

Transit Long Range Financial Plan Update

Technical Briefing for Members of Council

September 18, 2023



Transit Affordability Model

- The Transit Affordability Model is a comprehensive assessment of affordability based on a forecast of all transit-related revenues, operating costs and capital expenditures from 2023 to 2048:
 - Revenue: Fares, Transit Tax, Government Funding, Gas Tax, Development Charges
 - Operating Costs: Bus, Rail, Para Transpo, General and Admin
 - Capital: Transit (Bus, Rail, Para Transpo, Lifecycle), Infrastructure Services (Transit Structures), Transportation Planning (BRT, LRT, Transit priority projects)
- The affordability model is developed in support of the Long Range Financial Plan:
 - First Transit Long Range Financial Plan in 2011.
 - Interim updates in 2012 and 2013 to include Stage 1 contract costs, Stage 2 estimates and 2013 TMP.
 - 2017 and 2019 LRFP updated to include Stage 2 costs and Stage 3 to be funded 100% from government funding.
- Model time frame established to 2048 in order to account for one full lifecycle (30 years) of LRT vehicles and concession period for Stage 1 and 2
- Includes all capital projects identified in the 2013 TMP to 2031 and concept network to 2048.

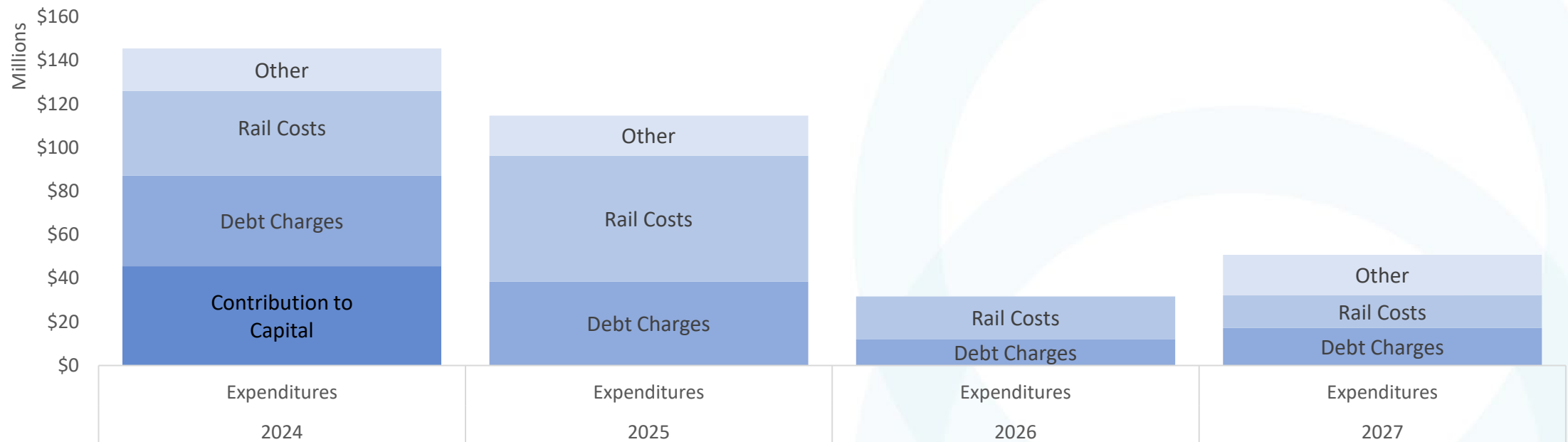
Adjusting to Economic Realities

- New economic realities have forced a drastic change in the model used to build the 2019 LRFP, including:
 - Pandemic shutdowns and the workforce shifting to a hybrid model has lowered ridership
 - Higher inflation for operating and capital
 - Higher interest rates means higher costs for incurred debt
 - Cost to operate rail is higher due to inflation, operating and oversight requirements.
- **The results of the modelling show an affordability gap that will need to be addressed**

4-Year Budget Pressure Projection

- The most significant budget pressures will be over the next two years.
- These are ongoing and cumulative pressures that cannot be solved with “one-time” solutions.
- The most significant pressure is coming from rail costs and debt charges.

Four-Year Operating Cost Forecast



The 2019 Affordability Model

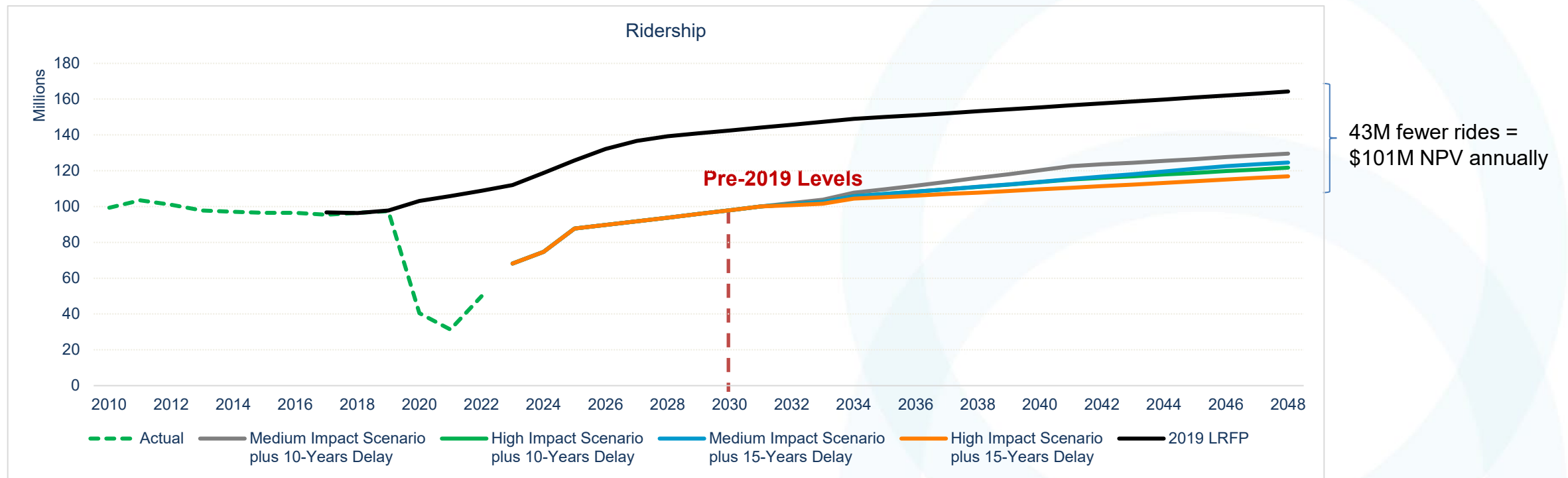
- Key assumptions in the 2019 model:
 - 2023 ridership estimated at 112 million rides
 - Transit Tax increase of 3%
 - Fare increase of 2.5%
 - Development charges at 80% of background study (i.e. 80% of \$72M annually = \$58M)
 - Stage 2 LRT updated to reflect increased cost of \$4.6 billion from \$3 billion
 - Stage 3 100% funded from senior level of government

2023 Updated Pressures (in Billions \$)

	Revenue F / (U)	Expense F / (U)	Net F / (U)	Explanation
* Fare Revenue	(3.7)		(3.7)	Ridership decline, fare freeze
Transit Tax	1.3		1.3	Increased in 2020-22 by 6.4%, 4.6% and 4.5% respectively
Gas Tax	(0.8)		(0.8)	Removed gas tax doubling (~ \$32M/yr)
* Federal Permanent Transit Funding	2.3		2.3	New funding announced \$75M/yr (estimated)
* Development Charges	0.9		0.9	Assumed 25% increase in fees in 2024
* Bus Costs		(0.5)	(0.5)	Higher Para costs & CLC, reduced bus hours
Rail Stage 1 and 2 Operating Costs		(1.4)	(1.4)	Cost of rail higher than expected
General and Admin Costs		(0.8)	(0.8)	Insurance, support positions, fare control system
* Stage 3 & Carling LRT Capital	8.6	(8.8)	(0.2)	100% government funding except readiness costs
* Stage 3 Operating	0.1	(1.2)	(1.1)	Ridership 2% increase, cost to operate \$64M/yr
* BRT Capital Costs	1.7	(2.6)	(0.9)	Include affordable network from TMP % 2/3 gov't funding
* Transit Priority		(1.0)	(1.0)	Added projects post 2031
Other	0.1	(0.9)	(0.8)	Stage 2 contingency, cost of renewal
Total	10.7	(17.3)	(6.6)	

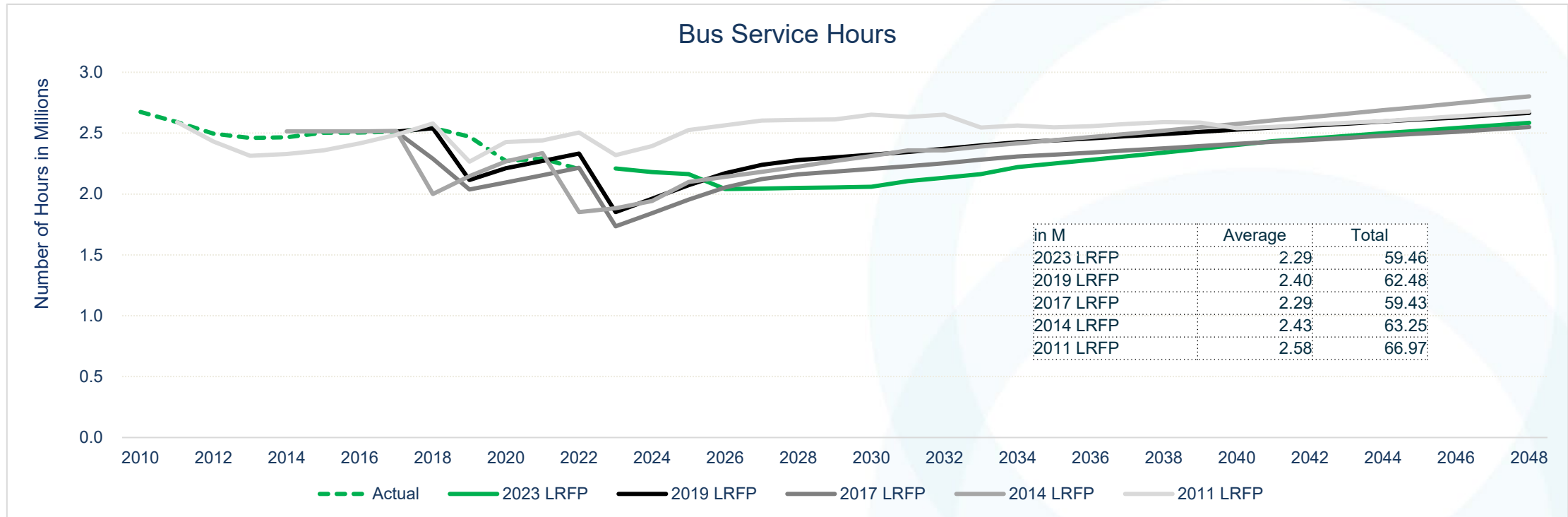
Ridership 29% Lower & Fare Revenue Decreased \$3.7B

- Ridership is based on the “High Impact Plus 10-Year Delay” scenario:
 - Average 43 million fewer riders per year which is 29% lower than the 2019 LRFP
 - The fare revenue is now \$3.7 billion lower which equates to \$141M per year (\$100M NPV)
 - Fare freezes in 2020 and 2023 had a \$430M impact on the model.



Bus Costs – Increased \$0.5B

- Para Transpo costs increased \$0.5B to align with growth in ridership
- Canada Labour Code changes added \$0.5B
- Conventional bus service hours lower by 5% decreasing costs by \$0.5B or \$21M per year (\$14M NPV)



Stage 3 LRT – Increased Operating \$1.1B

- The LRFP assumes Stage 3 construction is 100% funded from senior levels of government.
- The cost of operating Stage 3 however would add an annual budget pressure of \$64M with only small offsetting bus savings.
- Ridership is estimated to only increase slightly by 2% or \$5M

Stage 3 LRT in \$M and 2023\$	Annual Rail Operating Cost
ASP MTC, SPV & Insurance	40.9
Facilities	7.0
Fare control system	5.5
Operators	5.2
Vehicle Power	3.0
Support	2.5
Total Cost	64.1

Stage 1 & 2 Rail Costs

- This table shows the change in Rail costs (\$M) between the 2023 LRFP and 2019 LRFP for year 2027 which is the first full year of Stage 2.

in \$M and inflated	Year 2027		Change F / (U)
	2023 LRFP	2019 LRFP	
Rail support costs	18.6	10.4	(8.1)
Confederation Line			
RTM Maintenance Payments	102.2	94.4	(7.8)
Operators	18.8	13.8	(5.0)
Energy	22.9	20.3	(2.6)
Facilities & Other	3.2	-	(3.2)
Subtotal	147.2	128.5	(18.7)
Trillium Line			
TNEXT Maintenance Payments	20.4	14.5	(5.9)
Operators	6.7	5.4	(1.2)
Energy	15.5	6.6	(8.9)
Facilities & Other	2.3	-	(2.3)
Subtotal	44.9	26.5	(18.4)
Total	210.7	165.5	(45.2)

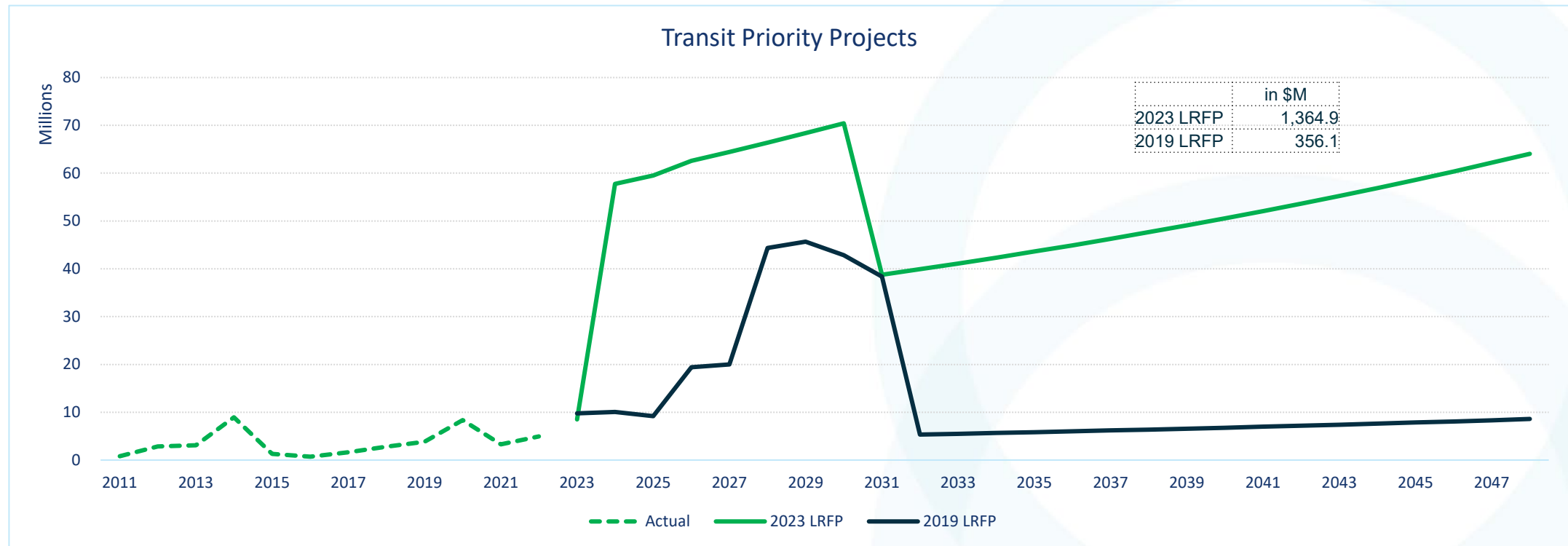
Bus Rapid Transit – Increased \$0.9B

Bus Rapid Transit Projects in \$M	2019 LRFP 2017\$	2023 LRFP 2023\$	TMP Update (Preliminary) 2023\$
Baseline Transit Corridor (Baseline Station to Heron Station)	137.2	250.0	270.0
Cumberland Transitway (Blair Road to Chapel Hill)		195.8	230.0
Baseline BRT (Baseline Station to Bayshore Station)		188.5	236.3
Heron BRT (Walkley to Innes)		175.3	221.2
Cumberland Transitway (Chapel Hill to Tenth Line)		140.8	150.0
Cumberland Transitway (Tenth Line to Frank Kenny)		140.8	150.0
Kanata North Transitway (Corkstown to Solandt)	98.5	126.8	135.1
Heron BRT (Heron Station to Walkley)		112.5	140.8
Cumberland Transitway (Blair Station to Innes Road)		100.5	127.5
Hospital Link (Hurdman to St. Laurent to Blair at Innes)		95.9	182.5
Old Montreal Road BRT (Trim Road to Frank Kenny) ¹		71.7	71.7
Kanata North Transitway (Terry Fox to Maxwell Bridge)		69.5	73.7
Southwest Transitway Extension (Chapman Mills to Cambrian)		55.0	55.0
West Transitway (Hazeldean to Fernbank)		44.1	44.1
Kanata North Transitway (Solandt to Terry Fox)		35.3	36.9
Chapman Mills (Chapman Mills to Highway 416) ¹		35.3	35.3
Southwest Transitway Extension (Cambrian to Kilspindie P&R) ¹		25.7	25.7
Riverside South Transitway (Limebank O-Train Station to Riverview P&R)		23.2	25.2
Chapman Mills (Longfields to Greenbank)		17.0	10.0
Chapman Mills (Greenbank to Strandherd Connection)		13.2	13.2
West Transitway - March Rd to Terry Fox	29.0	-	-
Total	264.7	1,916.7	2,234.2
Grant revenue based on 2/3 funding from senior levels	(176.5)	(1,277.8)	(1,489.5)
Net City Cost - excluding inflation	88.2	638.9	744.7
¹ identified in the 2013 TMP as conceptual only			

- The Affordability Model assumes 2/3 funding from senior levels of government for BRT, which has not materialized to date.
- Most recent TMP escalation estimates are higher than what is included in the in this update.

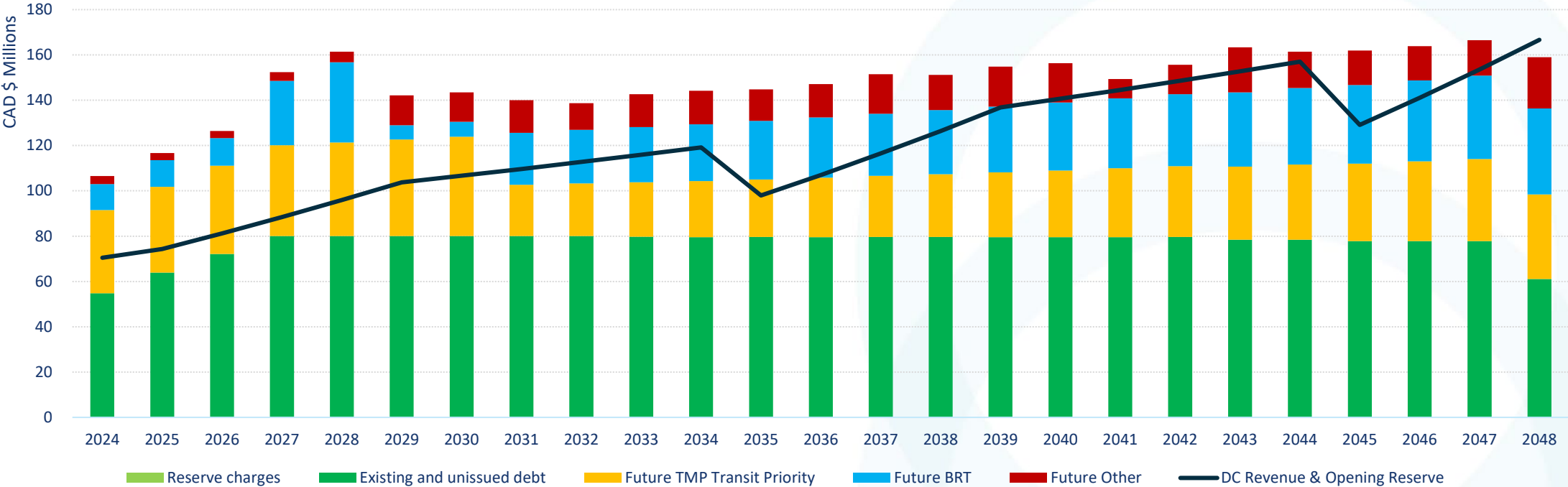
Transit Priority Projects – Increased \$1B

- The forecast for Transit Priority projects has increased from \$0.4B in the 2019 LRFP to \$1.4B to align with what was planned in the 2013 TMP affordable network.
- The chart below shows the annual forecast to 2048 along with the actual spend since 2011
- There is a need to catch up by 2031 just to construct the affordable network.



Development Charges – Increased \$0.9B but leaves \$1.0B Deficit

- We are currently charging an insufficient amount for Transit development charges
- The 2023 model assumes a 25% increase in the Transit DC rate which does not even cover the cost of Stage 2.



Levers to Affordability

- Affordability cannot be achieved by changing only one lever, it needs to be a combination of levers:
 - Transit Tax
 - Increase capital contribution
 - Transit Fares
 - Operating cost reduction
 - Stage 3 opening
 - Development Charges increased
 - Change LRT to BRT or Transit Priority Projects

Other Options

- Expansion of Urban Transit Area or some contribution to urban transit costs from rural areas
- Doubling of Provincial Gas Tax
- Government Funding to address funding gap
- Provincial funding similar to Metrolinx / GO Transit in the Toronto area
- Other Sources of Revenue (e.g. municipal vehicle registration fees, ride-hailing fees, private parking levies, land value capture, sale of development rights at transit stations, road tolls, cordon (area) charges, and mobility charges)

Next Steps

- 2024 and 2025 Transit Capital and Operating Budgets
- 2024 Development Charge Background Study
- Transit Asset Plans
- Transportation Master Plan
- Transit Oriented Development Plans
- Stage 3 LRT Plans
- Zero Emission Bus Program
- Climate Change Master Plan Updates
- 2025 Transit Long Range Financial Plan

Questions?