

4

YORK REGION TRANSIT/VIVA 2007 RIDERSHIP FORECAST AND RELATED SERVICE ADJUSTMENTS

The Transit Committee recommends the following:

- 1. The presentation by Irene McNeil, Manager, Service Planning, York Region Transit, be received;**
- 2. The recommendation contained in the following report, June 4, 2007, from the General Manager, Transit be adopted:**

1. RECOMMENDATION

It is recommended that the service adjustments as outlined in Section 4 of this report be approved.

2. PURPOSE

The purpose of this report is to advise Transit Committee and Regional Council of the revised 2007 ridership forecast and the associated revenue implications for the 2007 operating budget. The report also identifies possible cost mitigation measures to address the associated revenue shortfall.

3. BACKGROUND

As part of the updated Five-Year Transit Service Plan (June 2006), a multi-year ridership forecast was prepared for the YRT/Viva system. This forecast had been based on the historical ridership trend of YRT services, along with the initial ridership experience of the Viva bus rapid transit services, which were launched in the Fall of 2005 (*see Table 1*).

Table 1
Ridership Forecast – Five-Year Service Plan (2006-2010)

	2006	2007	2008	2009	2010
Viva	4,960,000	6,330,000	7,610,000	8,670,000	9,860,000
YRT	12,540,000	13,760,000	14,840,000	15,960,000	16,990,000
Total	17,500,000	20,090,000	22,450,000	24,630,000	26,850,000

This transit ridership forecast was the basis for the revenue estimate in the 2007 transit operating budget, as well as for the budget outlook years.

4. ANALYSIS AND OPTIONS

Several factors are considered during the development of system ridership and revenue forecasts, including:

- Extent and timing of transit service expansion (YRT local and Viva services) to meet latent demand and service new development.
- Fare media usage (cash vs tickets vs passes) and resulting average fare.
- Customer behaviour (loyalty, transfer rates, fare evasion, etc.).
- Marketing and communications activities.
- Fuel prices.

The following section of the report will summarize the changing conditions which have necessitated revised ridership and revenue forecasts for 2007.

4.1 2007 Ridership & Revenue Forecasts – Base and Influencing Factors

4.1.1 Final 2006 Ridership

Final 2006 ridership for the YRT/Viva system was 17.1 million riders, approximately 400,000 less than forecast. The 17.1 million now becomes the new 2007 base (see *Table 2*).

Table 2
2006 Revenue Ridership

	Five-Year Plan	Actual	Difference	% Change
Viva	4,960,000	5,165,212	205,212	4.1%
YRT	12,540,000	11,943,046	-596,954	-4.8%
Total	17,500,000	17,108,258	-391,742	-2.2%

4.1.2 YRT Service Deferrals and Impact on Ridership

The Five-Year Plan (2006-2010) recommended a series of annual service expansion initiatives. These recommendations focused primarily on route extensions and service frequency improvements to meet approved minimum standards. During the budget process, it became apparent that, in order to control costs and maintain a system cost recovery ratio of at least 40%, only a few of the original recommendations of the Five-Year Service Plan could be implemented in 2007.

Over 60 service initiatives (66,000 hrs), including route extensions, service span improvements and other enhancements, were recommended for 2007 implementation.

However, by the end of the budget process, less than 20% of the priorities remained in the budget (12,000 hrs). As a result, approximately 425,000 riders need to be removed from the original 2007 forecast, representing approximately \$1 million in revenues. This reduced revenue amount has not been incorporated into the 2007 approved budget and must now be accounted for.

4.1.3 Lower than Forecasted Growth in First Quarter 2007

The 2007 budget estimated a growth rate of over 14%. First quarter 2007 ridership results indicate a growth rate of just over 8%. If this trend continues, a further decrease of ridership by approximately 640,000 riders is in order.

4.1.4 Summary of Ridership Adjustments

As noted, the 2007 budget includes transit revenues based on the original Five-Year Plan ridership forecast of 20,090,000. The required revisions to this estimate are summarized in *Table 3* (below).

Table 3
Factors Affecting 2007 Ridership Growth

	Ridership
5-Year Plan Forecast	20,090,000
Lower 2006 year-end (17.1M vs 17.5M)	-400,000
Reduced Service Expansion (Priorities 1b, 2, 3, 4)	-425,000
Q1 growth rate 9% (vs 14%)	-638,800
Revised 2007 Ridership Forecast	18,626,200

Table 4 below further summarizes the effect of the revised forecast on the YRT/Viva system as compared to the original Five-Year Plan forecast.

Table 4
2007 Revenue Ridership

	Five-Year Plan	Revised Forecast	Difference	% Change
Viva	6,330,000	6,322,400	-7,600	-0.1%
YRT	13,760,000	12,303,800	-1,456,200	-10.6%
Total	20,090,000	18,626,200	-1,463,800	-7.3%

4.1.5 Decrease in Average Fare and Impact on Revenues

In the spring of 2006, the Federal government announced a Transit Pass Tax Credit program, whereby monthly transit pass purchasers would be eligible for a 15% tax credit. The impact of this announcement did not affect historic fare media sales patterns until the latter part of 2006. As 2006 came to an end, the trend of increased monthly pass sales was becoming evident. This trend was further substantiated by an annual pass survey in March 2007, which confirmed that the number of trips made by pass holders was higher than in 2006.

Due to the higher discounts offered on monthly passes, the average fare per passenger needed to be adjusted downward by \$0.10/passenger. Based on the revised ridership forecast, it is estimated that the lower average fare will require an adjustment to revenues in the amount of \$1.8 million.

In summary, through a combination of the revised ridership forecast and the lower average fare, the potential 2007 transit revenue shortfall is estimated to be \$5.2 million.

4.2 Approved 2007 Budget

The approved 2007 transit budget includes \$48 million in revenues and \$116 million in operating costs – resulting in a cost recovery ratio of 41%. The 2007 budget currently contains only the top priority one initiatives from the Five-Year Plan, which represent \$550,000 in operating costs, or about 0.5% of the approved operating budget. *Table 5* below summarizes these initiatives.

Table 5
Top Priority One Service Initiatives in 2007 Budget

Service	Revenue Hours (2007)	Operating Cost	Ridership	Revenue
Route 2 – Milliken extension east	294	\$20,580	2,277	\$5,145
Route 23 - Thornhill Woods extension north to Upper Thornhill Village (north of Rutherford)	588	\$41,160	4,553	\$10,290
Inspiration/Macleod Landing – New service introduction	1,176	\$82,320	9,106	\$20,580
TTC 224D/24D Victoria Park North – route extension	798	\$55,860	6,179	\$13,965
9/9A Stouffville – Route restructuring	840	\$58,800	6,504	\$14,700
Route 58 - Leslie North extension south to Wellington	1,008	\$70,560	7,805	\$17,640
303 - Cornell Express	42	\$2,940	325	\$735
Viva Purple Weekdays	2,184	\$152,880		
Viva Purple Saturdays	364	\$25,480	70,667	\$159,707
Viva Purple Sundays	386	\$27,043		
Total	7,680	\$537,623	107,417	\$242,762

4.2.1 Cost Mitigation Options

In order to address the anticipated \$5.2 million revenue shortfall, a number of cost mitigation options have been identified. The proposed cost mitigation measures are discussed as two separate categories – service and non-service related.

4.2.2 Route Review Process

As noted in Table 5, if Priority 1 service initiatives were deferred to 2008, about \$295,000 net savings would be realized.

In addition to the proposed deferrals listed in *Table 5*, a few other obvious service adjustments are proposed. In order to provide context to these, it is necessary to understand the service review process.

As part of this annual review process (currently underway), a comprehensive route analysis is undertaken to assess individual route performance based on:

- Route category or type.
- Cost recovery (r/c ratio and net cost/passenger).
- Ridership.
- Response to customer concerns and future market potential.

Depending on the route category, an appropriate level of performance is expected. For example, base or core routes are expected to operate at higher levels than local routes. At the other end of the scale, community bus routes serve a very specific market (seniors) with extended trip times and numerous route diversions, resulting in lower overall performance.

Within the base category, the Viva rapid transit routes are expected to operate at the highest standard – both in terms of service provision and service utilization. Viva routes should be operating at a level at least 50% higher than the standard for local routes. As with all base routes, the Viva routes are planned to operate at defined minimum service levels regardless of route performance. However, as with all routes, performance is closely monitored to ensure effective and efficient performance. In addition, it is reasonable to expect both Viva and other base routes have the highest cost recovery rate in the system, since it is these routes that support the local feeder routes which are designed to operate at lower levels.

Attachment 1 illustrates the 2006 average system performance on an individual route basis.

4.2.3 Preliminary Route Review and Service Rationalization

For the purposes of this first quarter review, a select group of under-performing routes were identified based on one or more of the following criteria:

- Potential for cost savings.
- Relatively minor ridership impact.
- Availability of alternate transit options.

For example, Viva Green has been operating for a year now, with a cost recovery in 2006 of 13% - below the system-wide cost recovery target (50%). The anticipated ridership growth that has not materialized can be linked to two factors:

- The assumption that there would be more developed and occupied office and residential units in Markham Centre by this time.
- That the Green route would also be fully operational to Cornell.

As a result of the route's current truncation at Markham Centre, 38-50% of its routing is within Toronto (depending on time of day), where the service operates essentially 'closed-door' (drop-offs only southbound and pick-up northbound only). Like all YRT/Viva routes operating south of Steeles Avenue, this limits the revenue generating potential of the route.

When reviewing the Green off-peak ridership in isolation, the cost recovery is even lower. Approximately 66% of Viva green average weekday boardings occur during the weekday peak period. If service on Viva Green was limited to peak periods only, customers travelling in this corridor during the off-peak periods would have other service options (e.g. TTC Warden 68B). By maintaining only weekday peak-period service on Viva Green (eliminating off-peak service as of September 2007), approximately \$330,000 could be saved this year alone. With peak service only, the revenue cost ratio could increase to approximately 20%. Reinstatement to full day service can be reviewed with Committee once occupancies in Markham Centre start to materialize and with the construction of a bus terminal in Cornell in 2008.

Another service adjustment opportunity relates to overcrowding on the section of Viva Purple between Richmond Hill Centre Terminal and York University. A review of ridership indicates that additional service is required on selected trips on a portion of the route only. It should also be noted that only 6% of all riders on the Purple route actual travel west past York University. West of York University (to Martin Grove), there is duplication of service by both Viva Purple and Orange, resulting in significant under-utilized capacity. By terminating the peak period Purple route at York University and providing a few extra trips on the Orange route, both the overcrowding issue and the excess capacity west of York University is addressed with little additional expense.

Other routes operating significantly below target standards include the Wonderland Express (summer only), Rutherford GO shuttle (Maple), and the Bales Drive shuttle service. As shown in *Table 6*, savings accrued from these service reductions would amount to almost \$385,000 in 2007.

Table 6
Further Proposed Service Cancellations

Service	2007 Revenue Hours	Operating Cost	Ridership	Revenue
Viva Green Off Peak	6,667	\$466,667	60,735	\$137,261
Wonderland Express	259	\$18,121	1,280	\$2,893
Rutherford GO Shuttle	356	\$24,953	931	\$2,104
Bales Shuttle	268	\$18,767	434	\$980
Total	7,550	\$528,508	63,380	\$143,238

The total net savings for the services shown in *Tables 5 and 6* amount to approximately \$680,000 this year (assuming service adjustments are effective September 2007). Maps of the routes discussed in the preceding section are included as *Attachment 2*.

4.2.4 Non Service-Related

A number of possible non service-related cost savings have also been identified to help off-set the anticipated revenue shortfall. These are summarized in *Table 7* below:

Table 7
Non Service-Related Cost Savings (\$M)

Possible Cost Mitigation Strategies	(\$M)
Salary Gapping and Reduction in Casual Staff	1.0
Contractor Savings (various)	0.5
Winter Maintenance (year-to-date favourable variance)	0.5
Other Program Reductions/Deferrals (Service Planning, Fare Enforcement, TMS, Marketing)	0.5
2006 Excess OTVP Payment (for capital debt payment)	1.0
Non Service-Related (Total)	3.5
Service-Related (from Tables 4 & 5)	0.7
Total Revenue Shortfall Mitigation	4.2

Hiring of all additional staff requirements approved in the 2007 budget has been deferred until the latter part of the year (with the exception of the additional Fare Enforcement officers). This is expected to generate approximately \$1 million in savings. Transit management have identified other initiatives, which can be deferred for most or all of this year, resulting in additional cost savings of approximately another \$1.5 million.

The above savings will not fully address the shortfall leaving a deficit of approximately \$1 million.

5. FINANCIAL IMPLICATIONS

After the cost mitigations identified within this report, a shortfall of \$1 million remains. The Finance Department has advised that...“If this shortfall remains at year-end, it will be disposed of as part of any year-end surplus or deficit position”. It should be noted that this shortfall is unusual, as transit budgets have normally operated in a budget surplus position and Transit management have identified all opportunities to balance this ridership shortfall as outlined in this report. It should be noted that the combined Transit program (YRT and Viva) had net operating budget surpluses of \$5.1 million in 2005 and \$1.9 million in 2006.

The estimated \$5.2 million ridership revenue shortfall for 2007 is projected to result in Transit’s net tax levy being over budget by 7% this year, if the above-mentioned cost mitigation strategies are not implemented.

6. LOCAL MUNICIPAL IMPACT

The service-related cost mitigation measures outlined in this report would result in the deferral of some important route extensions/improvements in the municipalities of Vaughan, Richmond Hill, Markham and Stouffville. Although it is highly desirable to provide transit service as early as possible into new areas, in light of the budget constraints discussed in this report, it is proposed that the services be deferred for implementation as soon as possible in 2008.

7. CONCLUSION

A combination of factors (revised ridership forecasts, changes in transit fare media usage patterns resulting in lower average fares) has necessitated an adjustment to the 2007 transit revenue forecast. In order to maintain transit costs and revenues within the approved 2007 budget envelope, it is recommended that the cost mitigation strategy, as outlined in this report, be approved.

For more information on this report, contact Irene McNeil, Manager, Service Planning (ext. 5628), of the Transit Branch of the Transportation and Works Department.

The Senior Management Group has reviewed this report.

(The attachments referred to in this clause are attached to this report.)