

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 3702



Durham Region Transit Report

To: Durham Region Transit Executive Committee
From: General Manager, Durham Region Transit
Report: #2023-DRT-07
Date: March 8, 2023

Subject:

2023 Durham Region Transit Business Plan and Budget

Recommendation:

That the Transit Executive Committee (TEC) recommends to the Finance and Administration Committee for subsequent recommendation to Regional Council that the 2023 Durham Region Transit Business Plans and Budget be approved.

Report:

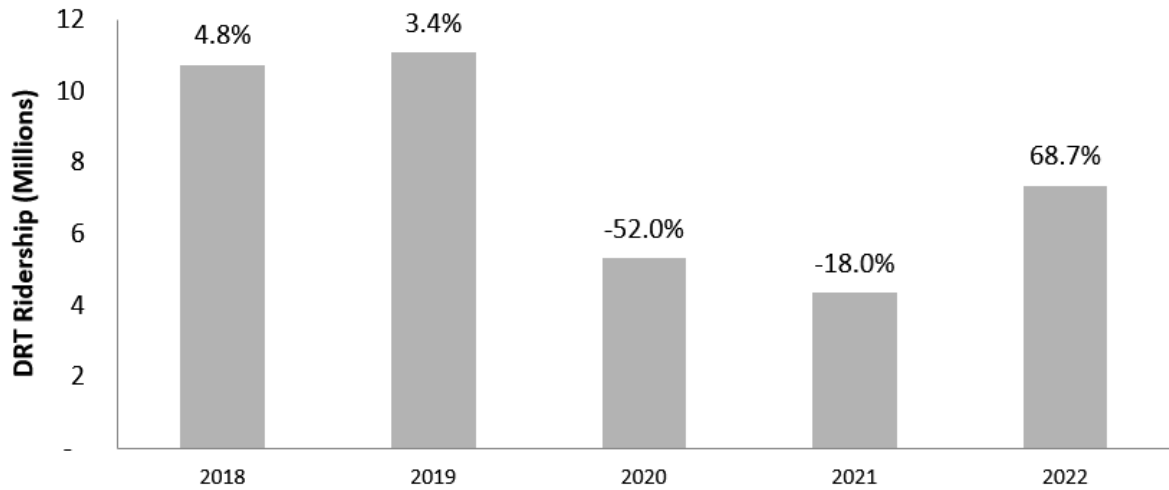
1. Purpose

1.1 The purpose of this report is to obtain TEC's concurrence with the 2023 Business Plan and Budget for Durham Region Transit (DRT). The DRT 2023 Business Plan and Budget will be referred to the Finance and Administration Committee for consideration during deliberations of the 2023 Property Tax Supported Business Plans and Budget.

2. Background

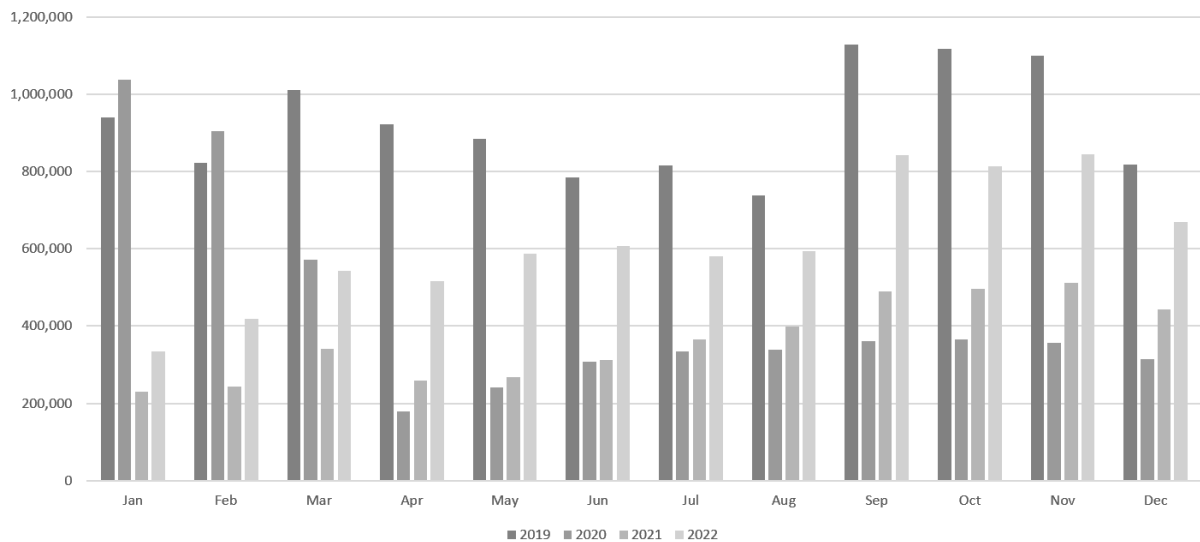
2.1 During 2022 DRT saw strong signs of ridership recovery from the COVID-19 pandemic. Annual ridership for 2022 was 7.4 million, an increase of 68 per cent from 2021. Final 2022 ridership reached 67 per cent of DRT's peak pre-pandemic ridership level in 2019 (11.1 million). For 2022, 98 per cent of total ridership was served by scheduled bus service, with 1.5 per cent by DRT On Demand and 0.5 per cent by Specialized Services. Figure 1 compares annual changes in ridership over the past five years:

Figure 1: Annual DRT Ridership (2018 to 2022)



2.2 Another positive ridership trend in 2022 was that monthly ridership totals surpassed 2021 totals in each month of the year. Figure 2 highlights the change in monthly ridership throughout 2022 compared to 2021, 2020 and 2019. Ridership in December 2022 and January 2023 reached 82 per cent and 85 per cent of pre-pandemic levels, respectively.

Figure 2: Monthly DRT Ridership (2019 to 2022)



2.3 Final fare revenues for 2022 (including U-Pass) are projected to be \$22.5 million of the budgeted total of \$20.3 million or 111 per cent of the 2022 budgeted amount and 79 per cent of pre-pandemic (2019) levels. The year-end revenue totals were the strongest that DRT has seen since the start of the pandemic and

another positive indicator of ridership recovery. On a monthly basis, fare revenues did demonstrate growth over the course of the year exceeding 80 per cent of 2019 monthly revenues during the fourth quarter of the year. Funding continued to be made available through Phase 3 and 4 of the Safe Restart program to assist transit agencies in Ontario and across the country with the impacts of the COVID-19 pandemic and have helped to offset ongoing fiscal impacts to DRT in 2022.

- 2.4 With the discontinuation of the paper Access Pass in October 2022, DRT supported customers in shifting to the Transit Assistance Program (TAP) available on PRESTO cards. This represented the last of DRT's paper period passes as customers shift to contactless fare payment. Monthly fare payment by PRESTO increased from less than 40 per cent of customers at the end of 2019 to 85 per cent in 2022. Paper tickets continue to be made available on a limited basis to community and social agencies only. Cash fare payments continued to be used by eight per cent in 2022, down from 12 per cent in 2019.

3. Previous Reports and Decisions

- 3.1 The Transit Service and Financing Strategy (2023-2032) report ([#2023-DRT-05](#)) was approved by the Transit Executive Committee at its meeting on February 8, 2023, outlining investments required over the next 10 years to achieve Council's transit priorities.
- 3.2 The Transit Service and Financing Strategy (2023-2032) report ([#2023-F-5](#)) was approved by the Finance and Administration Committee at its meeting on February 14, 2023 and Regional Council on March 1, 2023.
- 3.3 The 2023 Regional Business Plans and Property Tax Supported Budget Guideline report ([#2023-F-1](#)) was approved by Regional Council at its meeting on February 1, 2022, setting the 2023 Property Tax Guideline.
- 3.4 On June 29, 2022, Regional Council approved the E-Mission Zero - DRT Fleet Electrification Plan ([#2022-DRT-10](#)) to transition DRT fleet vehicles to zero emission technologies by 2037. This report also identified potential Federal financing and funding opportunities to help offset a portion of the incremental capital costs of the transition. A key next step was execution of a Memorandum of Understanding with the Canada Infrastructure Bank in June 2022, and completion of due diligence on the financing framework for establishment of a credit agreement supporting the purchase of zero emission buses.

4. Overview

- 4.1 The recommended 2023 DRT Business Plan and Budget meets the Council approved guideline for the 2023 Property Tax Supported Business Plans and Budgets and is aligned with the Transit Service and Financing Strategy (2023-2032).
- 4.2 The 2023 DRT Business Plan and Budget supports the following five goals of the Region's Strategic Plan:
 - a. Environmental Sustainability
 - b. Community Vitality
 - c. Economic Prosperity
 - d. Social Investment
 - e. Service Excellence
- 4.3 The recommended 2023 DRT Department Business Plan and Budget includes \$199.2 million in gross expenditures requiring \$80.8 million in property tax funding with the remaining funded by program and fare revenue, development charges, provincial and federal COVID-19 funding, provincial gas tax, provincial and federal grant funding (e.g., Investing in Canada Infrastructure Program, Zero Emission Transit Fund), reserves and reserve funds, and debenture financing both directly from the capital markets and that offered through the Canada Infrastructure Bank (CIB).
- 4.4 The recommended 2023 DRT Business Plan and Budget provides operating and capital funding for the following divisions:
 - a. Administration
 - b. Operations
 - c. Maintenance
 - d. Specialized Service
 - e. Northern Service
 - f. Facilities Management

5. 2022 Accomplishments

- 5.1 Despite the challenges presented throughout 2021 by the COVID-19 pandemic, DRT had several notable achievements related to meeting ridership demands, responding to increasing safety requirements for customers and staff, and innovating service delivery throughout 2021:

- a. Supported ongoing recovery from the COVID-19 pandemic, while adapting service levels to reflect ridership demand, achieving year end ridership of 7.4 million, a 68 per cent increase over 2021.
- b. Launched new service enhancements, including the introduction of two new PULSE routes, the 915 and 916, further expanding the rapid bus network. Five new local routes, the 211, 222, 319, 409 and 423, were launched to connect residents to frequent DRT services, and key destinations including the GO rail network. The 920, connecting Harmony Terminal to McCowan Station, was increased to operate every 15-minutes all day. A second overnight route, the N2, was extended to operate all night every 30 minutes and to connect with General Motors of Canada's Oshawa Plant. Finally, more than 10 routes were enhanced to operate every 15 minutes or better.
- c. Integrated Specialized Services with On Demand providing service equity for customers while delivering approximately 4,000 weekly trips. Through this integration, customers registered with Specialized Service benefit from the same travel flexibility and real time trip booking options available to other On Demand customers.
- d. Implemented DRT branded On Demand service ensuring customer confidence and a consistent experience across the Region.
- e. Delivered more than 110 free trips to vaccination clinics across Durham Region through DRT On Demand with the support of Ontario Power Generation.
- f. Commissioned and deployed DRT's first 10 diesel-electric hybrid buses purchased with funding through the Investing in Canada Infrastructure Program.
- g. Finalized purchase orders for DRT's first six battery electric buses with funding through the Canada Community-Building Fund. The buses are expected to be deployed into service in 2024.
- h. Received Council approval for DRT's E-Mission Zero fleet electrification plan. Under the plan DRT will transition its fleet to zero emission technologies by 2037 with only zero emission vehicles purchased as of 2024.
- i. Launched a Next Bus digital signage pilot program at four locations including Oshawa Centre Terminal, Pickering Parkway Terminal, Ontario Tech/Durham College North Campus Terminal and Bowmanville (Clarington Boulevard & Prince William Boulevard). The signs are solar-powered and provide live updates about bus departure times. The devices are also equipped with a text-to-speech function for customers with visual impairments.

- j. Collaborated with the Rapid Transit Office (RTO) to conduct a public review of design options for Highway 2 median-lane Bus Rapid Transit (BRT) shelters. Approximately 500 people participated in the review with 290 comments received and 175 suggestions to improve the shelter design.
 - k. Phased out the paper Access Pass and supported eligible customers in switching to the Transit Assistance Program (TAP) available on PRESTO cards. 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.
- 5.2 These accomplishments are in addition to ongoing work that has continued to progress during 2022 to advance key transit infrastructure and modernization projects, including Investing in Canada Infrastructure Program projects (ICIP), preparations for the Lakeshore East GO train extension, modernizing the transit organization, and participation in service and fare integration efforts with the Province and partner transit agencies within the Greater Toronto and Hamilton area.

6. 2023 Strategic Highlights

- 6.1 The proposed 2023 DRT Business Plan and Budget net property tax budget of \$80.8 million supports continued service enhancements as part of service recovery from the COVID-19 pandemic, investments in growth infrastructure and fleet electrification, maintaining core service requirements and assets, actively engaging customers and stakeholders, and planning for the future of DRT. This includes:
- a. The proposed 2023 DRT Business Plan and Budget provides for up to 525,470 hours of conventional service and 65,178 hours of On Demand service throughout rural and low demand urban areas of the Region. The 2023 service plan includes an increase of 27,178 hours above the adjusted 2022 base service hours which includes nine new operator positions to deliver the service. The 2023 service plan provides for:
 - 15 minute weekday daytime frequency on the 905 between Whitby Station and Simcoe/Britannia;
 - extend the 302 to the North Campus Terminal during weekday evenings and weekends;

- provision of additional scheduled bus service to replace On Demand service as demand warrants;
- introduction of weekend daytime service on the 423; and
- an increase of nearly 8,000 additional On Demand hours to meet new growth and demand in rural areas.

The total annual cost of the 2023 service plan enhancements (net \$0.4 million in projected fare revenue) is \$2.5 million.

- b. Capital investments totaling \$83.2 million that includes: acquisition of twenty-two additional growth battery electric buses to be delivered in 2025 (\$35.4 million); electric vehicle charging infrastructure and related equipment (\$6.2 million); advancing planning, design and engineering for DRT's new facility in north Oshawa to support fleet electrification (\$2.0 million); 15 diesel bus replacements (\$12.2 million); construction of Harmony and Windfield Farms terminals (\$7.0 million); and various other infrastructure and equipment related capital projects (\$4.6 million). Capital investments also include the previously approved Investing in Canada Infrastructure Program (ICIP) projects including: Raleigh administration building construction (\$11.6 million), advanced fuel and fluid management system (\$1.3 million), and bus stop infrastructure improvements (\$2.9 million).
- c. As a result of network realignment, scheduling efficiencies and delivery of demand responsive services in rural and low demand urban areas, DRT planned to reduce its fleet size from 188 buses at the beginning of 2022 to 157 buses. With the approval of the 10-year Transit Service and Financing Plan, continued supply chain challenges and ongoing vehicle repair needs, 22 buses originally scheduled for retirement will be maintained in the fleet at this time to ensure fleet availability to meet service growth plans. Vehicles will be retired as appropriate, allowing for savings from repair costs to keep these vehicles in operation (-\$0.5 million).
- d. Further to approval by Regional Council at its March 1, 2023 meeting as part of the Transit Service and Financing Strategy (2023-2032), a \$0.10 increase to the base adult fare will be implemented effective July 1, 2023 with proportional adjustment to other fare concessions per the established discount rates (\$0.5 million in increased revenue in 2023, the annualized impact is an increase of \$0.9 million in revenue).
- e. DRT's current U-Pass Agreement with Durham College, Ontario Tech University and Trent University (GTA Campus) expires as of August 31,

2023. All parties have expressed interest in negotiating a new multi-year agreement. For the purposes of the September 1, 2023 to August 31, 2024 academic year, a one year extension is proposed with a 1.9 cent fee adjustment increasing the U-Pass cost by \$2.75 per four month semester from \$147.25 to \$150.00 (\$60,000 in increased revenue in 2023, annualized impact is an increase of \$130,000). DRT will work with the post-secondary institutions to establish a framework for a multi-year agreement to take effect September 1, 2024, subject to the approval of Region Council.

- f. Increase in the payment to PRESTO in accordance with the Metrolinx-905 transit agency operating agreement for increasing ridership (\$0.6 million). Ridership is projected to be an estimated 10.0 million passengers in 2023 based on ridership trends and planned service and ridership recovery efforts. This is approximately 90 per cent of pre-pandemic ridership levels.
 - g. Under DRT's Public Vehicles Operating License for the transportation of passengers within Durham Region and to neighbouring municipalities, the provision of charter services was strictly prohibited. With the repeal of the Public Vehicles Act by the Province on July 1, 2021, under Bill 213, these restrictions have been removed. In accordance with the Transit Service and Financing Strategy (2022-2023) approved by Council on March 1, 2023, DRT will establish a charter service rate of \$925.00 per 12 meter conventional bus for a minimum four hour booking. Additional hours can be booked at a rate of \$130.00 per hour, and additional buses at a rate of \$505.00 per vehicle. Charter rates have been set on a full cost recovery basis considering all expenditures incurred for the operation and servicing of the vehicle and administration such as planning and supervision (\$0 net impact). DRT will focus on launch of the charter service program in 2023 and report back to TEC, Finance and Administration Committee and Council on initial uptake and any required program adjustments as part of the 2024 Business Plan and Budget process.
 - h. Continue strategic planning activities to support DRT's long- term planning and continuous improvement efforts, including development of a workplace safety program related to fleet electrification, integration of on-time performance analytics platform, dispatch and control centre process improvements, and emergency management process study (at a combined cost of \$0.6 million).
- 6.2 The DRT 2023 Business Plan and Budget provides for 18 new full time positions, in addition to the 9 new full time operators required to deliver the service enhancements, including:

- a. seven service person positions to address increasing capacity and enhanced vehicle servicing; three apprentice mechanics to mitigate attrition impacts and recruitment challenges in the current labour market for skilled trades persons; two maintenance supervisors to expand capacity and reduce overtime; two operations supervisors in support of service growth; one maintenance technical specialist to meet increasing technical vehicle requirements required for the transition to zero emission vehicles as well as other new technologies as they are developed; one store-person to support on-going deployment of Enterprise Maintenance Management System (EMMS) needs; one project manager of technical specifications and support required for significant procurement and project management requirements to ensure contract performance and accountability; and one project manager of contracted service delivery to lead the management of third party contractors operating transit services on behalf of DRT and to advance DRT's emergency management processes in collaboration with the Emergency Management division (at a combined cost of \$1.2 million in 2023 and \$2.2 million annualized).
 - b. The 2023 Business Plan and Budget also provides for the conversion of four full time operator positions to full time instructor positions reflecting the increasing and expanding training requirements within the organization (\$0.1 million).
- 6.3 While DRT anticipates full ridership recovery by 2024/25, the COVID-19 pandemic will continue to have impacts on projected fare and advertising revenues. The 2023 proposed budget has been structured to be flexible and responsive to ridership changes during the pandemic recovery. While senior government funding to offset the continued financial impacts from the pandemic has not been confirmed beyond December 31, 2022, the 2023 budget includes a provision of \$3.2 million to offset the following projected temporary financial impacts:
- a. 2023 fare revenues (including U-Pass) are projected at \$27.7 million, or 92 per cent of pre-pandemic levels (2020 budgeted revenues), an increase of \$7.5 million from 2022 budgeted levels (a decrease of \$2.4 million from pre-pandemic levels);
 - b. 2023 advertising revenue is projected to continued to be lower than pre-pandemic levels due to the ongoing impacts of the pandemic (a decrease of \$0.5 million from 2020 budgeted level); and
 - c. Cost for washroom facilities for operators (\$0.3 million).

- 6.4 DRT and Region staff continue to support advocacy to the provincial and federal governments through transit industry and municipal associations for the need for additional Safe Restart funding in 2023 and beyond given expectations that the transit industry will not fully recover from the pandemic until 2024-25. Should the provincial and federal governments not extend additional funding support to maintain service levels, the Region will need to consider the use of stabilization reserve funds. Otherwise, further cost mitigation measures will be required.
- 6.5 The proposed budget includes an increase in base property tax funding to permanently provide for the daily bus cleaning and disinfecting procedures introduced during the pandemic to provide confidence in the safety of transit operators for DRT customers and staff. This includes \$0.3 million in cleaning and disinfecting products, janitorial services, and staff personal protective equipment and supplies.
- 6.6 Throughout 2023 DRT will continue to advance key projects that support the Region's climate change objectives including finalizing acquisition and installation of charging infrastructure and utility upgrades at DRT's Raleigh Depot in Oshawa prior to the delivery of DRT's first battery electric buses in 2024 (2019/2020 Canada Community-Building Fund), the continued implementation of solar lighting in DRT bus shelters (2020 ICIP funding), and evaluating lighting solutions for remote bus stops.
- 6.7 DRT will also be implementing its fleet electrification plan, including the purchase of 22 growth battery electric buses in 2023 (to be delivered in 2025) and related charging equipment leveraging federal funding through the Zero Emission Transit Fund and financing through the Canada Infrastructure Bank. Approvals will be required by Finance and Administration Committee and Council as part of DRT's 2023 Business Plan and Budget to execute a credit agreement with the Canada Infrastructure Bank for low interest financing towards the incremental cost of a battery electric bus compared to a diesel bus. Key terms of the financing program include:
- a. Establishment of a credit facility of up to \$61.9 million towards the purchase of up to 98 buses based on forecasted fuel and maintenance savings for electric buses compared to diesel buses over the full 12 year life cycle;
 - b. Financing rate of 1 per cent interest annually, charged only on the funds drawn from the credit facility;

- c. Agreement on a multi-year battery electric bus implementation schedule allowing for multiple draws on the credit facility over the implementation period, as necessary;
- d. Four year availability period for financing through December 31, 2027, with a repayment term of 12 years for each draw. The credit term is scheduled to end in Jan 31, 2039;
- e. Debenture financing provided by the CIB will contribute towards a portion of the capital acquisition costs of buses. The Region's repayment obligation (principal and interest) is based on the lower of the agreed percentage of forecasted savings or deemed savings from the operation of battery electric buses compared to diesel buses;
- f. The Region will be required to budget for the projected debt servicing costs for draws on this credit facility; and
- g. The amount of the credit facility and the duration of the period for which it is available may be increased upon the request of the Region and agreement by the CIB, in its sole discretion.

7. 2023 Risks and Uncertainties

7.1 Several key risks may impact DRT in 2023 and beyond, including:

- a. Ongoing and residual impacts of the COVID-19 pandemic generally expected within the transit industry for another one to two years before public transit ridership reaches pre-pandemic levels.
- b. Long-term impacts of the pandemic on work, school and leisure travel patterns, particularly the extent to which employers and schools may continue with remote work and learning arrangements in whole or in part.
- c. The Safe Restart Program funding has supported transit operating pressures resulting from the COVID-19 pandemic and mitigated significant service cuts during the critical ridership recovery period. Under Phase 4 of the program announced by the province in December 2022, transit agencies are unable to carry over any unused funding to 2023 to help offset ongoing pandemic related cost and revenue impacts. The Canadian Urban Transit Association and Ontario Public Transit Association continue to advocate to the federal and provincial governments on the need for additional support to transit agencies to address the ongoing impacts of the pandemic. It is unknown at this time whether any additional operating funding for transit will be made available in 2023 and beyond.
- d. The Province has confirmed the 2022-23 Provincial Gas Tax program funding allocations will be topped up to make up for lower gas sales. This

will ensure Durham's allocation is roughly equivalent with the previous year (\$9.35 million for 2022-23 versus \$9.37 million for 2021-22). However, it is unknown whether funding will remain at the same level for future years.

- e. DRT, and the transit industry more broadly, continue to face pressures resulting from supply chain constraints for parts and equipment, and longer than normal production timelines for new vehicles (i.e. up to 24 months). Timely repair and refurbishment needs for buses continue to be important to mitigate major repair costs and ensure service availability.
- f. Fuel price fluctuations and weather-related impacts on facility and bus stop maintenance expenditures is a regular and ongoing uncertainty.

8. Future Budget Pressures and Opportunities

8.1 DRT's 2023 Budget and Business Plan includes the following items that will have an impact for the 2024 budget, these include:

- a. Annualization of the eighteen new (non-service plan) positions included in the 2023 budget (estimated incremental impact on the 2024 budget of \$1.0 million).
- b. Annualization of the fare adjustments proposed to take effect July 1, 2023 (estimated incremental impact on the 2024 budget of -\$0.4 million).
- c. Potential reallocation of provincial gas tax funds from the operating budget back to the capital budget to meet the forecasted vehicle replacements projected for 2024.

8.2 Beyond 2022-23 there is uncertainty with Durham's share of Provincial Gas Tax revenues due to the impacts of the COVID-19 pandemic or other trends impacting Ontario gasoline sales. The 2021-2022 Gas Tax program allocation was the first to reflect impacts of the COVID-19 pandemic based on 2020 ridership and gasoline sales. The Province announced in late 2021 that municipal Gas Tax allocations for 2021-22 would be topped up to 2020-2021 program levels, through a one-time \$120 million provincial commitment to help mitigate the impacts of COVID-19. A similar top up has been announced by the Province for 2022-23 with a one-time \$80 million contribution. It is unknown whether future provincial gas tax allocations will be affected.

8.3 DRT continues to be well below comparator transit agencies in Ontario and the Greater Toronto and Hamilton Area (GTHA) in revenue service hours per capita, in some cases up to 50 per cent less. A competitive transit network supports economic development by enabling seamless and timely travel to employment,

training and education opportunities across the Region. Implementation of the Transit Service and Financing Strategy (2023-2032), including investment from the Region and other orders of government, are crucial to achieving Council's vision for transit in Durham.

- 8.4 Consistent with the Transit Service and Investment Strategy (2023-2032), significant investments are required over the ten-year plan to grow service, advance fleet electrification, expand infrastructure and improve passenger amenities. This includes:
- a. Significant service expansion including annual increases to an additional 625,000 revenue service hours by 2032.
 - b. Acquisition of 325 growth and replacement battery electric buses and associated charging infrastructure that will support the transition of up to 90 per cent of DRT's fleet to zero emission technologies by 2032.
 - c. Capital and operating impacts for the new maintenance and storage facility to be constructed at 2400 Thornton Road in north Oshawa.
 - d. Upgrades and expansion to transit terminals including Harmony, Pickering Parkway and Windfield Farms.
 - e. Completing bus stop safety and accessibility improvements (e.g. hard surfacing, lighting installations) by 2025 in accordance with the *Accessibility for Ontarians with Disabilities Act*.
- 8.5 It is acknowledged that annual property tax increases over the plan will be required starting at approximately 2 per cent per year on the overall Regional tax levy. The annual property tax impacts will be reviewed and updated annually based on senior government funding confirmations and current information with a goal to smooth out the annual property taxpayer impacts.
- 9. Relationship to Strategic Plan**
- 9.1 This report aligns with/addresses the following strategic goal and priorities in the Durham Region Strategic Plan.
- a. Goal 5 Service Excellence – to provide exceptional value to Durham taxpayers through responsive, effective, and fiscally sustainable service delivery. By responsibly managing the Region's financial assets, the proposed 2023 DRT Business Plan and Budget looks to optimize resources to deliver services and critical infrastructure for current and future generations.

9.2 The Strategic Priorities section of the 2023 DRT Business Plan and Budget document further highlights planned activities for the current budget year which will contribute to the achievement of the Region's priorities outlined in the Region's Strategic Plan.

10. Conclusion

10.1 The recommended 2023 DRT Business Plan and Budget meets the Council approved guideline for the 2023 Property Tax Supported Business Plans and Budgets, is aligned with the Transit Service and Financing Strategy (2023-2032), and supports DRT's role in delivering safe, accessible, and reliable public transit services.

10.2 It is recommended that the Transit Executive Committee approve the 2023 Business Plans and Budget for DRT and forward this report to the Finance and Administration Committee for consideration during the budget deliberations of the 2023 Property Tax Supported Business Plans and Budget.

10.3 This report has been reviewed by the Finance Department and the Commissioner of Finance/Treasurer of DRT concurs with the recommendation.

11. Attachments

11.1 The detailed 2023 Business Plans and Budget for DRT is attached.

Respectfully submitted,

Original Signed by:

Bill Holmes
General Manager, DRT

Recommended for Presentation to Committee

Original Signed by:

Elaine C. Baxter-Trahair
Chief Administrative Officer