



Corporate Report

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DATE: May 28, 2009

TO: Chair and Members of Budget Committee
Meeting Date: June 9, 2009

FROM: Martin Powell, P.Eng.
Commissioner of Transportation and Works

SUBJECT: **Transit Ridership Growth Strategy Reductions and
2010 Fare Increase**

RECOMMENDATION: That the reductions proposed in the Transit Ridership Growth Strategy Reductions and 2010 Fare Increase report dated May 28, 2009 from the Transportation and Works be approved for inclusion in the development of the 2010 Budget.

BACKGROUND: The 2009 Transit Operating Budget included the resources to provide an additional 87,500 annual hours of service. The required funding of \$4 million was allocated from the City's provincial gas tax revenues and allowed year 2 of the Ridership Growth Strategy (RGS) to complete in March 2009 and year 3 to start in May 2009. The new service hours were distributed between new services to be added in 2009 and the full year impact of service that commenced in 2008.

The credit market meltdown and accompanying recession has adversely impacted transit ridership and revenues. Some routes in the industrial areas of Dixie and Tomken have seen ridership drops of up to 25% in the first four months of the year while as a system, ridership is down 6% in the same period.

In this economic environment additional service is unlikely to attract the expected new ridership leading to a declining revenue/cost ratio for the transit service.

A colder winter with more snow in January, coupled with a second fare increase in 11 months on January 25, 2009 are believed to have contributed to the drop in ridership.

The current state of the economy as well as the decline in ridership necessitated a review of the next fare increase anticipated in the original 2010 forecast.

COMMENTS:

Ridership Growth Strategy Reductions

In response to declining demand and revenues, Mississauga Transit has scaled back RGS year 3 implementation and proposes significant reductions to year 4. The year 3 and 4 plans foresaw the implementation of pre-BRT express services, core service enhancements and off peak/weekend service improvements. The revised plan provides for pre-BRT services during rush hours and minor improvements to core routes, again, during the rush hour only. Service additions during rush hours are the service periods most likely to attract additional ridership. There is no provision for off peak/weekend service improvements of any type in this service reduction plan.

The revised plan will defer planned service hours by reducing 17,500 hours in 2009 and 52,500 hours in 2010. Similar changes to the year 4 plan reduce it by 67,500 hours. The following table shows the changes to years 3 to 5 of the RGS.

RGS Year	Calendar Year	Planned hours	Revised hours
2-3	2009	87,500	70,000
3-4	2010	87,500	35,000
4-5	2011	87,500	20,000

2010 Fare Increase

The 2009 fare increase, the second in 11 months, is likely a contributing factor to the ridership decrease in 2009. Furthermore, as a result of the TTC's decision to hold off on a fare increase in 2009, Mississauga Transit's fares are currently higher than the TTC's in the cash and ticket categories. The revised RGS plan allows \$1 million in provincial gas tax funding to be utilized in lieu of another fare increase in 2010.

STRATEGIC PLAN: Ridership Growth Strategy is the main initiative in the Transit Service Area Business Plan that supports the strategic pillar of Developing a Transit Oriented City. It addresses the following goals:

- connect our City
- build a reliable and convenient system
- increase transportation capacity

FINANCIAL IMPACT: The 2009/10 Business Plan and Budget projected that the annual provincial gas tax funding of approximately \$15.5 million would be fully absorbed in 2010 and that property tax funding in the amount of \$4.3 million would be required to fund the full cost of the 2010 RGS improvements, including the carryover portion into 2011. Any additional growth in 2011/12, year 5 of the RGS, would also need to be fully funded from property taxes.

The annual provincial gas tax allocation is based on fuel sales (2 cents/litre) and fluctuates with gas prices and the economy both which impact consumption. The distribution is governed by a formula that considers population and annual ridership which is also impacted by the economy. Although Mississauga received \$15.8M in gas tax funds for 2009, future amounts could be lower.

The revised plan extends the RGS implementation times and allows provincial gas tax to fund all service improvements in 2010 plus cover the full year impact in 2011. It also allows \$1 million in provincial gas tax funding to be utilized in 2010 in lieu of another fare increase.

The service increases in 2010 are minimal allowing the 15 growth buses to be put in service for rush hours only and there are no improvements planned in 2011.

CONCLUSION:

The revised RGS plan eliminates the requirement to fund additional service from the property tax base and defers an anticipated fare increase for riders in 2010. However, service increases in 2009 are scaled back, 2010 improvements are limited to rush hours and there are no service additions in 2011.

Martin Powell, P.Eng.
Commissioner of Transportation and Works

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