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The Regional Municipality of Durham Report

To:	Finance and Administration Committee
From:	Commissioner of Finance
Report:	#2023-F-5
Date:	February 14, 2023

Subject:

Transit Service and Financing Strategy (2023 – 2032)

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

A) That the 10-year plan to phase investment in transit service enhancements, electrification, and new facilities and amenities be approved in principle subject to annual investment approvals through the Region's business planning and budget process, and that the 10-year plan be reviewed every four years or earlier as necessary in consideration of new information that may impact plan delivery, financing and timelines;

B) That given the current level of funding to Durham Region Transit supports a significantly lower service level than that provided by our comparators, and that the 10-year plan requires a long term, not a one year commitment, to achieve the outcomes needed, that annual incremental increases for Durham Region Transit be acknowledged at a starting increase of approximately 2 per cent per year on the overall Regional tax levy with a goal to incorporate new funding opportunities that may arise annually to smooth annual tax levy impacts where possible;

C) That staff enhance advocacy for sustained, incremental, targeted funding from the Provincial and Federal governments to support the funding gaps identified in this 10-year plan;

D) That the General Manager of Durham Region Transit and the Commissioner of Finance be authorized to implement a 2023 charter service rate for standard 12 metre transit buses on a cost recovery basis at $925.00 per hour for a minimum four hour booking, with a rate of $505.00 for each additional bus and $130.00 for each additional hour;

E) That the proposed DRT Fare Structure listed in Attachment 2 of this report be approved establishing a base adult fare and associated discount or trip rates for each fare category ensuring the proportional application of any future adjustments to the base fare is maintained; and

F) That DRT fares be adjusted with a $0.10 increase to the base fare to take effect on July 1, 2023 as detailed in Attachment 2 of this report.

Report:

1. Purpose

1.1 This report provides a comprehensive multi-year plan for Durham Region's transit services and financing strategy, including consideration of key strategic priorities over the next ten years encompassing transit service enhancement and growth, fleet electrification, new infrastructure and passenger amenities, and fare modernization.

1.2 As Durham Region emerges from the COVID-19 pandemic, public transit will play a critical role in its recovery helping connect people to employment and educational opportunities, supporting travel to shopping, dining and tourism destinations, and ensuring that Durham's at risk residents have access to the essential mobility services and supports they require. Rapid transit expansion, including Bus Rapid Transit construction and new GO Stations, is planned to be an economic catalyst creating jobs and spurring transit-oriented development that includes affordable housing within dynamic and inclusive communities. DRT service enhancements and innovations will ensure transit is a real option for more and more Durham residents and visitors, helping to reduce traffic congestion and the resulting wear and tear on Region and local municipal road infrastructure. DRT's E-Mission Zero Fleet Electrification Plan will showcase Durham's leadership in transitioning to zero greenhouse gas emission technologies offering cleaner and quieter vehicles.

1.3 Elevating transit as a priority within Durham to meet existing customer expectations, attract new customers, and ensure the Region's overall competitiveness to support economic and population growth will require significant investment by the Region. This report provides a forecast of DRT investment requirements necessary to achieve Durham's priorities and goals as a rapidly growing, economically competitive and livable region. The current 10-year forecast leverages all known and available federal, provincial and Region funding and financing sources. However, a significant funding gap has been identified from 2024 to 2032 that will require various priorities to be strategically phased, given forecasted financial constraints and opportunities.

1.4 Implementation of the 10-year Transit Service and Financing Strategy will be subject to approval of annual investments through the Region's business plans and budget process, and will be reviewed every four years, or sooner, as additional information and funding opportunities become available. However, it is acknowledged that ongoing incremental property tax increases will be required annually at a starting increase of approximately 2 per cent per year on the overall Regional tax levy. Further financial investments will be required, such as those available through the federal permanent transit fund to be implemented in 2026/27, to achieve the transit vision outlined in this plan.

2. Background

2.1 Durham Region's 2017 Transportation Master Plan requires DRT and public transit to significantly contribute to addressing the Region's transportation needs through 2031, recognizing the role of transit in "building a healthier and more inclusive community".

2.2 Improving access to transit and providing a frequent and reliable transit network is also instrumental to advancing other strategic priorities of Durham Region, including the Economic Development Strategy and Action Plan, Multi-year Accessibility Plan, Age-Friendly Strategy and Action Plan, Community Climate Change Local Action Plan, and the Community Energy Plan.

2.3 Regional Council has supported transit through annual investments to support current service delivery levels. Significant investment is required over the forecast period to increase transit service levels to align with Transportation Master Plan targets and transit investment levels in other GTHA municipalities as this report moves the Region and DRT beyond a business as usual strategy but rather a fundamental shift in service delivery.

2.4 Transit in Durham has also been supported by federal and provincial government funding, including:

- Investing in Canada Infrastructure Program (ICIP) Transit Stream funding – The Region's allocations under this program includes approximately $95 million in federal funding and $79 million in provincial funding that, when combined with $63 million in Regional contribution, results in $237 million in total program-eligible transit investment in Durham. Eligible ICIP project costs are cost shared at a rate of 40 per cent federal, 33.33 per cent provincial and 26.67 per cent municipal responsibility. Ineligible ICIP costs are 100 per cent Regional responsibility and are estimated at $31.17 million including approximately $26.51 million in land acquisition costs for Bus Rapid Transit projects and $4.655 million for the demolition of DRT's Raleigh administration building;

- Canada Community-Building Fund (formerly known as the Federal Gas Tax Fund – DRT has received $12.1 million in federal funding from the Region's annual Canada Community-Building Fund allocations since 2019 to support the acquisition of its first battery electric buses and charging infrastructure;

- Provincial Gas Tax – Durham Region receives approximately $9.0 million in annual gas tax revenues from the Province to support public transit. In past years, DRT has used this funding to support fleet replacement, state of good repair needs and an allocation to fund ongoing operating costs; and,

- Safe Restart Agreement - The federal and provincial governments have made available pandemic recovery funding to municipalities and transit agencies under the Safe Restart Agreement to assist with the impacts of lost revenue and pandemic-related expenditures (e.g., enhanced vehicle cleaning, personal protective equipment, bio-shield installations for bus operators). Since 2020 DRT has received a total of $30.85 million in Safe Restart funding through December 31, 2022. It is unknown at this time whether additional Safe Restart funding will be made available to transit agencies in 2023 and beyond despite the ongoing financial impacts on transit agencies as ridership continues to recover.

3. Previous Reports and Decisions

3.1 The Durham Region Transportation Master Plan was approved by Region Council on December 13, 2017 (Report #2017-COW-268).

3.2 The Durham Region Transit Fare Strategy, describing DRT's five-year objectives with respect to its overall fare structure and transition to electronic fare payment channels, was approved by TEC at its meeting on December 4, 2019 (Report #2019-DRT-25).

3.3 A report recommending the extension of DRT's Transit Assistance Program (TAP) for customers in receipt of Ontario Works or Ontario Disability Support Program assistance (Report #2021-DRT-06) through April 2023 was approved by TEC on April 7, 2021.

3.4 On June 23, 2021, Regional Council approved Report #2021-COW-12 which proposed a design for endorsement as the Preferred Technical Option for Metrolinx to advance the Transit Project Assessment Process (TPAP) for the Durham Scarborough Bus Rapid Transit Study. Subsequently, through Report #2021-F-24, related adjustments to the financing strategy of the Region's share of Investing in Canada Infrastructure Program (ICIP) - Transit Stream Bus Rapid Transit (BRT) projects were approved by the Finance and Administration Committee on September 14, 2021 and by Regional Council on September 29, 2021. Information on the status and financing of all ICIP – Transit Stream projects was last provided through Report #2020-DRT-20 (October 7, 2020) and Report #2020-F-19 (October 28, 2020).

3.5 DRT's The Route Ahead 2022-2025 Service Strategy (Report #2021-DRT-20) was approved by TEC at its meeting on September 8, 2021 to inform the planning and implementation of transit services during the pandemic recovery period to support mobility needs of Durham residents and businesses.

3.6 At its meeting on December 8, 2021, TEC received a report on ridership growth potential through accelerated investment in revenue service (Report #2021-DRT-32) describing potential options for public transit service enhancements above and beyond historical annual service increases to achieve service levels comparable to peer jurisdictions.

3.7 At the June 8, 2022, TEC meeting, the June 14, 2022 Finance and Administration Committee meeting, and the June 29, 2022 Region Council meeting, DRT's E-Mission Zero Fleet Electrification Plan (Report #2022-DRT-10 and Report #2022-F-16) to transition all revenue and non-revenue fleet vehicles to zero greenhouse gas emission technologies by 2037 was endorsed and referred to DRT's long-term servicing and financing strategy to be presented to Committee and Council in advance of the 2023 Business Plans and Budget.

3.8 Region Council approved the new Regional Transit Development Charge By-law (Report #2022-F-15) at its meeting on June 29, 2022, with new residential and non-residential rates taking effect on July 1, 2022 which, under changes to the Development Charges Act from Bill 23 (More Homes Build Faster Act, 2022), were reduced by the new phase-in requirements (e.g. reduction of 20 per cent effective November 28, 2022, 15 per cent effective July 1, 2023, 10 per cent effective July 1, 2024, 5 per cent effective July 1, 2025) with full development charges fees not applicable until July 1, 2026.

3.9 At its meeting on December 22, 2022, Region Council approved a report (Report #2022-COW-33) endorsing staff-level feedback and recommendations on Bill 23 (More Homes Built Faster Act, 2022). The report noted that the various reductions and exemptions included in Bill 23 will require a larger portion of infrastructure costs to be paid from property taxes and water and sewer user rates, impacting both existing residents and businesses. Under Bill 23, the Region's transit development charges are subject to a mandatory five-year phase-in which applies to new by-laws established on, or after, January 1, 2022. This is estimated to have a $6.3 million negative impact on transit development charge funds between 2023 and 2027.

3.10 On February 1, 2023 Regional Council approved Report #2023-F-2 authorizing staff to undertake the public process required to establish a new Region-wide Development Charge By-law and to amend the Regional Transit Development Charge By-law to ensure policy alignment between the two by-laws.

4. Transit Service and Financing Strategy – Strategic Priorities

A Foundation for Success

4.1 Realizing the full benefits that transit can offer means putting in place an essential foundation for its success. Strong land use policies are key to promoting and incentivizing growth at transit stations and corridors, ensuring the locations where we live, work and shop are all within easy distance and access to transit options that maximize existing infrastructure. It helps grow demand for the service, establishing the fiscal and operational case for increased service frequencies, and strengthening the return on investment. Mixed land use and successful transit are further bolstered by a grid-like road network with high connectivity, including a robust multi-modal pedestrian and cycling system making it easy to access transit stops and stations.

4.2 Conversely, land use polices enabling continued low density greenfield expansions necessitate the linear extension of service and infrastructure into new peripheral subdivisions. Public transit service must travel longer distances to pick up fewer passengers, incurring higher operating costs to maintain existing service. Circuitous or dead-end roadways can further increase walking distances, and ultimately reduce the share of trips that are made by transit. The potential for ridership growth is low as is the return on the public transit investment. In the absence of sustained and growing ridership that supports increased service frequency, the service must rely on higher property tax subsidy levels to be sustained, or alternative service delivery models where fixed-route ridership at a regular frequency cannot be supported.

4.3 DRT is committed to ensuring that transit is offered equitably to all residents of Durham, however, at 2,500 square kilometers, its service area is vast relative to other transit agencies (largest of all GTHA transit systems). On average, DRT buses travel approximately 70,000 kilometers per year, accumulating a total of 14.5 million kilometers across the fleet annually.

4.4 The frequency and span of transit service remains tied to land use and road design, which directly contribute to transit demand. The continued outward expansion of low density developments will exacerbate this challenge, requiring longer trips, leading to more fuel consumption and added wear and tear on DRT’s fleet. DRT continues to work with the Region’s Planning and Economic Development Department, local municipal planning departments and Metrolinx, to advise on land use planning studies and development applications. The objective is to ensure that development is transit supportive, optimizes transit infrastructure, and can enable the provision of transit service for residents and businesses across Durham Region without placing added pressure on property taxes and/or fares to sustain and grow service levels. This is even more critical in light of recent changes resulting from Bill 23 (More Homes Built Faster Act, 2022) placing responsibility for land use policies focusing growth and intensification at transit-supportive locations entirely with local area municipalities.

Ridership Recovery and Outlook

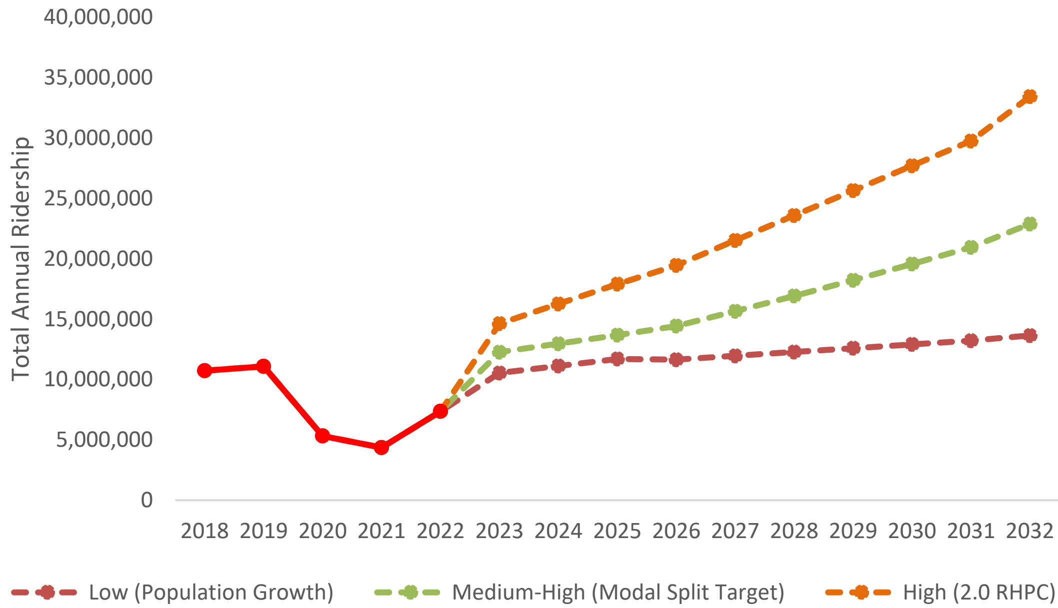
4.5 The COVID-19 pandemic had significant impacts on public transit in Durham Region and across Canada. In 2019, DRT realized its highest ever annual ridership totalling more than 11 million rides. The arrival of COVID-19 in March 2020, and the introduction of public safety measures that limited all but essential travel, contributed to a substantial and swift reduction in DRT ridership levels. Annual ridership for 2020 fell more than 50 per cent from 2019. 2021 ridership, the first full year of the pandemic, saw ridership at 40 per cent of 2019 levels. 2022 ridership has revealed more positive signs of recovery, reaching 66 per cent of 2019 levels for the year (including more than 80 per cent of 2019 levels in December). Weekly ridership in January 2023 has reached over 90 per cent of pre-pandemic levels.

4.6 DRT fare revenues experienced a similar decline throughout the pandemic, which included a three-month fare suspension from late March 2020 through June 2020 due to safety considerations for DRT employees and customers, and a 15-month suspension of the U-Pass agreement with Durham's post-secondary institutions. 2020 and 2021 fare revenues were down more than 50 per cent compared to 2019 levels. Consistent with ridership trends, 2022 has signalled indications of recovery. 2022 fare revenues exceed budget targets achieving 70 per cent of 2019 levels (with fare revenues topping 80 per cent in the fourth quarter of the year).

4.7 During the pandemic DRT took steps to adjust transit service levels in accordance with reduced demands to manage the fiscal impacts on the Region. This included expanding DRT's On Demand service across all rural areas and lower demand urban areas to ensure all Durham residents continued to have access to public transit service. DRT's On Demand service now supports an average of 3,000 weekly trips, and has been recognized by the Association of Municipalities of Ontario and U.S.-based Metro Magazine with awards for innovative and cost effective mobility solutions that improve service for customers.

4.8 Looking forward, reliable and accessible public transit will be critical to DRT's future. With uncertainty remaining with traditional commuter markets (particularly travel to key employment areas such as downtown Toronto), the focus remains on Durham's local market. DRT is anticipating reaching and exceeding pre-pandemic level ridership by 2025. Ridership growth over the next decade will be tied closely to the level of service investment made, and the objective to raise the level of transit service available in Durham on a revenue hour per capita basis to be more competitive with other GTHA jurisdictions such as Brampton and Mississauga (i.e., 2.0 revenue hours per capita). Service level growth in line with the Council approved Transportation Master Plan is presented in Figure 1 below as a mid-range scenario that would see ridership grow to more than 22.9 million annually by 2032, more than double DRT's peak ridership of 11.1 million in 2019 and reaching a revenue hour per capita of approximately 1.4. Service investment to achieve this scenario has been reflected in the financial modeling for this plan.

Figure 1: 10 Year Ridership Forecast Model



4.9 Realizing this level of transit ridership growth over the next decade will require not just investment in service levels, but the development of key rapid transit infrastructure supporting frequent and reliable connectivity throughout Durham's transit network. This includes station development along with the extension of GO's Lakeshore East train service to Bowmanville, continued construction of the Durham Scarborough Bus Rapid Transit priority infrastructure on Highway 2, and advancement of higher order transit along Simcoe Street in Oshawa. Also key is transit supportive land use and development decisions that direct and incentivize growth at transit station areas and along transit corridors.

Service Enhancement

4.10 The need for increased investment in transit service and infrastructure marks the ongoing transformation of DRT from a small, young transit system serving individual municipalities, to a large regional transit system delivering an integrated network of mobility services to one of Canada's fastest growing and dynamic municipal regions with a population expected to grow to nearly one million by 2031.

4.11 Common customer concerns raised with current transit service levels in Durham Region relate to long wait times in certain areas, lengthy walking distances to access a bus stop, lack of enough routes or limited service span (i.e. start and end times for service), as well as concerns with service reliability. Customers expect that the level of transit service in Durham Region rivals those of transit agencies elsewhere in the GTHA.

4.12 For Durham Region, service enhancement will be integral to economic development and competitiveness on an international level by enabling seamless and timely travel to employment opportunities within the Region, such as the Seaton employment lands and federal airport lands in Pickering, the Courtice Energy Park in Clarington, and other existing and developing employment centres across the Region. The Toronto Region Board of Trade, in its November 2021 report “Next Stop Building Universal Transit Access”, recommended the launch of region-wide 10-minute frequency service standards to enable “turn up and go” travel on all major routes ensuring that all residents of the region have access to jobs, education, and other opportunities.

4.13 Key to meeting these expectations is the number of revenue service hours that DRT is budgeted to deliver each year. Figure 2 shows DRT annual ridership from 2006 through 2021 (represented by the bar chart) overlayed with the annual revenue service hours (represented by the line graph). A clear relationship is evident in the chart between the number of service hours delivered and total ridership. During the six-year period of 2006-2012, revenue service hours increased by 33 per cent, with a corresponding ridership increase of 48 per cent. Over the six-year period of 2013-2019, revenue service hours increased by seven percent, with ridership growth of four per cent.

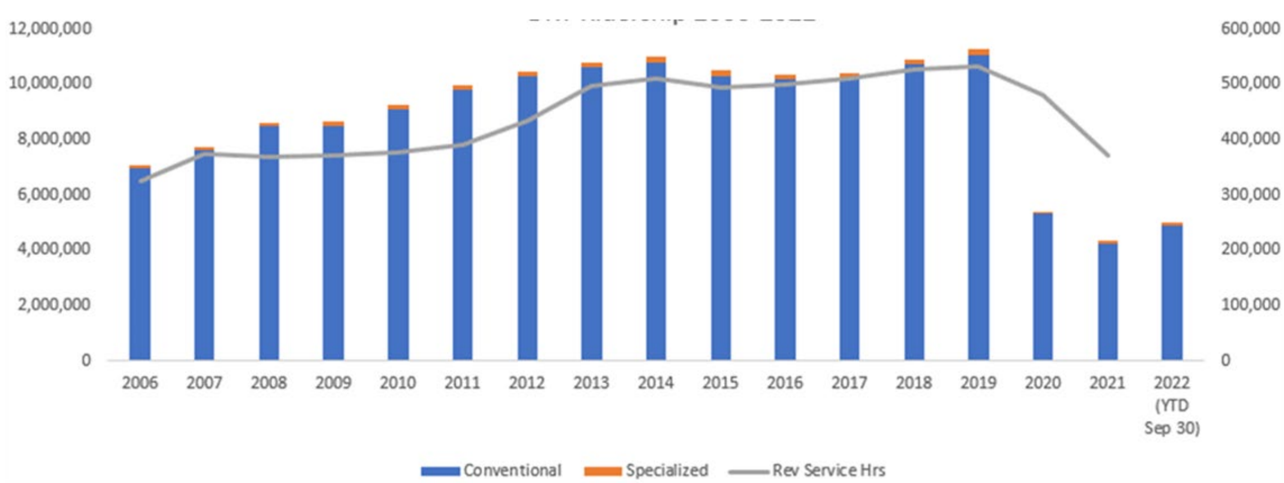


Figure 2: DRT Ridership 2006-2022

4.14 DRT has historically trailed its main comparator transit agencies in terms of its revenue service hours and municipal operating funding contribution on a per capita basis. Table 1 presents data from the Canadian Urban Transit Association for 2019, highlighting how Durham compares on key transit metrics relative to key comparators within the GTHA.

Table 1: 2019 Transit Investment Metrics for Durham Region and Peer Jurisdictions

Key Metrics	Durham Region		Mississauga		Brampton		Waterloo Region		Hamilton		York Region	
	Data	Ranking	Data	Variance Durham	Data	Variance Durham	Data	Variance Durham	Data	Variance Durham	Data	Variance Durham
Service area population	610,789	4th	777,000	27%	633,710	4%	483,811	-21%	529,394	-13%	1,126,735	84%
Revenue vehicle hours	533,205	Last	1,582,745	197%	1,258,701	136%	832,765	56%	862,292	62%	1,269,462	138%
Municipal operating contribution per capita	$80	Last	$131	65%	$109	36%	$132	66%	$99	24%	$88	10%
Ridership	11,083,538	Last	41,170,554	271%	31,914,291	188%	21,964,989	98%	21,659,817	95%	22,467,539	103%
Revenue vehicle hours per capita	0.9	Last	2.0	122%	2.0	122%	1.7	89%	1.6	78%	1.1	18%

Source: Canadian Urban Transit Association

4.15 While Durham Region does not have the largest or smallest population of the group, DRT is ranked last in the metrics related to the amount of transit service available to residents. This includes ranking last in revenue vehicle kilometers and hours, last in municipal contribution per capita, last in annual ridership, and last in revenue hours per capita.

4.16 The revenue hours per capita metric demonstrates the availability of transit service over a city/region's population. As an example, while Waterloo Region's population is 21 per cent lower than Durham Region in 2019, Grand River Transit offered 90 per cent more revenue vehicle hours per capita, its municipal operating contribution per capita was 66 per cent higher, and its annual ridership is almost double that of DRT.

4.17 DRT's current service strategy, The Route Ahead, is guiding transit service and network growth through the pandemic recovery period. It is expected that transit ridership will return to pre-pandemic ridership levels by 2025. To truly affect a modal shift away from automobiles, a combination of actions is needed to incentivize our communities to use public transit and active transportation for their travel needs. Building a first-class transit system in a world-class region will require significant commitment and investment.

4.18 DRT's conventional bus service delivers over 95 per cent of passenger trips and will continue to be the backbone of the transit network. Investment that expands the reach, span and frequency of service is essential to achieving the targets established in the Transportation Master Plan (i.e., 12 per cent of all trips to be made by transit by 2031). Through the Transit Service and Financing Strategy, total transit service revenue hours will be nearly 1.2 million by 2032, amounting to a 127 per cent increase over current hours. Of these:

- 45 per cent support service to new greenfield developments;
- 28 per cent support frequency increases of 15 minutes or better, including high frequency service across the transit network at 10 minutes or better (e.g. Highway 2 to Bowmanville, Simcoe Street, Rossland Road, Taunton Road and

service to Seaton) and all local services at 15 minutes or better during peak times; and

- the remainder of service growth towards Rural service expansion, congestion impacts, social equity initiatives and deployment of the GO Train Lakeshore East Extension.

4.19 With this investment DRT will be positioned to deliver a robust transit network offering more service at much higher levels of frequency and increasing system capacity to support ridership growth. Attachment 1 illustrates the 2032 DRT service network indicating the enhanced level of service availability and frequency across the Region. This level of investment in service levels is estimated to double ridership from pre-pandemic levels, to nearly 23 million annually by 2032.

4.20 DRT's On Demand service will continue to support customer travel needs in rural areas and lower demand urban areas of the Region. The availability of On Demand ensures all Durham residents have access to transit regardless of where they live or work, with the flexibility to travel when they need to, and all at the same fare as conventional bus service.

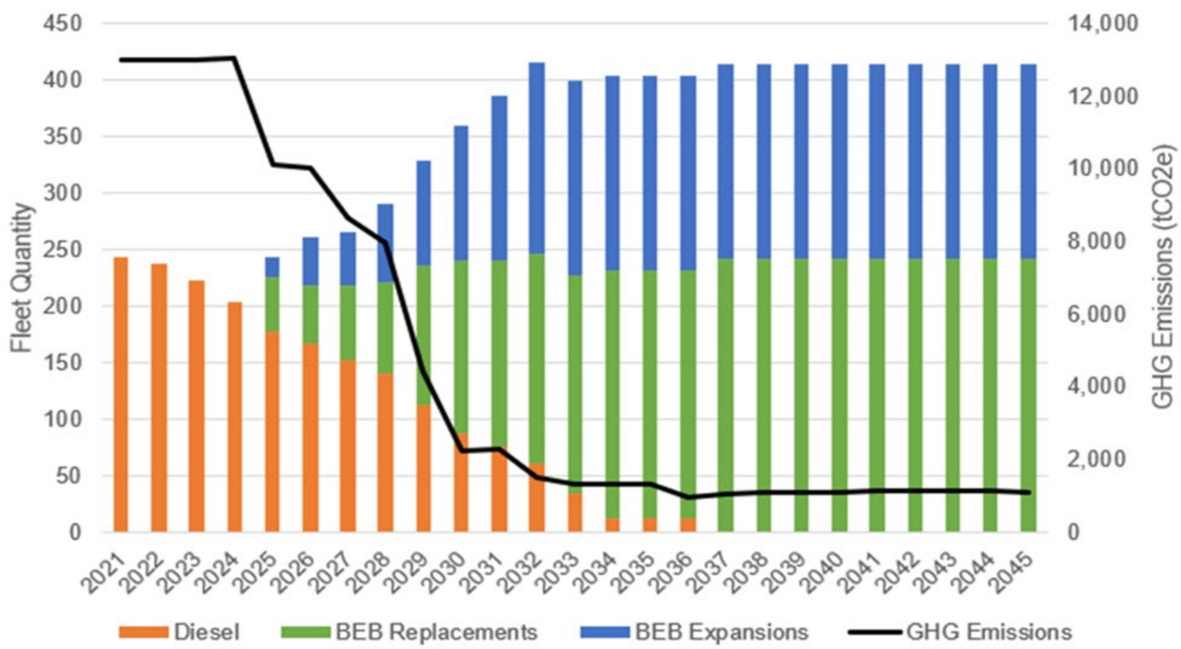
4.21 Each year DRT receives inquiries from organizations and the public interested in using DRT vehicles for event transportation purposes. In consideration of the level of interest, DRT is proposing the establishment of a charter rate in 2023 enabling public and third party booking of conventional 12 metre DRT buses for transportation and event purposes based on vehicle and staffing availability. Charter rates have been reviewed on a full cost recovery basis considering all expenditures incurred for the operation and servicing of the vehicle. It is recommended that a base charter rate of $925.00 be established for a minimum four hour booking for one vehicle, with additional hours offered at a rate of $130.00 per hour. Additional buses can be added to the charter booking at a rate of $505.00 per vehicle. Given the cost recovery focus, it is not anticipated that the charter service will generate significant new revenue. DRT will focus on launch of the charter service program in 2023 and report back to TEC on initial uptake and any required program adjustments as part of the 2024 business planning and budget process.

Fleet Electrification

4.22 DRT's E-Mission Zero Fleet Electrification Plan was endorsed by Region Council at its meeting on June 29, 2022 and referred to DRT's long-term servicing and financing strategy to be presented to Committee and Council in advance of the 2023 Business Plans and Budget. The plan outlined DRT's approach to transitioning all vehicles to zero greenhouse gas tailpipe emission alternatives by 2037 with a focus on battery electric technologies. The plan is aligned with the Region's Climate Change Action Plan (CCAP) and the 2020-2024 Strategic Plan. It includes a year-over-year vehicle acquisition plan for the phased implementation of battery electric vehicles, charging equipment and infrastructure. Under this plan

DRT will purchase only zero emission vehicles as of 2024, achieving a 90 per cent reduction in greenhouse gas emissions from public transit by 2030. Figure 3 illustrates the E-Mission Zero Fleet Electrification Plan's transition of DRT's fleet to zero emission technologies by 2037 and the corresponding greenhouse gas emission reductions as provided in Report #2022-DRT-10.

Figure 3: Fleet Composition Forecast and Related GHG Emissions



4.23 The E-Mission Zero Fleet Electrification Plan estimated the transition of DRT's fleet to zero emission technologies by 2037 to have a net cost of $312 million in capital and operating costs or 7.8 per cent above the business-as-usual option of purchasing only diesel/gasoline vehicles over the time period. These added costs are primarily associated with increased capital costs for charging equipment and infrastructure necessary to support a new fueling supply chain, higher capital cost per vehicle associated with battery electric buses, and requirements for additional vehicles required to deliver service based on current operating range limitations. These costs are offset in part by the fuel and maintenance savings expected over the life cycle of the vehicles.

4.24 The proposed 10-year plan for electrification outlined in this report includes increased service growth beyond that included in the E-Mission Zero Fleet Electrification Plan. The updated projected costs for the Region's electrification plan are included in the financial model (Attachment 3).

4.25 To help offset the costs, DRT will be accessing available funding and debt financing opportunities available through the federal government to support transit agencies in transitioning to zero emission technologies, including the Canada Infrastructure Bank and Infrastructure Canada's Zero Emission Transit Fund.

<u>Infrastructure, Accessibility and Passenger Amenities</u>

4.26 To support the growth in transit service hours, DRT will also require investment in new infrastructure and amenities for an enhanced customer experience while enabling expanded operational and maintenance activities. This includes:

- New Harmony, Pickering Parkway and Windfield Farms terminals with improved customer information, amenities and operational support;
- New transit Hubs offering improved customer amenities and information, while supporting integration of On Demand and Specialized transit services (in addition to future integration with active transportation);
- Accessible digital next bus screens displaying real time departure information at stops, hubs and terminals – update on pilot and deployment strategy; and
- New Thornton Garage in north Oshawa, completion of DRT's new Raleigh Depot Operations and Administrative Building, and provision for a new transit facility in northwest Durham in the later years of the forecast period.

4.27 DRT also continues to focus on equity, or fairness, to remove barriers so residents have access to the same opportunities for travel. Providing equal or the same service for everyone contributes to barriers. All DRT buses are now low floor with ramps. There are bus arrival and next stop bus announcements and displays, stanchions, and priority seating areas. All are recent accessibility enhancements that enable persons with disabilities to use conventional services where they once were unable to access due to barriers such as stairs that had to be climbed to board the bus.

4.28 DRT continues to make accessibility a priority within its service and infrastructure. Digital next bus arrival screens have been installed on a trial basis at key terminals and in the lobby areas of long-term care facilities to provide seniors with travel information. Leveraging Regional and senior government funding approved through the Investing in Canada Infrastructure Program, DRT also continues to make improvements to stops and terminals to ensure all stops are accessible by 2025 as required under the Accessibility for Ontarians with Disabilities Act (AODA). As of 2022, more than 90 per cent of DRT bus stops are considered accessible. To further support customers of all abilities in accessing transit services, DRT will continue efforts to address missing links within the accessible pedestrian network to ensure barrier free connections to transit stops and terminals.

<u>Fare Strategy and Customer Incentives</u>

4.29 DRT's long-term fare strategy was approved by the Transit Executive Committee in December 2019 based on key principles including:

- Recognizing fare pricing influences service use

- Applying fare increases to the standard (adult) single-ride fare and translate increases to other fare concessions and products
- Providing choice for customers through incentives offering value for frequent use
- Incentivizing and prioritizing electronic fare payment
- Minimizing oversight of fares by bus operators
- Ensuring sustainability of discounted fare programs

4.30 Since 2019 DRT has made significant advancements in the modernization of its fare products, such as the discontinuation of paper period passes and expansion of electronic payment options. This includes more than doubling the use of PRESTO electronic fare payment channels by customers from less than 40 per cent in 2019 to more than 80 per cent in 2022. Among PRESTO users, 46 per cent of customers pay each trip through the electronic purse on their PRESTO card, 20 per cent load a monthly period pass onto their PRESTO card, and 17 per cent use the PRESTO electronic ticket app on their smartphone (the majority of which are comprised of post-secondary students whose U-Pass is made available through the app).

4.31 DRT also continues to offer discounted fares and incentives to attract and encourage more frequent transit use among key market groups. This includes: seniors who benefit from reduced cost fares providing discounts of up to 60 per cent in the case of monthly passes; all children aged 12 years and under who continue to ride DRT services at no cost; and youth for whom regular fares and passes are already reduced compared to standard adult fares. Additional options for youth provide further savings to incentivize more regular use, including the Youth Summer 2-for-1 pass and the Y10 Youth Loyalty Pass providing an additional savings of more than $170 over the ten-month school year when a pass is purchased for each month. Since 2019, despite the impacts of the COVID-19 pandemic, the Y10 program has now exceeded pre-pandemic sales totals with 2,826 total sales during the 2021-2022 academic year. DRT’s bulk purchase program for school boards in Durham was introduced in 2022 offering further savings on already reduced youth passes, and helping more secondary school students in Durham to access public transit for travel to and from school.

4.32 The Transit Assistance Program (TAP) was introduced by DRT in late 2019 as a pilot program making reduced cost transit available to all social assistance clients in Durham, including Ontario Works clients who had been ineligible for the existing Access Pass. TAP uses the PRESTO electronic fare card, removing the stigma of having a separate, identifiable fare product, while providing a 60 per cent reduction on standard monthly fare costs. TAP leverages the benefits of the PRESTO electronic fare card in providing protection for lost cards and the flexibility for customers to pay-as-they-go and carry-over unused funds to the next month or opt for the simplicity of a pay-up-front monthly pass. Currently more than 1,500 customers per month are benefiting from the discounted cost of TAP. Since the introduction of TAP in late 2019 through December 2022, the program has enabled more than 293,000 trips on DRT at no charge, saving Durham's at risk residents an estimated $955,000 in transit fares.

4.33 At its meeting on April 7, 2021, TEC approved an extension of TAP through April 2023. With the discontinuation of the paper Access Pass in October 2022, it is recommended that TAP be established as a permanent product within DRT's fare structure. Consistent with the direction of TEC, DRT is also exploring options to expand TAP to other residents living with low income beyond Ontario Works and Ontario Disability Support Program clients, including those accessing other income-tested support programs (e.g., child care, social housing, etc.). DRT will report back to TEC in 2023 on options and considerations with respect to a possible expansion of the TAP program.

4.34 In alignment with DRT's Fare Strategy, fare adjustments are proposed to be linked to changes to the base fare on a proportional or trip equivalent basis. This will ensure that fare adjustments are applied on a consistent basis across fare categories and maintain the established discount rates. The proposed structure is outlined in Attachment 2. Due to rounding of discount rates or trip numbers some adjustment to fares will result. The DRT Fare Strategy established a $1.00 premium for cash fares recognizing the costs associated with cash collection and processing. In response to inflationary pressures and enhancing service levels in 2023, DRT is proposing a modest adjustment to fares of $0.10 on the base fare. This increase is expected to result in an additional $451,000 in fare revenues in 2023 (based on a July 1, 2023 effective date) and annualized revenue increase of $818,000. Attachment 2 summarizes the corresponding impact of the proposed fare adjustments across standard fare categories based on the applicable discount rates.

4.35 Attachment 2 further summarizes the proposed adjustment to cost structures for DRT fare incentive programs including Y10, TAP and the bulk purchase program for school boards. The adjustments will ensure the respective discount rates of the incentive programs are maintained with DRT base fares.

4.36 DRT will also be exploring opportunities to expand access to fare incentive programs to employers within Durham seeking to support employee transportation requirements and/or manage traffic and/or parking pressures at business locations. This will include consideration of employer bulk purchase options for transit passes. DRT will report back to TEC on program design details prior to introduction.

4.37 DRT's best value fare product is the Universal Pass (or U-Pass) that is provided to all full-time post-secondary students at Durham College, Ontario Tech University and Trent University (Durham campus). Under the U-Pass agreement with the post-secondary institutions, all full-time students pay a fee as part of their tuition and are provided with a transit pass for the semester. At $147.25 per four month semester, the current cost is equivalent on a monthly basis to a nearly 70 per cent discount on a standard adult pass, and is approximately $10.00 less per month than DRT's Transit Assistance Program. DRT will work with the post-secondary institutions on continuation of the U-Pass program through the forecast period, with resulting agreements to be brought forward for TEC and Region Council approval.

5. Cost Pressures and Financing Opportunities

Cost Pressures

5.1 DRT continues to face increasing cost pressures associated with meeting ongoing public transit needs in one of Canada's most rapidly growing municipalities, while maintaining the affordability of transit fares and mitigating pressures on property taxes. Key impacts include inflationary pressures on service contracts (e.g., On Demand and route maintenance), the volatility of marketplace conditions in areas such as insurance and fuel, and the need to fund the continuance of enhanced interior cleaning standards introduced during the pandemic for added customer confidence.

5.2 In 2023, fuel costs are expected to increase by approximately $5.6 million compared to the 2022 budgeted costs, representing an 8.1 per cent increase on DRT's operating budget. DRT continues to invest in vehicles offering improved fuel efficiency, including the addition of hybrid electric buses and non-revenue vehicles. Consistent with the E-Mission Zero fleet electrification plan, DRT's final 15 replacement diesel buses are to be purchased in 2023. Beginning in 2024, only battery electric buses will be purchased offering operating savings in fuel and maintenance costs over the life cycle of the bus.

5.3 DRT's insurance rates have experienced a 123 per cent increase over the past five years, rising from approximately $1.1 million in 2017 to more than $2.4 million in 2022. This significant growth in insurance premiums has been the result of increases in the general volume of injury claims across the transit industry and higher settlement values related to claims. This is reflective of a hard market for transit insurance coverages, translating to a vulnerability for rate increases. DRT continues to work with Finance to monitor and manage the impacts of insurance rates on the transit operating budget.

5.4 DRT, along with its partner transit agencies in the GTHA, participate in the PRESTO electronic fare payment system, providing the operational and customer service benefits of electronic fare collection. As adoption of PRESTO fare payment options has increased along with ridership over the past five years, commission fees paid to Metrolinx consistent with the 905 PRESTO Operating Agreement to support system operation and administration have increased (approximately $1.6 million in 2022 fees). This is offset in part through approximately $0.5 million in reduced cash collection and legacy fare production expenses, as well as PRESTO device maintenance costs. DRT's use of the PRESTO electronic fare payment system is also a requirement for receiving annual provincial gas tax funding.

5.5 The Transit Service and Financing Strategy leverages debt financing in order to advance key infrastructure projects, including facility improvements necessary to support transit service enhancements and new terminal facilities required to improve DRT operations and support an improved customer experience. DRT's fleet electrification plan also leverages debt through the Canada Infrastructure Bank offering low interest rate financing to support transit agencies in the adoption of zero emission technologies. Over the 10-year forecast period of the plan, debt financing of approximately $184.2million, with associated annual debt servicing costs increasing to $17.5million by 2032.

Financing Opportunities

5.6 DRT's revenues have typically offset between 35 per cent and 40 per cent of its operating costs. Over the five years between 2015 and 2019, DRT's revenue cost ratio – the percentage of transit operating expenditures offset by fare, U-Pass and advertising revenues – has averaged 38 per cent. This places DRT below comparator transit systems in the GTHA over the same five-year period (see Table 2). A primary factor contributing to DRT's operating pressure is Durham Region's large service area – the largest of all GTHA transit systems – and relatively low population densities in many areas of the region.

Table 2: Average Annual Revenue Cost Ratio for GTHA Transit Agencies (2015 – 2019)

Jurisdiction (east to west)	5 Year Average Revenue Cost Ratio
Durham	38 per cent
York	40 per cent
Brampton	49 per cent
Mississauga	47 per cent
Hamilton	46 per cent
Waterloo	39 per cent

5.7 The fare structure and rate changes proposed in this report will contribute to offsetting a portion of rising operating costs in areas such as fuel and insurance in addition to new service enhancements. It is also key towards restoration of DRT's revenue cost ratio as ridership recovery approaches pre-pandemic levels over the next 12 to 24 months, and federal and provincial COVID-19 Safe Restart Agreement funding concludes.

5.8 The Canada Infrastructure Bank (CIB) has committed to invest $1.5 billion across Canada in zero emission buses through its three-year Growth Plan. The CIB is offering a low interest debt financing program, for a portion of electric vehicle capital costs. On June 9, 2022, DRT and the CIB announced a Memorandum of Understanding for up to $68 million in financing to support the acquisition of up to 100 battery electric buses by 2027. DRT, Finance and Legal staff have been working with the CIB to finalize the agreement that provides debt financing for the incremental cost of a battery electric bus over a diesel bus at an interest rate of one per cent. Repayment to the CIB is made based in part on 80 per cent of the monthly savings in fuel and maintenance costs from a battery electric bus compared to a diesel bus. The repayment term is based on a 12-year life cycle for the battery electric bus. The Region and CIB are finalizing the terms of the financing agreement and will come forward with recommendations to TEC, Finance and Administration Committee and Region Council as part of the 2023 business plans and budget approval process.

5.9 DRT and Finance staff are finalizing an application for grant funding through Infrastructure Canada's Zero Emission Transit Fund (ZETF). The ZETF is a $2.75 billion, five-year national program that offers support to public transit agencies across Canada for the purchase of zero emission public transit and school buses and associated infrastructure. The fund is intended to complement CIB financing and transit agencies are encouraged to participate in both programs. DRT's ZETF application seeks approximately $141.6 million in federal funding to support approximately $283.2 million in vehicle acquisitions, charging infrastructure and related equipment, as well as DRT's new bus operations and maintenance facility to be constructed at 2400 Thornton Road in Oshawa. The maximum grant contribution is up to 50 per cent of eligible costs to be incurred through 2026. A decision by Infrastructure Canada on DRT's funding application is expected in late 2023.

5.10 Longer term, the federal government has announced at $14.9 billion transit funding program over the next eight years. This funding includes $3 billion per year in permanent, predictable federal public transit funding, which is to be available to transit agencies throughout Canada beginning in 2026/27. Once in place, permanent public transit funding aims to help "improve access to public transit and active transportation and support the development of more affordable, sustainable, and inclusive communities by creating good jobs, reducing greenhouse gas emissions, and addressing housing affordability". During the summer and fall of 2022 Infrastructure Canada sought input into program design and priorities for the permanent public transit fund (including from Durham Region and transit industry associations). As details on program parameters or how this funding will be allocated are unavailable at this time, no revenues associated with this announcement have been assumed throughout the 10-year forecast period.

6. DRT Financial Forecast (2023 – 2032)

6.1 Table 3 presents a summary of the 10-year financial forecast for DRT from 2023 to 2032. A more detailed schedule is provided in Attachment 3. The forecast supports the delivery of Council approved transit strategic priorities related to Transportation Master Plan and DRT's fleet transition plan to zero emission vehicles, while ensuring local transit services are planned to provide connections in line with the opening of rapid transit services (e.g., Lakeshore East GO train stations). To support transit service growth, the plan also provides for the advanced purchase of transit fleet vehicles two years prior to required service dates due to vehicle production and delivery timelines. This will ensure service is in place to meet forecasted ridership demand and allow for the installation of electrification infrastructure.

Table 3 – DRT Expense and Financing Forecast (2023-2032)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
SERVICE INFORMATION										
Service Hour Increases (Number of Hours)[1]	27,178	69,882	65,701	68,512	64,678	65,243	66,799	69,482	76,096	78,824
Service Hour Increases (% Change)	5%	13%	11%	10%	9%	8%	8%	7%	8%	7%
Budgeted Electric Bus Purchases	22	36	49	38	46	26	19	24	30	35
Electric Buses as a Percent of Bus Fleet[2]	12%	29%	45%	55%	65%	72%	77%	82%	87%	91%
Transit Gross Budget Requirement ($ '000's)	$199,469	$418,902	$253,476	$271,034	$273,963	$240,150	$228,227	$245,751	$395,874	$298,365
MODELLING OF POTENTIAL PROPERTY TAX IMPACTS[3]										
Increase in Transit's General Levy Requirement ($ '000's)	$11,640	$18,484	$34,619	$32,989	$36,413	-$24,705	-$13,557	$8,058	$30,213	$6,035
Increase in Transit's General Levy Requirement (% Change)	17%	23%	35%	25%	22%	-12%	-8%	5%	17%	3%
Preliminary Modelled Impact On Overall Regional Tax Levy (% Change)	**1.53%**	**2.39%**	**4.45%**	**4.15%**	**4.59%**	**-3.10%**	**-1.84%**	**1.08%**	**3.93%**	**0.76%**

Notes:

The modelling of the potential property tax impacts is prior to applying potential federal permanent transit funding and other federal and provincial funding opportunities that may arise. The annual property tax impacts will be reviewed and updated annually based on funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts.

Expense and financing figures for 2023 represent current estimates.

[1]A total of 512,391 revenue service hours were budgeted in 2022. The total forecasted increase in revenue service hours over the 2023-2032 period (652,393 hours) represents a 127% increase.

[2]Electric bus percentages are based on year of vehicle order. Electric bus delivery could take 18 to 24 months following order.

[3] "Modelling of Potential Property Tax Impacts" represents the modelling of the potential property tax impacts after applying current senior government funding opportunities, significant debt and reserve fund financing and prior to applying potential federal permanent transit funding and other federal and provincial funding opportunities that may arise. The annual property tax impacts will be further reviewed and updated annually based on future funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts.

6.2 The plan provides for:

- an increase in revenue service hours from more than 512,391 in 2022 to a total of 1,164,785 million in 2032, an increase of 127.3 per cent;
- transitioning the transit fleet to zero emission vehicles by 2037; and
- investments in passenger amenities and infrastructure.

6.3 As outlined in Table 3 and Attachment 3, operating expenditures are projected to increase by $132.9 million (131 per cent) from $101.2 million in 2022 to $234.1

million in 2032 with total capital expenditures over this time estimated at $1.1 billion.

6.4 In total, the forecast includes significant increases in investments, such as $183.3 million in funding from Region reserves and reserve funds, $101.2 million in provincial gas tax funding, and $184.2million in debenture financing. Annual debt serving costs increase to $17.5 million annually during the forecast period, reflecting the increase in debt financing required for major infrastructure and facility improvements, as well as repayment of vehicle financing under the CIB's low interest program supporting the acquisition of battery electric buses (subject to final negotiations with the CIB).

6.5 The financial plan includes the use of $127.2 million in Development Charges over the 10 year plan. This projection reflects the current modeling of the impacts of Bill 23 (More Homes Built Faster Act, 2022) and includes the mandatory five-year phase-in of Development Charge rates that applies to new Development Charge by-laws established on, or after, January 1, 2022. This phase-in is estimated to have approximately a $6 million negative impact on transit development charge funds received between 2023 and 2027.

6.6 The forecast also leverages all known senior government funding, including potential federal Zero Emissions Transit fund grants totaling $141.6 million to support electrification vehicles, infrastructure and facility improvements, including the new Thornton Operations, Maintenance and Storage Depot. Should this funding not be approved, additional funding will need to be identified in order to proceed with these capital works to achieve both the service growth and electrification goals.

6.7 The forecast includes stable and increasing fare revenue anticipated from growing ridership and fare updates. This revenue will be key to achieving the objectives of the plan.

6.8 After leveraging the available funding sources outlined in this section, including all potential senior government funding opportunities, significant debt and reserve and reserve fund financing, incremental annual property tax increases are required starting at approximately 2 per cent per year on the overall Regional tax levy. Due to the nature of the projected expenditures, the required annual property tax increases fluctuate year to year. Efforts will be made to smooth out these increases as part of the annual business planning and budget process.

6.9 The forecast does not include assumptions with respect to the federal permanent transit fund announced to begin in 2026/2027, given program terms and eligibility are still to be determined. This funding and flexible program terms and eligibility will be critical to reduce the projected property tax increases identified in 2026 through 2032. It should be noted that given the timing of this anticipated funding it will not assist in reducing the required property tax increases identified for 2024 and 2025.

6.10 Staff will advocate through all available means to access the federal permanent transit fund and any other senior level government funding opportunities to assist in offsetting the current projected property tax increases. Each budget year, all enhanced opportunities for further tax levy financing and reserves and reserve funds financing will be reviewed. The implementation of the plan will be affected based on final financing options available.

7. Risks and Uncertainties

7.1 The Ontario Dedicated Gas Tax Funds for Public Transportation Program (the Ontario Gas Tax for Transit Program) provides provincial funding to municipalities that they are required to use only to support the expansion and improvement of transit services. Currently, the program provides two cents per litre of gasoline sold to municipalities. A unique feature of the gas tax program is that the funding can be used to support transit capital or operating expenses. Throughout Ontario, 70 per cent of the available funding, each year, is distributed according to ridership (as reported by the transit agencies to the Canadian Urban Transit Association) and 30 per cent of the available funding is distributed according to municipal population.

7.2 In 2022, the Provincial government announced it would be providing $375.6 million to municipal transit agencies through the gas tax program, but this amount included a one-time funding top-up of $120 million from other provincial revenues to make-up for reduced gas sales due to the COVID-19 pandemic.

7.3 The transit industry has identified to the province the impact to the existing gas tax funding program based on future reductions in gas consumption in Ontario with the adoption of zero emission vehicles. The gas tax program will need to evolve to continue delivering provincial funding for public transit to ensure, at a minimum, current services can be maintained for the public in the years ahead.

7.4 DRT’s E-Mission Zero Fleet Electrification Plan is not currently reflected in the Regional Transit Development Charge by-law. A future amendment to the by-law will be required to account for the increased growth-related capital costs associated with fleet electrification and any necessary changes stemming from Bill 23. It is not clear at this point if an amendment to a development charge by-law will restart the five-year phase in. The current financial forecast identifies an approximately $6 million reduction in Transit Development Charge revenues between 2023 and 2027 due to the required phase-in resulting from the amendments to the Development Charges Act approved through Bill 23. The reduction in Transit Development Charge revenues creates shortfalls that have had to be funded from other sources. Overall, the forecast includes $283.5 million in financing that covers projected development charge shortfalls due to the anticipated amount and timing of development charge receipts over the forecast.

7.5 Furthermore, if development forecasts for the Region are not achieved, development charge revenues will be lower than forecasted, potentially resulting in the need to defer transit growth infrastructure. Under such a scenario though, the Region's service expansion requirements would be reduced to reflect the lower than anticipated population and employment growth, and related road congestion. The Region's population is expected to grow to nearly one million by 2031, but that rate of growth has not been achieved in recent history.

7.6 Given the financing shortfalls projected through 2032, the availability of senior government funding and increased tax levy financing throughout the 10-year forecast period is integral to ensuring full realization of the Transit Service and Financing Strategy. The support of the Region's government relations team and all of Region Council in advocating to senior governments for funding support, beyond existing programs, will be critical to achieving Council's strategic transit priorities.

7.7 Additional risks and uncertainties over the 10-year forecast period include:

- transit ridership and revenue recovery from the pandemic including latent impacts on fare, U-Pass and advertising revenues associated with changes in commuting and work patterns and destinations (e.g., downtown Toronto market);
- achievement of the estimated fuel and maintenance savings associated with the transition of the current fleet of diesel buses to battery electric buses given it is a relatively new technology (staff will be re-evaluating these estimates through analysis of actual costs as DRT's first electric buses become operationalized);
- impact of rising interest rates and debt financing requirements on DRT's operating budget;
- ongoing supply chain and labour shortages impacting the transit industry, including vehicle maintenance and production considerations;
- effects of inflation on capital expenditures, particularly related to facility construction and vehicle costs; and
- continued uncertainty and volatility over the forecast period related to fuel pricing and insurance.

7.8 It is further noted that there are significant costs associated with the realization of Durham's transit objectives beyond the Transit Service and Financing Strategy. This includes costs associated with rapid transit infrastructure expansion as part of the Lakeshore East GO train extension and Durham-Scarborough Bus Rapid Transit. These costs have not been identified in this 10-year forecast and will need to be considered as part of future Transportation business plans and budgets of the Works Department.

8. Relationship to Strategic Plan

8.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

a. Environmental Sustainability

- Goal 1.1 - Accelerate the adoption of green technologies and clean energy solutions through strategic partnerships and investment
- Goal 1.4 - Demonstrate leadership in sustainability and addressing climate change
- Goal 1.5 – Expand sustainable and active transportation

b. Community Vitality

- Goal 2.1 – Revitalize existing neighbourhoods and build complete communities that are walkable, well-connected, and have a mix of attainable housing

c. Economic Prosperity

- Goal 3.3 – Enhance communication and transportation networks to better connect people and move goods more effectively
- Goal 3.4 – Capitalize on Durham's strengths in key economic sectors to attract high-quality jobs

d. Service Excellence

- Goal 5.2 – Collaborate for a seamless service experience
- Goal 5.4 – Drive organizational success through innovation, a skilled workforce, and modernized services

9. Next Steps

9.1 Upon approval of the recommendations contained in this report, Staff will:

- continue to pursue the vision of an integrated transportation system as set out in the Strategic Plan, Regional Official Plan and Transportation Master Plan (TMP), through ongoing collaboration amongst DRT, Regional Departments (including Planning, Finance and Works Departments), Provincial and Federal governments, and local area municipalities; and

- integrate the Transit Service and Financing Strategy (2023-2032) into the Region's communication and intergovernmental advocacy strategies to further raise awareness of funding needs.

10. Conclusion

10.1 As Durham Region emerges from the COVID-19 pandemic, transit will play a vital role in enhancing its economic competitiveness by ensuring access to employment, education and tourism opportunities across the Region. Decisions are needed now to prepare for this future. This includes investment in transit service, vehicles and infrastructure to improve access to transit and a more frequent, reliable and sustainable transit network.

10.2 Building a first-class transit system in a world-class Region will require significant investment and funding from the Region and senior orders of government. The Transit Service and Financing Strategy outlines the level of investment required to realize Council's vision for transit in the Region and maximize opportunities arising from the GO East Extension. Given projected property tax levy increases identified, additional senior government funding will be necessary throughout the 10-year forecast period to ensure full realization of the plan.

10.3 The 10-year Transit Service and Financing Strategy is a starting point and will be a key tool for enhanced advocacy efforts with the federal and provincial governments for additional transit funding.

10.4 The 10-year plan will be subject to annual investment approvals through the Region's business planning and budget process, and will be reviewed every four years, or earlier as necessary, as additional information and funding are made available. It is acknowledged that annual property tax funding increases over the long term will be required starting at approximately 2 per cent per year on the overall Regional tax levy and Council support in this general magnitude will be necessary to achieve the outcomes of the plan. The modelling of the potential property tax impacts is prior to applying potential federal permanent transit funding and other federal and provincial funding opportunities that may arise. The annual property tax impacts will be reviewed and updated annually based on funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts.

10.5 For additional information, contact: Jamie Austin, Deputy General Manager, Business Services, Durham Region Transit, at 905-668-7711, extension 2624 or Nicole Pincombe, Director, Business Planning and Budgeting, Finance Department, at 905-668-7711, extension 2302.

10.6 A similar report was presented to the Transit Executive Committee (TEC) on February 8, 2023 to obtain their endorsement of the 10-year plan and strategy to achieve their priority outcomes. The companion recommendations presented to TEC on the financial plan, fare changes and implications are being presented to

Finance and Administration Committee for consideration and recommendation to Regional Council.

11. Attachments

Attachment 1 – 2032 DRT Service Network (weekday peak period)

Attachment 2 – Proposed DRT Fare Structure

Attachment 3 – 2023 - 2032 DRT Financial Forecast

Respectfully submitted,

Original Signed By

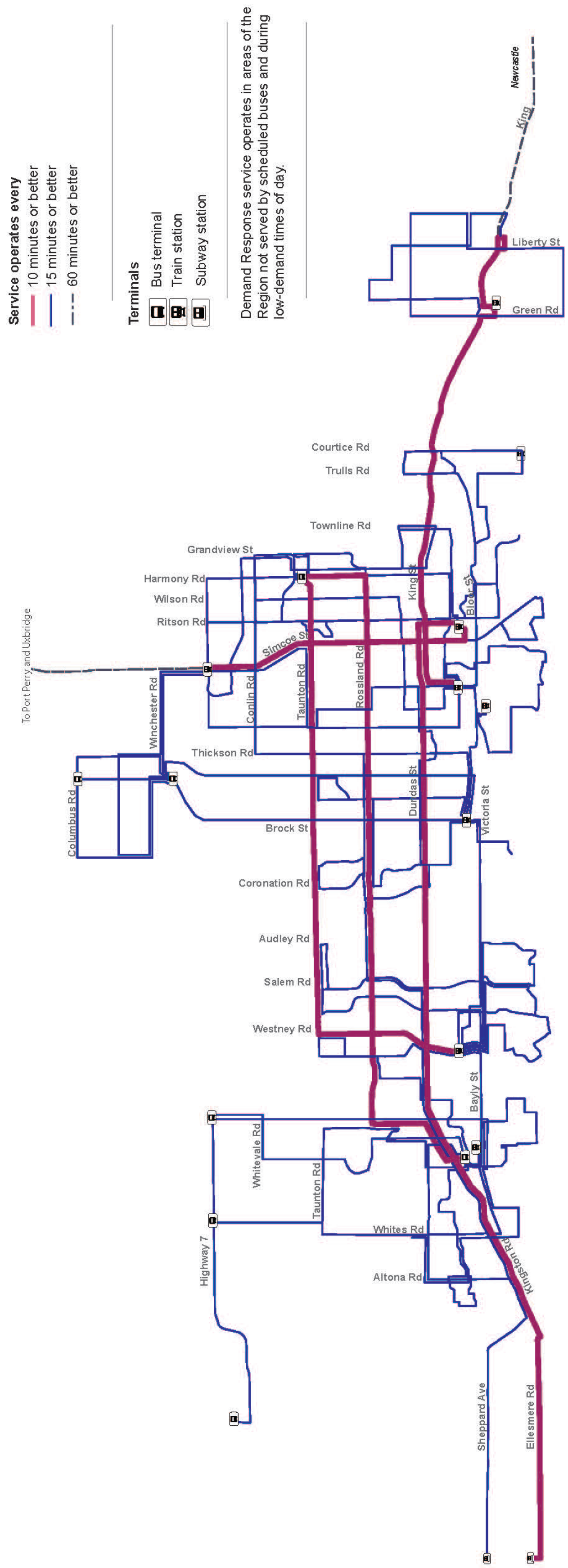
Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

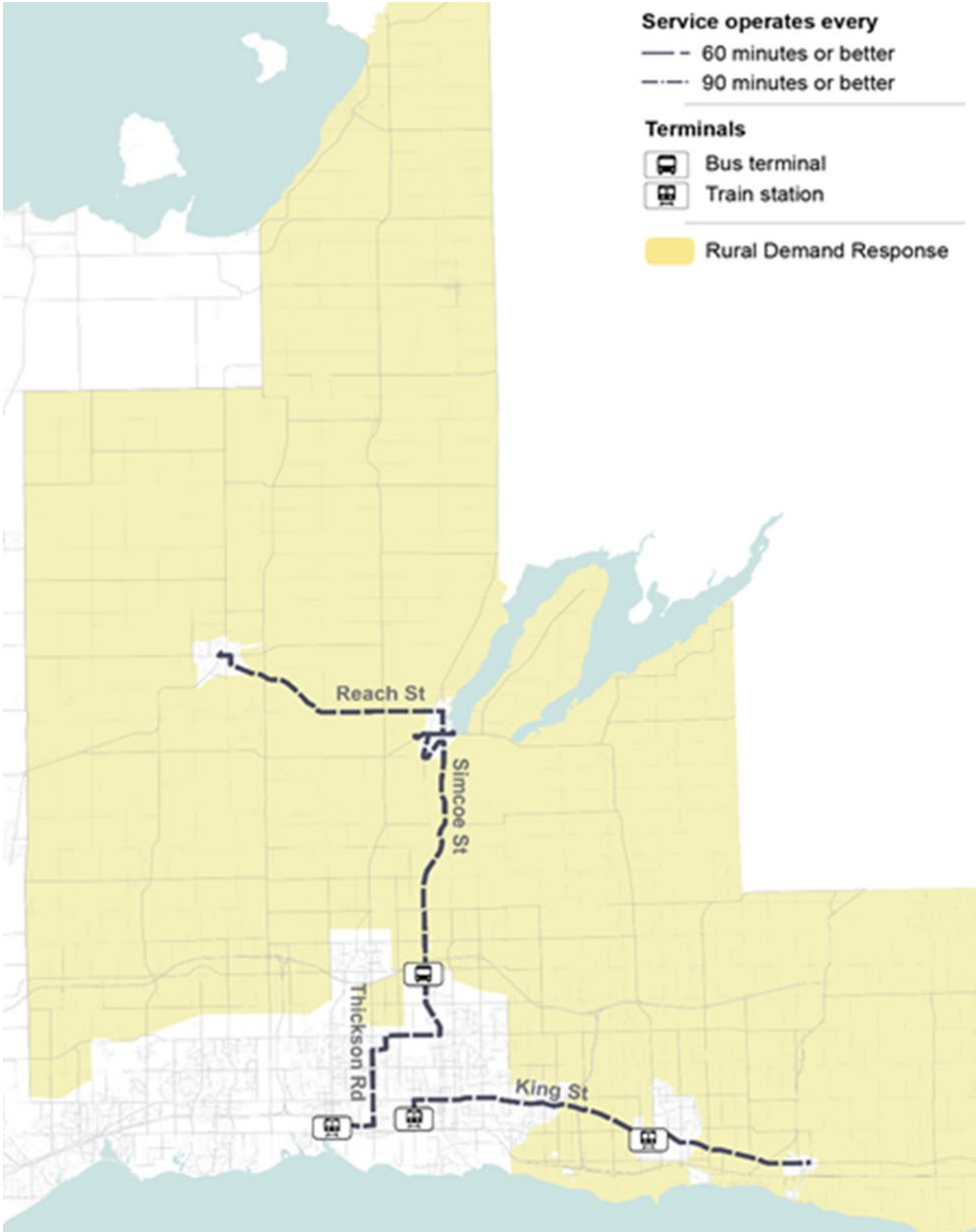
Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Attachment 1: 2032 DRT Service Network (Weekday Peak Period)




Service operates every
60 minutes or better
90 minutes or better
Terminals
Bus terminal
Train station
Rural Demand Response
Reach St
Simcoe St
Thickson Rd
King St

Attachment 2: Proposed DRT Fare Structure

Fare Category		Current Fare	Proposed Structure	Proposed Fares effective July 1, 2023 (including $0.10 base fare adjustment)	Per Cent Change
Adult	Single Ride (PRESTO Card and E-Ticket)	$3.25	Base fare	$3.35	3.1
	Single Ride (Cash and PRESTO Open Payment)	$4.00	$1.00 over base	$4.35	8.75
	Monthly Pass	$117.00	36 trips at base fare	$120.60	3.1
Child (aged 12 years and under)	All rides	Free	NA	NA	NA
Youth (aged 13-19 years)	Single Ride (PRESTO Card and E-Ticket)	$2.90	90 per cent of base fare	$3.00	3.4
	Single Ride (Cash)	$4.00	Equivalent to Adult cash fare	$4.35	8.75
	Monthly Pass	$93.50	80 per cent of Adult pass	$96.50	3.2
Senior (aged 65 years and over)	Single Ride (PRESTO Card and E-Ticket)	$2.15	66 per cent of base fare	$2.20	2.3
	Single Ride (Cash)	$2.75	$1.00 over single ride senior PRESTO fare	$3.20	16.4
	Monthly Pass	$46.00	40 per cent of Adult pass	$48.25	4.9

Proposed Structure for DRT Fare Incentive Programs

Fare Category		Current Fare	Proposed Structure	Proposed Fares effective July 1, 2023 (including $0.10 base fare adjustment)	Per Cent Change
Youth (aged 13-19 years)	2-for-1 Youth Summer Pass	$93.50	80 per cent of Adult pass	$96.50	3.2
	Y10 (10 month loyalty pass)	$76.05	65 per cent of Adult pass	$78.40	3.1
School Board Bulk Purchase Program	Fewer than 125 passes per month	$93.50	80 per cent of Adult pass	$96.50	3.2
	125-250 passes per month	$87.75	75 per cent of Adult pass	$90.45	3.1
	More than 250 passes per month	$76.05	65 per cent of Adult pass	$78.40	3.1
Transit Assistance Program (TAP)	TAP PRESTO E-Purse	$45.50	14 trips at base fare	$46.90	3.1
	TAP PRESTO Monthly Pass	$46.00	14 trips at base fare	$46.90	2.0

Attachment 3: 2023-2032 DRT Financial Forecast

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total 2023-2032
Service Hour Increases (Number of Hours)[1]	27,178	69,882	65,701	68,512	64,678	65,243	66,799	69,482	76,096	78,824	652,393
Service Hour Increases (% Change)	5%	13%	11%	10%	9%	8%	8%	7%	8%	7%	
Budgeted Electric Bus Purchases	22	36	49	38	46	26	19	24	30	35	325
Electric Buses as a Percent of Bus Fleet[2]	12%	29%	45%	55%	65%	72%	77%	82%	87%	91%	
Operating Expenses											
Existing Service[3]	107,317	112,082	116,035	120,156	124,427	128,820	133,418	138,035	142,883	147,702	1,270,875
Strategic Priorities											
1) Service Enhancements and Growth[4]	7,614	19,950	28,832	35,946	42,571	44,443	45,405	53,261	62,615	72,391	413,029
2) Electrification											
Operating Cost Impacts of Replacements[5]	0	0	0	-739	-1,478	-2,217	-2,956	-4,387	-5,126	-5,865	-22,767
Debt Servicing Requirements[6]	0	1,138	3,369	7,401	7,854	8,776	9,437	9,437	9,437	9,437	66,284
Subtotal Electrification	0	1,138	3,369	6,663	6,376	6,559	6,481	5,049	4,311	3,572	43,517
3) New Terminals and Facilities											
New Operating Costs	0	0	0	2,091	2,133	2,176	2,219	2,264	2,309	2,355	15,547
Debt Servicing Requirements	1,030	1,030	1,112	1,351	3,075	3,075	3,075	3,075	3,075	8,056	27,952
Subtotal New Terminals and Facilities	1,030	1,030	1,112	3,442	5,208	5,250	5,294	5,338	5,383	10,411	43,498
Total	**115,960**	**134,200**	**149,348**	**166,207**	**178,582**	**185,073**	**190,597**	**201,684**	**215,193**	**234,076**	**1,770,919**
Operating Financing											
General Levy	80,353	96,521	109,415	123,710	133,142	136,655	139,226	147,050	157,268	172,760	1,296,100
Fare Revenues and Advertising	29,844	35,116	37,370	39,935	42,877	45,855	48,808	52,071	55,361	58,753	445,989
Contribution From Reserves and Reserve Funds	420	420	420	420	420	420	420	420	420	420	4,200
Provincial Gas Tax	2,111	2,111	2,111	2,111	2,111	2,111	2,111	2,111	2,111	2,111	21,110
Other[7]	3,232	32	32	32	32	32	32	32	32	32	3,520
Total	**115,960**	**134,200**	**149,348**	**166,207**	**178,582**	**185,073**	**190,597**	**201,684**	**215,193**	**234,076**	**1,770,919**

Continued on the next page

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total 2023-2032
Capital Expenses											
Fleet Expansion	35,355	34,512	56,526	37,684	51,769	0	4,757	13,385	23,599	32,227	289,813
Facility Expansion	2,000	188,500	0	37,300	0	0	0	0	125,000	0	352,800
Charging Infrastructure	6,202	12,550	19,050	3,410	6,950	4,980	4,670	4,610	210	2,390	65,022
Vehicle Replacement	2,419	24,456	24,456	24,536	24,376	46,611	24,616	24,376	24,376	24,376	244,598
Terminals and Bus Stop Infrastructure	8,694	16,194	3,470	1,270	9,320	1,070	1,070	1,070	3,570	4,670	50,398
ICIP Projects[8]	25,604	0	0	0	0	0	0	0	0	0	25,604
Other Capital	3,235	8,490	627	627	2,967	2,417	2,517	627	3,927	627	26,057
Total	**83,508**	**284,702**	**104,128**	**104,826**	**95,381**	**55,078**	**37,629**	**44,067**	**180,681**	**64,289**	**1,054,291**
Capital Financing											
General Levy	478	2,795	24,519	43,213	70,195	41,977	25,848	26,082	46,077	36,620	317,802
Reserves and Reserve Funds	4,839	100,750	5,000	20,000	0	0	0	0	48,507	0	179,096
Development Charges	25,185	6,271	14,742	13,644	10,978	862	4,523	10,727	19,839	20,410	127,182
Provincial Gas Tax	14,740	7,259	7,259	7,259	7,259	7,259	7,259	7,259	7,259	7,259	80,067
ICIP Grant Funding	15,362	0	0	0	0	0	0	0	0	0	15,362
Zero Emission Transit Fund Funding[9]	3,101	128,925	9,525	0	0	0	0	0	0	0	141,551
CIB Debt[10]	12,804	22,348	31,159	0	0	0	0	0	0	0	66,311
Other Debentures	7,000	16,355	11,925	20,710	6,950	4,980	0	0	50,000	0	117,920
Developer Contributions	0	0	0	0	0	0	0	0	9,000	0	9,000
Total	**83,508**	**284,702**	**104,128**	**104,826**	**95,381**	**55,078**	**37,629**	**44,067**	**180,681**	**64,289**	**1,054,291**
Transit Gross Budget Requirement ($ '000's)	$199,469	$418,902	$253,476	$271,034	$273,963	$240,150	$228,227	$245,751	$395,874	$298,365	
MODELLING OF POTENTIAL PROPERTY TAX IMPACTS[11]											
Increase in Transit's General Levy Requirement ($ '000's)	$11,640	$18,484	$34,619	$32,989	$36,413	-$24,705	-$13,557	$8,058	$30,213	$6,035	
Increase in Transit's General Levy Requirement (% Change)	17%	23%	35%	25%	22%	-12%	-8%	5%	17%	3%	
Preliminary Modelled Impact On Overall Regional Tax Levy (% Change)	**1.53%**	**2.39%**	**4.45%**	**4.15%**	**4.59%**	**-3.10%**	**-1.84%**	**1.08%**	**3.93%**	**0.76%**	

Notes:

The modelling of the potential property tax impacts is prior to applying potential federal permanent transit funding and other federal and provincial funding opportunities that may arise. The annual property tax impacts will be reviewed and updated annually based on funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts.

Expense and financing figures for 2023 represent current estimates.

[1]A total of 512,391 revenue service hours were budgeted in 2022. The total forecasted increase in revenue service hours over the 2023-2032 period (652,393 hours) represents a 127% increase.

[2]Electric bus percentages are based on year of vehicle order. Electric bus delivery could take 18 to 24 months following order.

[3]"Existing Service" represents a forecast of expenses associated with current service levels, under projected inflationary and contractual increases.

[4]The costs associated with service enhancement and service expansion to accommodate growth have been estimated under the assumption that such service will be delivered using electric buses beginning in 2025.

[5] "Operating Cost Impacts of Replacements" represents the estimated fuel and maintenance savings associated with replacing the current fleet of diesel buses with electric buses.

[6] Electrification debt servicing requirements includes forecasted debt payments to the Canada Infrastructure Bank for loans used to finance a portion of growth and replacement vehicles over 2023-2025 as well as other debt payments for forecasted debentures used to finance a portion of charging infrastructure costs throughout the forecast.

[7] "Other" operating cost financing includes $3.2 million in senior government Safe Restart Funding in 2023. This funding is not confirmed by the province. Should senior government funding not be provided these financial impacts will need to be funded by reserves/reserve funds.

[8] "ICIP Projects" includes bus stop infrastructure, fuel and fluids management infrastructure, diesel buses and administrative building reconstruction projects partially financed using Investing In Canada Infrastructure Program (ICIP) – Transit Stream funding.

[9] Zero Emission Transit Fund funding is subject to federal government approval. Should this funding not be approved, additional funding will need to be identified in order to proceed with the capital works to achieve both the service growth and electrification goals.

[10] "CIB Debt" represents Canada Infrastructure Bank financing and is subject to the execution of a credit agreement.

[11] "Modelling of Potential Property Tax Impacts" represents the modelling of the potential property tax impacts after applying current senior government funding opportunities, significant debt and reserve fund financing and prior to applying potential federal permanent transit funding and other federal and provincial funding opportunities that may arise. The annual property tax impacts will be further reviewed and updated annually based on future funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts.