

Clause 10 in Report No. 10 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on June 23, 2016.

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PRESTO Operating Agreement Renewal Update

Committee of the Whole recommends adoption of the following recommendation contained in the report dated May 26, 2016 from the Commissioner of Transportation Services:

1. Council receive this report for information.
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Report dated May 26, 2016 from the Commissioner of Transportation Services now follows:

1. Recommendation

It is recommended that this report be received for information.

2. Purpose

This report provides an update on the PRESTO Smart Card System Operating Agreement ongoing negotiations between Metrolinx and the Greater Toronto and Hamilton Area (GTHA) Transit Agencies.

3. Background

The PRESTO Smart Card System was created to facilitate seamless inter-regional transit travel throughout the GTHA

The PRESTO Smart Card System encourages the use of public transit and is intended to allow customers to ride on any participating GTHA transit system without having familiarity with fare policies of each system.

Since 2004, the Region has been working with the Ontario Ministry of Transportation (MTO) and the PRESTO project office (a division of Metrolinx) to develop and implement the PRESTO Smart Card System. York Region Transit (YRT/Viva) implemented PRESTO on July 18, 2011.

Initial cost to implement PRESTO was jointly-funded by the Ontario Ministry of Transportation and participating GTHA municipalities

The MTO funded 100 per cent of the initial capital cost and ongoing operating costs for the common central system required to operate PRESTO. The Ministry of Transportation also funded 33 per cent of the initial capital cost for each transit system, which included on-bus and remote devices located at YRT/Viva bus garages, terminals and Viva stations. The Transit Agencies are responsible for ongoing operating costs for PRESTO Smart Card equipment on buses, garages, terminals and Viva stations.

The Region has received approximately \$14 million annually in provincial gas tax funding over the last five years. In order to continue receiving this funding, the Province requires the Region and GTHA Transit Agencies to participate in PRESTO. Participation in PRESTO is not a prerequisite for provincial gas tax funding for other transit agencies outside the GTHA, excepting the City of Ottawa.

In June 2006, Council approved a ten-year operating agreement with the Ministry of Transportation for the PRESTO System

The current operating agreement was approved by Council in June 2006 for an initial term of ten years (2006-2016) and is between the Region, Metrolinx, the GTHA municipalities and City of Ottawa. The PRESTO Operating Agreement establishes the roles and responsibilities for the Transit Agencies and Province. It established a governance structure that defined the mechanisms for all involved parties to address ongoing operating requirements of the system.

On March 26, 2015, Council authorized staff to seek renewal of the current PRESTO Operating Agreement for an additional three years from October 27, 2016 to October 27, 2019

The current operating agreement between Transit Agencies and Metrolinx expires on October 27, 2016. The agreement includes provision for three renewal terms of three years each, subject to the agreement of all parties to extend the agreement and following the process for renewal described within the agreement. Municipalities are required to provide the Province with a copy of a Council by-law or resolution to renew the agreement.

4. Analysis and Options

Extension of the current operating agreement would allow appropriate time to assess the proposed governance models without incremental costs

The request to extend the operating agreement was based on the following:

- A multi-year budget process is used by the various municipalities to obtain spending approval from their Councils and Boards. The timeline to provide the information related to the introduction of a new governance model and its associated costs to their Councils and Boards may be past due
- Further discussion between PRESTO and the GTHA Transit Agencies and City of Ottawa to determine a new governance model is required
- The need to present to Council for consideration and deliberation and to obtain necessary approvals to proceed
- PRESTO project implementation was delayed approximately three years from its original schedule. The requested extension would maximize the investment made in the current system, procured devices, and future short-term enhancements
- PRESTO has not yet achieved full functionality nor delivered some of the components initially agreed to

The Province will consider a one-year extension provided an agreement on five substantive issues can be reached by October 16, 2016

On September 29, 2015, the Transit Agencies sent a joint letter with the appropriate resolutions notifying Metrolinx formally that their Councils and Boards authorized renewal of the existing agreement.

On February 18, 2016, the Minister of Transportation held a meeting with the Mayors and Chairs of the GTHA Transit Agencies and City of Ottawa. The Minister stated the Province's position on the PRESTO Operating Agreement.

Subsequent to the meeting with the Minister, the Chief Executive Officer of Metrolinx contacted the Chief Administrative Officers of the GTHA Transit Agencies and City of Ottawa to open new discussions. The Transit Agency's General Managers/Directors are tasked to continue to resolve the outstanding

issues, develop the future vision for the PRESTO Smart Card System and set the terms and conditions of the new operating agreement.

On February 25, 2016, the Transit Agencies received written notification from PRESTO acknowledging the request for the three-year extension but expressed the need to develop an agreement for a sustainable business model for the PRESTO System.

The Province has indicated that a one-year extension of the current agreement will be granted if consensus can be reached by the Transit Agencies and PRESTO on the following five issues by October 16, 2016:

1. Resolution of outstanding issues can be reached
2. Future PRESTO vision can be agreed to
3. Future governance can be agreed to
4. Contract term are identified
5. Cost sharing agreement

Aggressive timelines have been set to complete the above items. Figure 1 provides a high level timeline overview.

**Figure 1
Timeline Overview**



City of Ottawa will negotiate a separate PRESTO renewal agreement with Metroinx

The City of Ottawa is negotiating a renewal of the PRESTO Operating Agreement with Metroinx. Unlike the GTHA Transit Agencies, Ottawa operates independently with PRESTO and will negotiate a separate agreement.

Link to key Council-approved plans

This report links to the following Council-approved plans and policies:

Vision 2051

- Includes a goal statement relating to the development of infrastructure for a growing Region stating:

“A seamless network for mobility provides accessibility to all destinations using diverse transportation options for people in all communities, promotes active healthy living, and safely and efficiently moves people and goods.”

The PRESTO Smart Card System supports this goal by improving speed and reliability of the transit system through the use of intelligent transportation systems. Reliable fare collection equipment protects revenue collected through transit fares.

5. Financial Implications

Prior to adopting PRESTO, YRT/Viva’s cost to collect fare revenue was approximately 5.7 per cent of revenue or \$2.9 million annually

In 2010, the total cost of collecting fare revenue was approximately \$2.9 million, representing 5.7 per cent of fare revenue. This included labour cost of processing fares, ticket agent commissions paid, printing of paper fare media and equipment repairs.

With the implementation of PRESTO, cost of fare collection grew to 7.5 per cent or \$4.8 million annually

Under current PRESTO Operating Agreement, YRT/Viva pays PRESTO a commission of approximately two per cent on all fares collected through the PRESTO Smart Card System. With current 25 per cent PRESTO customer usage rate, cost of collecting fare revenue increased to approximately \$4.8 million or 7.5 per cent of fare revenue.

Research presented by PRESTO indicated commission rates in international cities range from 8 to 10 per cent

With such commission rates being put in place, total costs of the PRESTO Smart Card System for GTHA Transit Providers could increase 12 to 14 per cent, including labour and equipment maintenance costs.

Staff analyzed the cost impact to YRT/Viva using the suggested commission rate adjustment by PRESTO. Table 1 identifies potential commission amounts payable to PRESTO based on 8, 10 and 12 per cent using current customer usage rate of 25 per cent and total fare revenue of \$67 million.

Table 1
PRESTO Commission Rates at 25 per cent Customer Usage Rate

| | Current 2% | 8% | 10% | 12% |
|-------------|------------|-------------|-------------|-------------|
| Cost Impact | \$335,000 | \$1,340,000 | \$1,675,000 | \$2,010,000 |

PRESTO customer usage rate is anticipated to grow to approximately 75 per cent once the Toronto Transit Commission is fully equipped with PRESTO devices. Table 2 identifies potential commission amounts payable to PRESTO based on 8, 10 and 12 per cent using customer usage rate of 75 per cent and total fare revenue of \$67 million.

Table 2
PRESTO Commission Rates at 75 per cent Customer Usage Rate

| | Current 2% | 8% | 10% | 12% |
|-------------|-------------|-------------|-------------|-------------|
| Cost Impact | \$1,005,000 | \$4,020,000 | \$5,025,000 | \$6,030,000 |

The proposed one-year extension to the Operating Agreement will retain commission rate at two per cent

The proposed one-year extension will have minimal budget impact as commission rate is maintained at two per cent until October 2017. Anticipated minor cost increase will be due to the increased use of PRESTO as the Toronto Transit Commission continues installation on their transit vehicles and stations. Commission rates beyond the one-year extension will be negotiated.

Effort is being made to negotiate phasing in an increase to commission rates once the extension agreement expires.

6. Local Municipal Impact

Implementation of PRESTO has enhanced public transit as a transportation option by making payment for travel easier. It is anticipated this will support the

transit modal split objectives of the Region and local municipalities for a more sustainable transportation system.

7. Conclusion

The GTHA Transit Agencies continue to work with Metrolinx to negotiate a new PRESTO Operating Agreement and arrive at a future governance model that is in the best interest of all parties. The Transit Agencies are committed to the success of the PRESTO Smart Card System.

For more information on this report, please contact Ann-Marie Carroll, General Manager, York Region Transit at ext. 75677.

The Senior Management Group has reviewed this report.

May 26, 2016

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Accessible formats or communication supports are available upon request