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## Durham Region Transit Report

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To: Durham Region Transit Executive Committee  
From: General Manager, Durham Region Transit  
Report: #2024-DRT-12  
Date: June 5, 2024

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**Subject:**

U-Pass Negotiation Framework

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**Recommendation:**

That the Transit Executive Committee (TEC) recommends:

- A) That Durham Region Transit (DRT) staff be authorized to negotiate separate & independent U-Pass agreements with each of Durham College, Ontario Tech University, and Trent University (Durham Campus), or a single joint agreement, at the sole discretion of the General Manager of Durham Region Transit, or their delegate, to allow for mutually beneficial considerations and risk mitigation during U-Pass contract negotiations.
- B) That the agreement(s) established with each of Durham College, Ontario Tech University, and Trent University (Durham Campus) be negotiated with an intent to realign U-Pass rates to better match upcoming service growth as endorsed by Council on DRT's Long-Term Service & Financing Strategy, a more appropriate revenue cost ratio and alignment with DRT's Council endorsed fare pricing strategy, and in consideration of switching from the Presto E-Ticket Solution to the Presto Mobile Wallet Solution, as presented in Confidential Attachment 1.
- C) That in conjunction with recommendations b) and the information presented in the Confidential Attachment, and as part of an overall negotiation strategy, staff be provided delegated authority to discontinue the UPASS with one or more of the post-secondary institutions in the event reasonable attempts at achieving increases fail during referendums and the costs to administer the program, including staff costs, outweigh revenues.

- D) That the negotiated agreements be brought back to TEC and then to Finance and Administration Committee for final approval.

## Report

### 1. Purpose

- 1.1 DRT's Universal Pass (U-Pass) program provides students who are enrolled in participating post-secondary institutions with unlimited access to local transit by charging all students at the institution a flat rate for transit access. The flat rate forms part of the ancillary fees that students pay as part of their enrolment with their institution. The program relies on the mandatory charge being applied to the entire student population as the guaranteed revenue allows U-Pass prices to be set lower than the amount students would otherwise pay for monthly passes or single fare rides over the same period. Several key benefits of the U-Pass program include:
- consistent revenue for DRT to support better planning and forecasting;
  - unlimited public transit travel for students, within the Region, and with the new OneFare Program, cross boundary travel as well;
  - supports more affordable housing options for students to live further from campus;
  - reducing traffic congestion and minimizing parking requirements on post-secondary campuses; and,
  - reducing greenhouse gas emissions by encouraging public transit.
- 1.2 Any ancillary fee increases (which includes U-Pass) exceeding predetermined thresholds from the three post-secondary institutions may trigger a student union referendum, of which there exists a risk that should an agreement not be reached upon expiry of the current agreement, and negotiations fail, a U-Pass program will cease to exist. Currently, there is only a single agreement that covers the U-Pass program across the three institutions, however there is variation in the referendum threshold levels that must be taken into consideration when approaching the negotiations. In addition, the student body population also differs vastly for each institution and is also a critical element of the negotiations. The following table lists the ancillary fee increase thresholds and student body population for each post-secondary institution:

Table 1 – Referendum Thresholds &amp; Student Body Population

Post Secondary Institution	Ancillary Fee Increase Threshold Before Triggering Referendum	Estimated Total Student Body Population
Ontario Tech University	5%*	9,945
Trent University	5%	1,565
Durham College	2%	13,038

\* There is no set percentage threshold at Ontario Tech University, but it is estimated that increases at or beyond 5% would trigger a referendum

- 1.3 DRT entered into the current multi-year U-Pass agreement with Durham College, Ontario Tech University and Trent University effective for the period May 1, 2017, through August 31, 2019. The parties have since executed consecutive one-year extensions to the original agreement through August 31, 2025. The negotiations for entering into a new multi-year agreement has been avoided in recent years due to the impacts of the pandemic, among other considerations. Table 2 illustrates the historical U-Pass rate increases over the last decade.

Table 2: U-Pass Rate Increases 2014-2024

Semester Beginning	U-Pass Fee	Annual % Increase	Note
September 1, 2014	\$89.00		
September 1 2015	\$103.00	15.7%	
September 1 2016	\$120.00	16.5%	
May 1, 2017	\$120.00		Latest Multi year agreement
September 1, 2017	\$127.00	5.8%	Latest Multi year agreement
September 1, 2018	\$135.00	6.3%	Latest Multi year agreement
September 1, 2019	\$139.00	3.0%	1 Year Extension
September 1, 2020	\$141.75	2.0%	1 Year Extension
September 1, 2021	\$144.50	1.9%	1 Year Extension
September 1, 2022	\$147.25	1.9%	1 Year Extension
September 1, 2023	\$150.00	1.9%	1 Year Extension
September 1, 2024	\$152.85	1.9%	1 Year Extension

## 2. Previous Reports and Decisions

- 2.1 The extension of the U-Pass agreement through the 2024-2025 academic year, including a 1.9 per cent increase in the fee per eligible student from \$150.25 per

semester to \$152.85 per semester for the period of September 1, 2024 to August 31, 2025 was approved by TEC through Report #2023-DRT-26.

### **3. Background**

- 3.1 DRT provides a base network of direct and frequent service connecting students to post-secondary institutions, with nearly 700,000 residents within walking distance of a bus route that directly serves a post-secondary institution in Durham Region, and 1.5 million residents with access using one or two bus routes (one transfer or less) in 2022.
- 3.2 In 2023 and 2024 (to date), DRT has made significant improvements to routes serving post-secondary institutions to account for increased ridership throughout the network, including:
  - a. 15-minute all-day service implemented on Route 905, connecting Whitby Station to Ontario Tech University/Durham College North Campus.
  - b. Route 302 service extended to Ontario Tech University/Durham College North Campus 7-days per week.
  - c. Extension of Route 409 to Ontario Tech University/Durham College North Campus and Windfields Farm Drive, providing direct service to Oshawa Centre Terminal and two-way service via Garrard Road.
  - d. Modified PULSE 901 schedule to provide consistent 10-minute frequency between downtown Oshawa and Ontario Tech University/Durham College North Campus, improving capacity and reliability of service.
  - e. NEW Route 921, providing limited-stop, faster service between Scarborough and Ontario Tech University/Durham College North Campus during high-demand periods.
  - f. Resources added to Route 920, providing more reliable service and consistent 15-minute headways.
  - g. Resources allocated on key corridor routes including PULSE 901, 902, 905, 917, and 920, benefitting students throughout the network.
- 3.3 DRT has also made improved bus stop infrastructure including new stops and new transit shelters at post-secondary institutions including but not limited to:
  - a. New bus stops and shelters installed on Conlin Rd. and Founders Rd.
  - b. New bus stop and shelters installed on Simcoe St., at Commencement Dr.
  - c. New bus stop installed at Simcoe St. at Taunton Rd.
  - d. Bus stops relocated at Trent University Durham, bringing closer to pedestrian crossing and residence building, with new shelter installed

- 3.4 DRT seeks to continue improving service across the network, with plans to implement additional service where it is needed most in 2024 and beyond, including but not limited to:
- a. Increased frequency on PULSE 915 and 916, key travel routes for students accessing Ontario Tech University/Durham College North Campus.
  - b. Improved reliability and consistent headways across the PULSE network, improving access to all campuses.
  - c. New local routes in high-growth areas including West Whitby, Pickering, and north Oshawa, providing additional local connections, and making transit easier to access.
  - d. Reinstatement of select local routes where walk distance to transit is long, and gaps in the network exist.
  - e. Improved On Demand capacity, with dedicated vehicles to support travel to/from rural and northern communities, or travel when scheduled service may not operate.
- 3.5 As DRT continues to budget annually for the implementation of the 10-year Service and Financing Strategy, continued improvements to the network are planned for implementation, with new connections to Toronto and York Region, rapid transit projects, and a nearly 100% increase in service hours available to all residents.
- 3.6 The U-pass remains DRT's best value fare product, allowing students to have access to unlimited travel on all DRT scheduled and On Demand services throughout the four-month semester. The most recent (2024-2025 academic year) U-Pass semester rate is \$152.85 per student. On a monthly basis, this equates to a monthly pass cost of \$38.21, which is \$12.19 less than DRT's Transit Assistance Program (TAP) available to Ontario Works and Ontario Disability Support Program clients (\$50.40 per month) and less than the cost of six adult round trips (i.e., 12 rides) per month. The U-Pass rate is equivalent to 29 per cent of an adult monthly pass, and 37 per cent of a youth monthly pass.
- 3.7 The potential to enter into a separate agreement with each of the post secondary institutions as recommended above will mitigate risk where the U-Pass program is in jeopardy of dissolution, such as in the event that negotiations with any one of the three post secondary institutions fail due to a number of reasons, with the main one being that a student union referendum has been triggered and all proposed U-Pass rates are rejected. Should negotiations fail with any of the

institutions, DRT can still support a U-Pass program with the remaining parties under the recommended arrangement of executing separate agreements.

- 3.8 The U-Pass accounts for 29 per cent of DRT's budgeted ridership in 2024 and is anticipated to generate approximately \$7.8 million in revenue for DRT, representing 22 per cent of DRT's total fare-related revenue. Despite the U-Pass program being such an important driver of DRT's ridership and revenue, U-Pass fares have not kept pace with the increase in gross operating expenditures, nor with the rate of revenue increase from other fare rate media, and critically does not align with DRT's Council endorsed fare strategy. Table 3 compares the growth amongst fare revenue, U-Pass, and gross operating expenditures between 2020 to 2024, with U-Pass revenue trailing at a 16% increase, compared to a 25% increase from fare revenue, and a 31% growth in gross operating expenses. Note that the 2020 budget figures below were derived before the pandemic and based on trends inclusive of 2019 actual performance and prior, where ridership continually experienced record levels each year. Looking forward, with Council's endorsement of DRT's Long-Term Service and Financing Strategy (#2023-DRT-05), DRT's network of revenue hours is targeted to grow by 652,393 hours between 2022 to 2032. Therefore, it has become more crucial than ever for DRT to align growing operating costs that will have a direct benefit to its ridership base with a responsible fare pricing strategy which will promote equity amongst all fare paying riders.

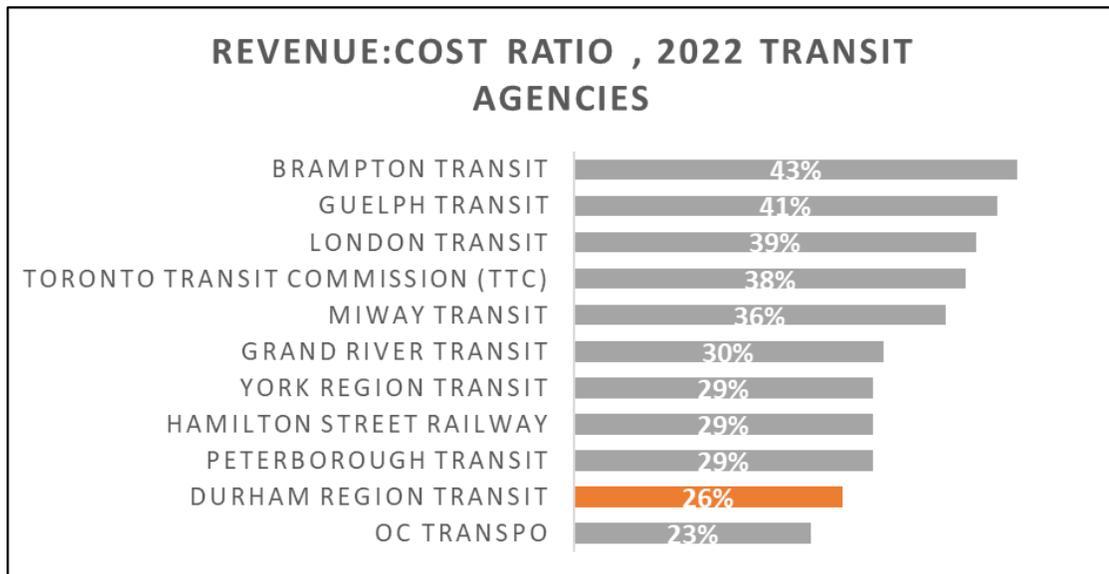
Table 3: 2019 to 2024 budgeted operating expenditure and revenue growth

<b>Budgeted (\$ '000s)</b>	<b>2020</b>	<b>2024</b>	<b>Increase (2020-2024)</b>
Fare revenue	\$ 22,473	\$ 28,195	25.46%
U-Pass	\$ 6,778	\$ 7,865	16.04%
Gross operating expense	\$ 94,017	\$ 122,833	30.65%

- 3.9 Historically, DRT's revenue cost ratio (RC Ratio), which is the percentage of transit operating expenditures offset by fare, U-Pass, and advertising revenues, is below comparator transit systems in the Greater Toronto and Hamilton Area. A primary factor is Durham Region's large service area of over 2,500 square kilometers – the largest of all GTHA transit systems – and relatively low population densities in many areas of the region. The impacts of the pandemic have only exacerbated this issue, which dropped DRT's RC Ratio from 38% pre-pandemic to 26% in 2022. Figure 1 below highlights the RC Ratio amongst DRT's comparators, while Figure 2 highlights the total service area covered by comparator transit agencies. From the two figures below, it should be noted that

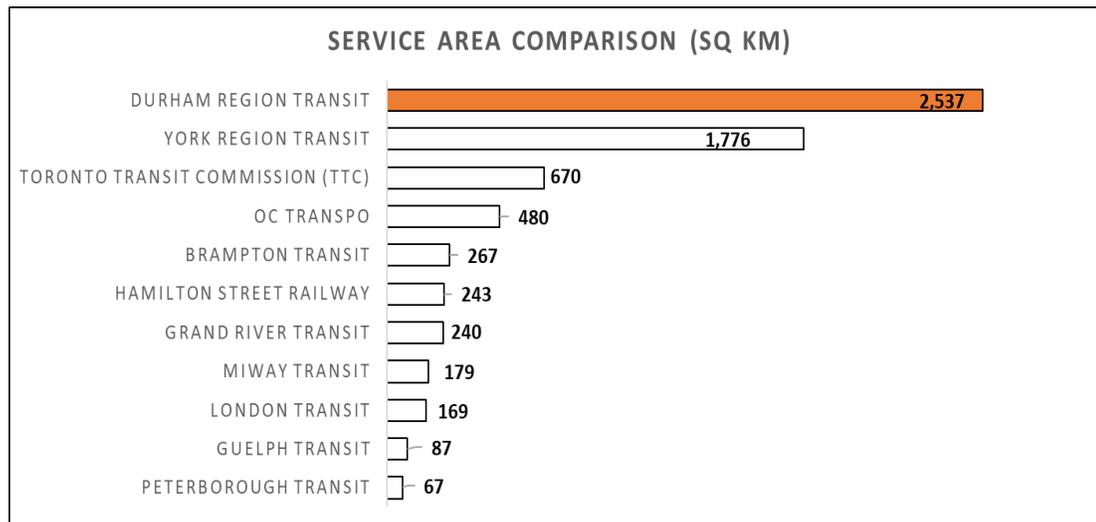
Durham Region Transit and York Region Transit’s total service area by far outsize that of other agencies, but also rank amongst the lowest in RC Ratio at under 30% in 2022. At the opposite end of the spectrum, the top 5 transit agencies with the highest RC Ratio, Brampton, Guelph, London, Toronto, and Mississauga all have service areas smaller than 25% of Durham Region’s service area (under 630 sq km).

Figure 1: Revenue Cost Ratio for GTHA Transit Agencies (2022 data)\*



\*DRT’s RC Ratio in 2023 has recovered further to 33%. It is highly likely that comparator transit agencies will also see higher figures than presented on the figure above, given post pandemic ridership is recovering overall.

Figure 2: Service Area Comparison



#### 4. Financial Implications

- 4.1 All financial implications are presented in the Confidential Attachment to this Report.

#### 5. Next Steps

- 5.1 This report, seeking authority for the parameters in which DRT will negotiate U-Pass increases as proposed in the Confidential Attachment, will be presented to Council for final approval before engaging the post-secondary institutions. To date, the Region and DRT have not yet triggered a referendum through proposed increases to the UPass fare.
- 5.2 Assuming the successful negotiation, including the potential of student referendums, DRT will work with Finance and Legal to bring a final report to TEC and Finance and Administration Committee to authorize the execution of an amendment to the U-Pass Agreement to implement the multi-year extension beginning September 2025.
- 5.3 Upon execution of the agreement extension, the Region's fees and charges schedule will be updated to reflect the increased fee.

#### 6. Relationship to Strategic Plan

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

- a. Goal 1: Environmental Sustainability – By providing convenient and cost-effective public transit, we can reduce reliance on single occupancy passenger vehicles directly minimizing carbon emissions as well as reducing congestion on the road network overall.
- b. Goal 4: Social Investment – Students represent a vulnerable community that is more sensitive to general inflation and cost of living increases. Inexpensive and convenient public transit helps mitigate against these issues and ensures students can travel between their residence and campus, as well as to employment opportunities within the Region.
- c. Goal 5: Service Excellence – Durham Region Transit is always looking to expand its service offerings, and with the 10-year approved service growth plan, public transit within the Region will continue to provide exceptional value to students and customers in general. The ongoing commitment to the U-pass Program is an example of continued service excellence in the face of difficult budgetary considerations.

## **7. Conclusion**

- 7.1 DRT's U-Pass Agreement has benefited all parties in a variety of ways. For DRT it has contributed to strong ridership growth amongst post secondary students, thereby contributing to overall fare revenues as well as mitigating congestion if the same trips were completed using single occupancy passenger vehicles. For Durham's post secondary institutions, it has provided students with an affordable option for school and personal travel, while assisting the institutions in managing parking and traffic pressures on campus and in the surrounding community. In addition, for the Region overall, promoting transit is a cost-effective mechanism for reducing localized emissions thereby contributing to our collective environmental sustainability and health outcomes.
- 7.2 An annual U-Pass rate increase between the parameters as recommended for each year of a multi-year agreement with each of the three institutions will align closer with DRT's projected increase in growth related operating expenditures, which will drive the 10-year growth plan as endorsed by Council.
- 7.3 The execution of three separate and independent U-Pass multi-year agreements with each of the three post-secondary institutions will allow for more mutually beneficial negotiations between DRT and the institutions, especially should there exist any specific issues that only affect a select number of the institutions. Despite the execution of separate agreements with each of the institutions, this report recommends a uniform U-Pass rate for all the institutions.

**8. Confidential Attachment**

Attachment # 1 Memo to Council from Jason Hunt and William Holmes

Respectfully submitted,

Original signed by

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Bill Holmes

General Manager, DRT

Recommended for Presentation to Committee

Original signed by

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Elaine C. Baxter-Trahair

Chief Administrative Officer