

January 12, 2010

PURPOSE/SUBJECT

The purpose of this report is to present 1) fare options and 2) associated property tax increases to the Commission for **APPROVAL**.

BACKGROUND

At its September meeting, the Commission considered a staff report on 2010/11 service and associated expenditures. As directed by the Commission, staff prepared a report on possible fare increases to help fund the service plan. The report provided background information regarding fares in the Victoria Regional Transit System and discussed issues and trends with respect to transit fares across Canada. Further to this discussion, the Commission approved the following motion:

It is recommended that the Victoria Regional Transit Commission direct staff to develop a tariff option for consideration at its next meeting that includes:

- a) a revenue increase of at least 11%*
- b) a single cash fare*
- c) removes day passes*
- d) introduces a reduced price off-peak pass*

At its October meeting, the Commission approved a tariff proposal for public consultation. The results of the consultation process have been presented to the Commission in a separate report on this agenda.

The Commission's share of the expenditures to support the service plan come from three main sources of revenue: local gas tax, property tax and fare revenue. As there are no changes in local gas tax, this report presents tariff options and associated property tax increases to fund the 2010/11 service plan.

DISCUSSION

Fare Overview

Fares in the Victoria Regional Transit System were last raised by the Regional Transit Commission on April 1, 2007. Adult regional fares were increased from \$2.00 to \$2.25. Passes and Discount fares were raised proportionately. The increase had no appreciable negative affect on ridership and ridership has continued to increase since the fare increase.

At the same time, in response to public requests, an open transfer system was implemented to allow passengers to take short two-way trips with payment of one fare. This change in policy is estimated to have reduced revenue by \$300,000 to \$600,000.

In April 2008, the Commission further revised the tariff structure to remove cash and ticket zone fares in response to requests from View Royal and others concerned about the equity of short trips crossing a zone boundary. This change in policy, which affected cash and ticket fares, is estimated to have reduced revenue by \$250,000 to \$500,000.

While revenues have increased due to rising ridership, the recent tariff changes have reduced the net revenue per boarding, as expected at the time of approval. Together, the open transfer system and the elimination of cash and ticket zone fares have resulted in a reduction of fare revenue potential by \$550,000 to \$1,100,000.

The existing fare structure is shown along with tariff options in the Attachment 1. As a result of comments received in the fare review process, staff have assessed tariff options and prepared three options for consideration. These are shown in detail as Option 1, 2 and 3 in Attachment 1 and summarized in Table 1 below.

Table 1 – Comparison of Major Fare Categories

	Existing Fares	Option 1 - As Proposed but with no off-peak pass	Option 2 – Option 1 with \$85 Monthly Pass	Option 3 – Option 2 with discount cash fares
Adult Cash Fare	\$2.25	\$2.50	\$2.50	\$2.50
Seniors and Youth Cash Fare	\$1.40	\$2.50	\$2.50	\$1.65
Seniors and Youth Ticket (10)	\$12.60	\$15.00	\$15.00	\$15.00
Adult Monthly Pass	\$73.25	\$90.00	\$85.00	\$85.00
Seniors and Youth Monthly Pass	\$42.00	\$52.00	\$52.00	\$52.00

Based on the consultation results, the proposed monthly off-peak pass has been deleted from all options. There was little interest expressed in this product from the public. In addition, there were operational questions regarding the administration of the pass during peak hours as the pass could be confusing to both drivers and customers.

Day passes have been maintained in all options. While use of the pass is limited, the product fulfills a niche role that serves the tourist market. Marketing staff have identified opportunities, particularly in partnerships with tourism related business that cannot be filled by other products.

The primary concern expressed through the fare review was that the rate of increase proposed for the monthly pass was too high. The monthly pass rate determines the UPASS and ProPass rates. The proposal increased monthly pass rates in two ways: along with the increase due to the cash fare rate, the proposal raised the equivalent trip rate from 32.5 to 36 (i.e. the pass price is the equivalent of 36 cash fares). Use data indicates that existing pricing is below average pass use of 42 trips per month.

Customers commented through the process that this increase was too large and would reduce the attractiveness of monthly passes. Accordingly, Option 2 reduces the price of the Adult Monthly Pass to \$85.00 per month, the equivalent of 34 cash trips per month.

There was a general concern over any increase in fares as it is counter to the objective of increasing transit ridership. There were also comments regarding the increase in cash fares for youth and seniors to create one cash fare for all passengers. Although most youth and seniors take advantage of deeply discounted tickets and passes, many of the comments imply that the discount remaining in tickets and passes was either not noticed or not thought relevant. Single cash fares are common in transit systems across Canada but cash fares in BC have traditionally included discounts for seniors and youth. Option 3 maintains cash fare discounts for students and seniors.

Revenue and Taxation

In September 2009, staff brought forward a preliminary service plan and budget for the Commission’s consideration. Over the last two years, service has expanded by 16%. The plan for 2010 includes a modest expansion in service but reflects the impacts of service increases implemented in September and December 2009.

	2009/10	2010/11
Hours	896,000	944,000
Expenditures	\$90,373,000	\$98,127,000

At the October Commission meeting, staff presented a preliminary operating budget. The Provincial budget day is March 2, 2010. Consequently, the final operating budget will be confirmed at the March Commission meeting. Including annualization, service hours for 2010/11 have increased 5.3% over 2009/10 hours. In combination with projected cost increases (e.g. fuel), and debt service, the budget increases by \$7.7 Million (8.5%) for 2010/11. With respect to debt service, federal gas tax transfers have now been fully utilized. Consequently, capital asset additions, including fleet, are now included at full cost.

Table 2 provides a forecast of the Commission’s Transit Fund balance for the year ending March 31, 2010. As detailed in table 2, the fund is projected to total \$1.8 Million at year end, providing approximately a 2.5% contingency relative to total Commission obligations.

Table 2 Transit Fund**VICTORIA REGIONAL TRANSIT SYSTEM
TRANSIT FUND****Projected as at December 31, 2009***(thousands)*

	Budget	Forecast	Variance	Expansion Projection
	2009/10	2009/10		2010/11
Fund Beginning Balance	\$2,075	\$2,075	\$ -	\$1,879
Commission Sources of Revenue:				
Conventional Revenue	34,166	33,002	(1,164)	37,501
Custom Revenue	390	340	(50)	377
Advertising	510	510	-	510
Local Taxation	27,882	27,882	-	29,917
Interest/Other	100	100	-	100
Total available funds	65,123	63,909	(1,214)	70,284
			-	
Commission Share of Expenses	(62,695)	(62,030)	665	(68,485)
			-	
Fund Ending Balance, March 31, 2010	\$2,428	\$1,879	(\$549)	\$1,799

To maintain the fund at this level of contingency and meet the local share obligations related to the increased service, requires a local share contribution of \$68,405,000.

Funding for the local share of transit expenses comes primarily from three sources; passenger revenue, local gas tax surcharge and property taxation. On-bus advertising contributes \$510,000 in revenue. There are no changes in 2010/11 fuel taxes or anticipated fuel consumption. Therefore, the forecast for 2010/11 is \$11.1 Million. The remaining \$56.7 million must be funded through passenger revenue and property tax.

Table 3 below presents the property tax and associated fare options to meet the funding obligation on \$56.7 million.

Table 3 – Passenger Revenue and Average Household Taxation

	Existing Fares	Option 1 - As proposed but with no off-peak pass	Option 2 – Option 1 with \$85 Monthly Pass	Option 3 – Option 2 with discount cash fares
Passenger Revenue	\$ 32,800	\$ 37,878	\$ 37,263	\$ 36,755
Advertising/Other	\$ 610	\$ 610	\$ 610	\$ 610
Fuel Tax	\$ 11,100	\$ 11,100	\$ 11,100	\$ 11,100
Property Tax	\$ 23,895	\$ 18,817	\$ 19,432	\$ 19,940
Local Share Requirement	\$ 68,405	\$ 68,405	\$ 68,405	\$ 68,405
Associated Property Tax Rate Per Average Household	\$ 116.78	\$ 91.40	\$ 94.48	\$ 97.02
Increase from 2009 Property Tax rate	\$ 31.28	\$ 5.90	\$ 8.98	\$ 11.52

The existing property tax rate is set at \$85.50 for the average household in the region. Depending on the fare option, the required increases in household property taxation range from \$5.90 (6.9%) in Option 1 to \$31.28 (36.7%) if there are no changes in fares.

For all options, the business multiplier is set at 5.0 consistent with the prior years. Increases in business tax range from \$91 under option 1 to \$450 if fares are not increased.

RECOMMENDATION

1. It is recommended that the Victoria Regional Transit Commission approve a tariff and property tax option that achieves a funding obligation of \$56.7 million.
2. It is also recommended that any fare increase be implemented April 1, 2010.

Respectfully,



Manuel Achadinha
President and Chief Executive Officer

Attachments
Attachment 1 – Tariff Options

Attachment 1 – Tariff Options

Fare Category	Current Fare	Option 1	Option 2	Option 3
REGULAR CASH	\$2.25	\$2.50	\$2.50	\$2.50
REGULAR TICKETS (10)	\$20.25	\$22.50	\$22.50	\$22.50
REGULAR MONTHLY PASS	\$73.25	\$90.00	\$85.00	\$85.00
REGULAR DAYPASS	\$7.00	\$7.75	\$7.75	\$7.75
SENIOR CASH	\$1.40	\$2.50	\$2.50	\$1.65
SENIOR TICKETS (10)	\$12.60	\$15.00	\$15.00	\$15.00
SENIOR MONTHLY PASS	\$42.00	\$52.00	\$52.00	\$52.00
SENIOR DAY PASS	\$5.00	\$5.50	\$5.50	\$5.50
YOUTH CASH	\$1.40	\$2.50	\$2.50	\$1.65
YOUTH TICKETS (10)	\$12.60	\$15.00	\$15.00	\$15.00
YOUTH MONTHLY PASS	\$42.00	\$52.00	\$52.00	\$52.00
YOUTH PASS (min. 6 month purchase)	\$28 per month	\$35 per month	\$35 per month	\$35 per month
handyDART CASH	\$2.25	\$2.50	\$2.50	\$2.50
handyDART TICKETS (10)	\$20.25	\$22.50	\$22.50	\$22.50
handyDART MONTHLY PASS	\$73.25	\$90.00	\$85.00	\$85.00
PRO PASS (Biweekly Payment)	\$29.02 Based on 10.3 times monthly pass rate over 26 pay periods	\$35.65	\$33.67	\$33.67
UPASS	\$73.25 (monthly pass rate) per student per term. At UVIC \$69.25 + \$4 per student per term from institution . At Camosun \$18.31 per month = \$17.31 + \$1 from institution	\$90.00	\$85.00	\$85.00
Family Pass	Up to 4 children aged 12 and under accompanied by Adult pass holder, ANYTIME			
Transfer	Transfer valid for up to 45 minutes after scheduled arrival time at end of line as determined by operator at time of issue			
Definitions				
Regular	All passengers unless otherwise able to demonstrate otherwise			
Child	5 years and under FREE			
Youth	6 to 18 years of age			
Senior	65 years of age and over			