



Hamilton

# INFORMATION REPORT

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	January 22, 2021
<b>SUBJECT/REPORT NO:</b>	Update on Financial Implications of Revenue and Ridership (PW20061(a)) (City Wide) <b>(Outstanding Business List Item)</b>
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Nancy Purser (905) 546-2424 Ext. 1876
<b>SUBMITTED BY:</b>	Debbie Dalle Vedove Director, Transit Public Works Department
<b>SIGNATURE:</b>	

## COUNCIL DIRECTION

Staff was directed to report back to the General Issues Committee (GIC) during the 2021 Transit Budget with a report on the ridership, revenue and service impacts related to the COVID-19 pandemic and post-COVID-19 pandemic recovery periods; and,

Staff was directed to report back to GIC during the 2021 Transit Budget with a report that re-evaluates the financial plan for the remaining Years of the 10 Year Local Transit Strategy.

## INFORMATION

When the above direction was given it was anticipated that there would a better understanding of the recovery timeline as we entered 2021. However, the COVID-19 pandemic continues to impact Transit as the Province returns to lockdown due to the second wave. While vaccines are now available and being distributed throughout Canada, it is practical to expect full immunization to be completed by the end of 2021. Therefore, Public Health restrictions, such as physical distancing and mask wearing will continue to remain in place throughout much of 2021. Elementary and secondary schools returned to in-person learning at the start of the fall school term on augmented schedules. Under current lockdown protocols, elementary and secondary school have now returned to full virtual learning until February 10, 2021. Colleges and Universities

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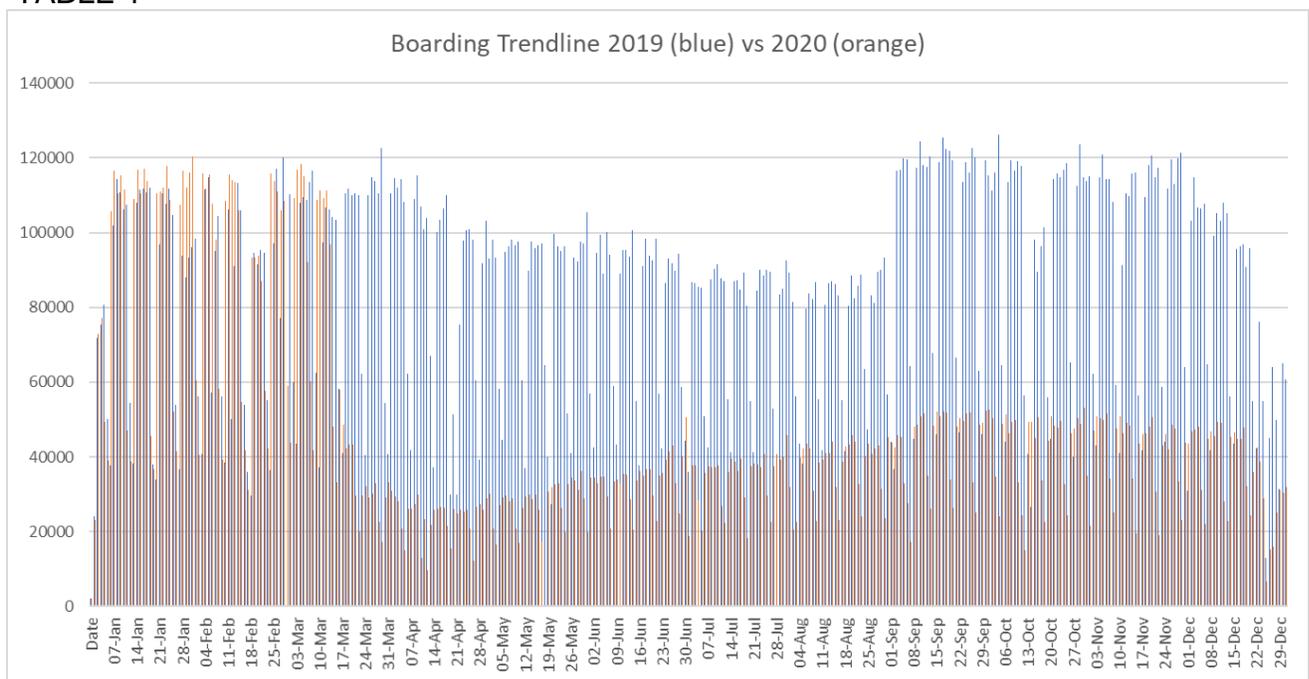
are opting for primarily distance learning during the winter semester. Many organizations have extended work from home initiatives as far out as September or longer. Restrictions impacting tourism, concerts, festivals, and professional sports are expected to remain in effect throughout 2021. Each of these has an impact on ridership and the timing of Transit's recovery.

**2020 Ridership, Revenue, and Service**

Pre-pandemic saw ridership increases that surpassed budget expectations, which signals the success of the investments that Council has made through the 10 Year Local Transit Strategy.

Transit has continued to support many essential workers, such as healthcare providers, food industry workers, and grocery clerks who rely on transit to get to work. As the province opened and more businesses and schools returned, Transit demand also increased as shown in Table 1.

**TABLE 1**



The loss of 10.3 million in ridership has had a significant impact on Transit revenues with an estimated loss of \$24.2 million for 2020. These funds are being recovered through the Safe Restart Program.

As a result of the pandemic and reduction in ridership, service was adjusted to ensure Transit was able to provide the scheduled hours and to better match customer's

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requirements. During the first few months, an enhanced Saturday service was provided, with service levels increasing as the province re-opened, finishing the year providing 89% of normal fall service hours or the equivalent of a summer board. This reduction generated savings mostly in fuel costs that have been applied to partially offset the revenue losses as instructed by the Safe Restart Agreement funding application instructions.

The demand for DARTS service has been low since the beginning of the pandemic. It is estimated that only 37% of the 885,000 trips forecasted in the 2020 budget will be provided which will result in a favourable variance at year's end of approximately \$10.2 million. This favourable variance has also helped partially offset the HSR revenue losses as instructed by the Safe Restart Agreement funding application instructions.

These variances are summarized in Table 2 which has been funded by the Province under Safe Restart Program.

TABLE 2

<b>2020 Actual Impacts Apr to Nov</b>	
April	\$ 2,475,038
May	\$ 2,553,384
June	\$ 2,279,670
July	\$ 374,119
August	\$ 186,308
September	\$ 1,093,071
October	\$ 995,524
November	\$ 966,356
December (Forecast)	\$ 1,001,819
<b>2020 Projected COVID Deficit 2020 Apr to Dec:</b>	<b>\$ 11,925,289</b>
<b>Phase 1 Funding:</b>	<b>\$ 17,211,723</b>
<b>Remaining Funding for 2021 Jan to Mar</b>	<b>\$ 5,286,434</b>

The Safe Restart Funding has been allocated to cover the period from April 1, 2020, through March 31, 2021, in two phases. The remaining funding of \$5.3 million is forecasted to cover the expected COVID-19 unfavourable variances from January to March. Both the Federal and Provincial governments agree that transit is important to the recovery of Municipalities, however, no further funding announcements have been made.

#### 2021 Ridership, Revenue, and Service

Since the Summer of 2020 when the information was first provided on ridership and revenue shortfalls more information has become available. The Province is currently in a second wave requiring a second lockdown, University and Colleges remain virtual for

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the winter and summer. It is expected that health care workers and the vulnerable population will be immunized by the end of March. In forecasting 2021, staff anticipates that restrictions will start to lift April through August allowing larger gatherings, all schools will return to regular programming in September, and that some employers will begin to have employees return to the workplace. Therefore, the scenario provided in Table 3 is the most likely to occur for HSR in 2021.

TABLE 3

2021 Potential Budget Variance

Scenario	Ridership	%	Revenue	%
	-10,671,216	-45.61%	\$20,272,532	-43.49%
Assumptions: 40% return in ridership Jan-Mar, 55% return Apr-Aug, 65% Sep-Dec, Year 5 implemented, Work From Home remains high, University/College remains virtual through winter and summer, all schools return to regular programming for 2021/2022 academic year.				

The following chart summarizes the potential impacts on 2021 specialized transit ridership. The scenario compares a 2021 Maintenance budget against a potential delivery of only 68% of the forecasted trips by year's end.

2021 Potential Budget Variance			
Budget Year	Ridership	Cost/Trip	Municipal Funding
2021 Maintenance Budget	885,000	\$27.59	\$24,413,130
2021 DARTS Projections	605,593	\$36.30	\$21,981,150
Variance	(279,407)	\$8.71	(\$2,431,980)

For the early months of 2021 service will be provided on a reduced schedule similar to what occurred in 2020. It is expected that service will return to budgeted levels with the 2021 Summer Board. It is anticipated that the implementation of Year 5 of the 10 Year Local Transit Strategy in September as scheduled so we can begin our post-pandemic recovery.

As previously detailed in Report PW20061, should additional funding not be provided by higher levels of government for April to December 2021, other funding sources such as Vehicle Replacement Reserve and Provincial Gas Tax Reserve could be considered to address the revenue shortfall anticipated.

### 10 Year Local Transit Strategy

The 2021 budget includes year 5 of the 10-year Local Transit Strategy. Due to the COVID-19 pandemic, year 5 of the 10-year Local Transit Strategy, originally planned for implementation in September 2020, was postponed (PW14015(c)). As a result of the

postponement, there are no further increases in the 2021 budget related to the 10 Year Local Transit Strategy as Year 6 has been shifted to 2022. The implementation of the Year 5 service enhancements will support ridership recovery as the service additions are targeted along the A and S lines of the BLAST network, incorporating the Airport and Waterfront as well Rymal Road which has seen significant development. With the pandemic continuing to create uncertainty on a day to day basis, there remains an opportunity to review the need for this additional service as final planning will occur in May 2021.

Staff was directed to report back to GIC during the 2021 Transit Budget with a report that re-evaluates the financial plan for the remaining Years of the 10 Year Local Transit Strategy. The financing of the 10 Year Local Transit Strategy was revised in 2019 through report (PW14015b) Recalculation of the 10 Year Local Transit Strategy. Through this review, ridership and revenue were re-evaluated to properly reflect elasticity as it relates to fares and service. As a result revenue was increased for the remainder of the plan and prior to the pandemic Transit was on target to exceed those levels. While there is an indication that recovery could begin in the Fall of 2021, this does not provide effective data to be able to re-evaluate the financial plan for the remaining years of the 10 Year Local Transit Strategy at this time. Transit is required, however, to provide an update into the next Development Charge (DC) by-law which is expected to be completed by the summer of 2023. Therefore, staff expects that during 2022 with experience post-pandemic, that a revised 10 Year Local Transit Strategy can be developed for presentation to Council in 2023. The update will continue to ensure that investments support the Transportation Master Plan (TMP). The TMP updated in 2015 has a target of 12% modal split for Transit to be achieved by 2031, at which time the City's population is expected to reach 660,000. Transit's current modal split based on the 2016 Transportation Tomorrow Survey is 7%. Key objectives of the Transportation Master Plan include improving environmental sustainability, reducing dependence on single-occupant vehicles, promoting improved options for walking, cycling, and transit, maintaining and improving the efficiency of trips related to the movement of goods and servicing of employment areas while supporting the City's growth.

#### Recovery

Our City Survey 2019 results show HSR satisfaction rating improved 6% over 2018. The survey included one (1) open-ended question that allowed respondents to comment on the one thing they feel the City of Hamilton should do to reach the vision of being 'the best place to raise a child and age successfully'. Transit is number 5 in the list of 20 themes, with comments that include - increasing or improving "public transit" - improving bus service, expanding routes and service areas, improving service schedule and frequency, etc. - the LRT. These results show that the investments Council made through the 10 Year Local Transit Strategy are valued by the City of Hamilton citizens and that they are looking for investments in the service to continue.

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In surveys prepared by various interest groups through the early part of the pandemic, a significant number of customers stated that they will only feel comfortable returning or beginning to use Transit once a vaccine has been made available.

Given that Canada will have completed vaccinating everyone who wants one by the end of 2021, Transit may be able to begin the recovery process in the fall of 2021 with full efforts throughout 2022. It is still too early to determine what the specific recovery plan will entail, however, ensuring that the service remains in place and grows where the City does will provide the underlying support required to entice customers back, attract new customers and make Transit your first choice.

**APPENDICES AND SCHEDULES ATTACHED**

N/A