehicles all have contributed to an efficient, effective system. The average age of HRM's fleet has improved by approximately 25 percent. Newer vehicles are more energy-efficient and reliable. Use of technology tools to develop transit schedules has ensured vehicles are used as effectively as possible to mitigate the need to acquire more vehicles.

In order to grow this service, offering a minimal transit fare increase is necessary. The cost of providing these new services requires a fare increase in 2009/10 of \$0.25, as well as a corresponding increase to monthly passes, which would be effective July 1, 2009 (if approved by Regional Council). It is important to note that fares do not cover the total cost of transit service. As with most Canadian Transit Systems, only 53 percent of Metro Transit's operating funds are generated through fares. The balance comes from property taxes. As noted in the table below, that transit fares in HRM remain below the average for communities of a comparable size.

2008 CUTA FARE STRUCTURE REPORT			
Transit System	Adult Cash Fare	Audlt Multi Pass	Adult Monthly Pass
Halifax Metro Transit	\$2.00	\$1.60	\$60.00
Hamilton (HSR) ON	\$2.40	\$1.85	\$79.00
Laval PQ	\$2.50	\$2.25	\$74.00
Victoria BC	\$2.25	\$2.03	\$73.25

HRM continues to examine potential revenue opportunities to offset additional fare increases.

Benefits

Adding transit service provides benefits to the municipality that go beyond direct service enhancements.

Environmental Benefits - Public transit is an important contributor to addressing climate change. On average, one person-kilometre travelled by an urban automobile produces more than three times as much CO₂ as one passenger-kilometre travelled on transit. Transit also reduces air pollution directly, by emitting significantly fewer pollutants per passenger-kilometre than a car, and indirectly, by helping to reduce traffic congestion in the urban core.

Economic Benefits - Efficient and effective public transit is essential to the movement of people and goods in an urban environment. A 2006 Government of Canada study estimated the cost of recurrent congestion in urban areas at between \$2.3 billion and \$3.7 billion per year.¹ Investment in transit is one of the best strategies for limiting congestion.

Mobility Benefits - Investment in accessible public transportation is a key to enhancing mobility for citizens. Mobility benefits include increased labour mobility for numerous economic sectors and increased personal mobility for individuals who choose not to drive or otherwise cannot reach work, school, shopping, health care, or other services by car. Ease of movement for residents is a direct contributor to citizens’ standard of living and quality of life.

Regional Planning Benefits - Land use planning and transportation are closely linked. A significant factor in the ultimate success of HRM’s Regional Plan is the development of an integrated transportation system, intended to improve traffic movements and shift the trend away from single occupant vehicles to other modes of transportation. Effective and accessible transit services is a vital piece of integrated transportation, allowing people to move more easily between home, work, and other destinations.

¹ Transport Canada, *The Cost of Urban Congestion in Canada*, 2006.

Community Consultation

Metro Transit has been engaging the community in a discussion about their needs and desires with respect to transit in HRM. In January, Metro Transit sent invitations to more than 168,000 residences throughout HRM asking them to complete an on-line survey. To date, more than 8,000 respondents have completed the survey, providing vital information about travel patterns that will help to guide our future direction.

Chronology of Recent Transit Reports

In April 2008, Halifax Regional Council approved a Five Year Approach to Transit Enhancements. Following is a chronology of reports to Council since that time. More information, and copies of the reports are available at www.halifax.ca.

- April 15, 2008 (deferred from April 8) - 5 Year Approach to Transit Enhancements
- April 29, 2008 - 2008/09 Budget Parking Lot Report
- May 20, 2008 - ecoMOBILITY Funding Applications
- June 17, 2008 - Municipal Government Act Amendment - Dartmouth Bridge Transit Terminal
- June 24, 2008 - 2008-09 Budgets and Business Plans for Area-Rated Services
- June 24, 2008 - Taxation of Rural Express Transit
- June 24, 2008 - Metro Transit Strategic Plan Update - Terms of Reference
- September 30, 2008 - Public Transit Funding Allocation (Information Report)
- September 30, 2008 - Site Selection for Satellite Transit Garage
- October 21, 2008 - Award - RFP No. 08-130 Supply and Installation of Mobile Surveillance Equipment for Metro Transit Vehicles
- October 21, 2008 - Award - RFP No. 08-129, Consulting Services - Metro Transit Strategic Plan Update
- October 28, 2008 - RFP No. 08-098 - Supply of Rural Transit Buses
- November 18, 2008 - Five Year Transit Plan Update (Information Report)
- November 18, 2008 - COW Presentation - Transit Overview
- December 9, 2008 - Replacement of Transit Vehicles for 2009-10
- December 9, 2008 - Early Tender Transit Vehicles
- December 16, 2008 - Public Transportation and Municipal Property Taxation
- February 10, 2008 - COW Presentation - Council Focus Areas - Transportation
- February 24, 2008 - Extension of Transit Service to Russell Lake West (Information Report)
- February 24, 2008 - Extension of Transit Service to Margaret Lorne Manor (Information Report)
- March 3, 2009 - Transit Funding Options