City of Burlington

SUBJECT: PRESTO ten-year operating agreement

TO: Committee of the Whole

FROM: Transit Department

Report Number: TR-09-17

Wards Affected: All

File Numbers: 465-12, 770-11

Date to Committee: November 27, 2017

Date to Council: December 11, 2017

Recommendation:

Approve transit department report TR-09-17 outlining the key business terms and conditions for the new ten-year operating agreement for the operation of the PRESTO electronic fare payment system; and

Authorize the Mayor and City Clerk to execute a new ten-year agreement with Metrolinx based on the key business terms and conditions, subject to the satisfaction of the City Solicitor and the Director of Transit.

Purpose:

The report provides Council with an update on the negotiations that have taken place in 2016 and 2017 regarding the new ten-year PRESTO Operating Agreement with the City of Burlington.

This is consistent with the strategic direction “A City that Moves”

- Increased Transportation Flows and Connectivity

Executive Summary:

In June 2006, the City of Burlington entered into a ten-year operating agreement to adopt the PRESTO card system. PRESTO was intended to facilitate more seamless transit travel within the GTHA. The adoption of PRESTO was a requirement for 905 transit agencies to receive Provincial Gas Tax Funding.

The original agreement saw the Province of Ontario funding a significant portion of the PRESTO capital and back office costs with a smaller proportion of the cost shared among the participating municipalities. The original PRESTO operating agreement (OA) with Metrolinx expired on October 27, 2016.

A one-year extension of the current terms was granted pending an agreement in principle of new terms by October 27, 2017. As a new agreement was not finalized by October 27, 2017, an extension has been signed with Metrolinx until the language for the new agreement is finalized.

Staff have negotiated the details of the new ten-year PRESTO operating agreement, based on three key business terms along with some additional changes from what was reported to Council in June 2017 (TR-01-17). These include an earlier ramp-up for fees paid to PRESTO and a clause on minimum revenue protection for Metrolinx.

The overall financial impact is estimated to be approximately $280,000 annually by 2021 based on current revenue and ridership levels. The increased cost will be phased in from 2018-2021.

Background and Discussion:

Staff reported to Council at the Committee of the Whole meeting on May 29, 2017 in transit department report TR-01-17 recommending that Council authorize the City Manager and the Director of Transit to continue to negotiate a new PRESTO operating agreement between the 905 Greater Toronto and Hamilton Area Transit Authorities and Metrolinx that was reflective of the terms of the agreement in principle provided in the report.

A new operating agreement has been negotiated with two additional items that were not outlined in the June 2017 report. Legal staff are currently reviewing the language for the new agreement and an extension has been signed to extend the one-year agreement that ended on October 27, 2017 until this review is complete.

The first change is the 905 Common Core service commission would be charged starting in 2018 rather than 2019 and would be increased over the next three years until 2020 when it reaches 3 per cent with no further increases in the ten-year agreement. Originally, the commission was to be one per cent in 2019, two per cent in 2020 and capping at three percent in 2021 and beyond. In the new agreement, this commission starts at one per cent in 2018 and 2019 and moves to three per cent in 2020 for the remainder of the ten-year agreement.

The second change is the introduction of a revenue protection clause. Given the large and complex nature of the PRESTO system, significant resources are required by

Metrolinx to appropriately support it. Consequently, Metrolinx is requiring some revenue certainty to maintain the system in a fiscally responsible nature.

With this change, the 905 transit agencies are required to meet minimum revenue generation as a group from the PRESTO system on our services. This means that if the revenue from commissions that Metrolinx receives as a whole from all of the 905 transit agencies falls below projections provided, then each transit agency would have to make up the shortfall in their revenue only.

Financial Matters:

Total Financial Impact

The estimated operating impact of the new PRESTO agreement is approximately $280,000 annually by 2021, which has not changed from the previous report. This includes an increase in commission paid for core services (from two per cent to six per cent) and an additional three per cent commission charge for new technology to be implemented in 2019. The advanced timing of the 905 Common Core service commission will impact the 2018 estimated cost by $50K due to the one per cent increase in 2018 not identified in the previous report. Another factor affecting the commission costs in 2018 is that we were projecting a slower adoption rate for usage of the PRESTO card. We were at a 54 per cent adoption rate in June 2017 and that rate has increased to 70 per cent in October 2017, which increases the amount of commission to Metrolinx. Increases to Transit’s budget will be made through the City’s annual budget process.

Conclusion:

In executing its new ten-year PRESTO operating agreement, the customers of Burlington Transit will continue to receive the benefits of the PRESTO system. In addition, the City of Burlington will continue to receive its portion of the Provincial Gas Tax.

Respectfully submitted,

Sue Connor

Director of Transit

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Appendices:

A. Estimated financial impact of PRESTO agreement

Report Approval:

All reports are reviewed and/or approved by Department Director, Director of Finance and Director of Legal. Final approval is by the City Manager.