REPORTS

Item No. 3    Low Income Transit Pass Program – Policy and Financial Impact

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the program policy as described in Appendix A be approved, forming the baseline parameters for the program.

2. That the budget impact from the program be referred to the 2020 budget process.

3. That the Public Service report back to Council in October, 2021 with an evaluation of the first full year of the program and include any recommended changes to the program policy based on feedback and experience with program administration.

4. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.
DECISION MAKING HISTORY:

COUNCIL DECISION:

On March 20, 2019, Council adopted the 2019-2021 Operating Budget which included the following recommendation:

1. T. i. the establishment of a Low Income Bus Pass Program effective April 1, 2020 reflecting discounted fares commencing at 30% at date of implementation, 40% in 2021 and 50% in 2022, and that Transit Department report back to Council within 180 days setting out program funding and implementation details.
ADMINISTRATIVE REPORT

Title: Low Income Transit Pass Program – Policy and Financial Impact

Critical Path: Standing Policy Committee on Infrastructure Renewal and Public Works – Executive Policy Committee – Council

AUTHORIZATION

<table>
<thead>
<tr>
<th>Author</th>
<th>Department Head</th>
<th>CFO</th>
<th>CAO</th>
</tr>
</thead>
<tbody>
<tr>
<td>L. Fisher</td>
<td>G. Ewankiw</td>
<td>P. Olafson, Interim CFO</td>
<td>M. Ruta, Interim CAO</td>
</tr>
</tbody>
</table>

EXECUTIVE SUMMARY

As per Council directive and the 2019 operating budget recommendations, the Public Service is progressing on the implementation of the Low Income Transit Pass Program with a launch date of April 1, 2020.

The project is on schedule to begin accepting applications on April 1, 2020 with the May 2020 monthly bus pass being the first low income product for sale.

The program will be phased in over three years with the product priced as follows:
- May, 2020 – April, 2021 – 30% discount from a full fare adult monthly pass
- May, 2021 – April, 2022 – 40% discount from a full fare adult monthly pass
- May, 2022 and ongoing thereafter – 50% discount from a full fare adult monthly pass

The Low Income Transit Pass Program will initially be offered to adults (aged 18-64) as youth already receive a 30% discount on monthly passes and a program to provide reduced fare for children under 12 is currently being considered by the 2020 Budget Working Group.

Any recommendations to expand the scope of the program will be assessed after the first full year of operation and discussed in a subsequent report the Public Service will bring forward in October, 2021.

The low income pass program parameters were designed to balance offering an accessible program, while streamlining administrative efforts and implementing controls over the distribution of the peggo cards and purchase of monthly passes.

In addition to phasing in the discount level, the Department will re-align the service requirements to account for program impacts as part of the Winnipeg Transit Master Plan. Doing so offers the opportunity to mitigate the financial burden of the program and provides the ability to make
recommendations to adjust the program in response to public interest, lessons learned and availability of funding to support the program.

The costs of the added FTE positions needed to administer the program were offset by savings in Transit’s operating budget.

The City’s low income pass program is not intended to overlap with transportation subsidies provided under programs operated through other organizations. As such, as part of the initial baseline criteria, it is recommended that individuals who currently qualify for transportation costs under any other program would not be eligible for the low income pass program. This criterion would be revisited should collaboration and/or cost sharing between any impacted entities be achieved.

Discussions with the Province on opportunities for collaboration on this program are ongoing.

RECOMMENDATIONS

1. That the program policy as described in Appendix A be approved, forming the baseline parameters for the program.

2. That the budget impact from the program be referred to the 2020 budget process.

3. That the Public Service report back to Council in October, 2021 with an evaluation of the first full year of the program and include any recommended changes to the program policy based on feedback and experience with program administration.

4. That the proper officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

At its March 20, 2019 meeting, Council approved the following recommendation as part of the approval of the 2019 Operating Budget:

- That Council approve the establishment of a Low Income Transit Pass Program effective April 1, 2020 reflecting discounted fares commencing at 30% at the date of implementation, 40% in 2021 and 50% in 2022, and that the Transit Department report back to Council within 180 days setting out program funding and implementation details; and

- That Council approve the 2019 capital budget of $236,000 and approve in principal the 2021 capital forecast of $139,000 for the technical and administrative set-up of the program. The capital budget amounts will be funded by Transit Retained Earnings.
IMPLICATIONS OF THE RECOMMENDATIONS

The recommendations set the parameters under which the program will operate for its launch in April, 2020 and set a timeline for the public service to report back with an evaluation on the first full year of the program with any recommended changes to the program policy and/or scope.

The net financial impact from the program is referred to the 2020 budget process and the service impact will be considered as part of the Winnipeg Transit Master Plan.

HISTORY/DISCUSSION

History

On November 20, 2018, the Standing Policy Committee on Infrastructure Renewal and Public Works passed a motion that a review for a phased in approach to create a Low Income Transit Pass Program be referred to the 2019 Budget Process. If approved, the Winnipeg Public Service was to continue to develop administrative processes for this program in consultation with community stakeholders to ensure program accessibility for the intended individuals. Further, the Public Service was to continue discussion with the Province to assess a willingness to partner either administratively and/or financially on a Low Income Transit Pass Program.

On July 4, 2018, the Executive Policy Committee directed the Public Service to report back to the Standing Policy Committee on Infrastructure Renewal and Public Works within 60 days with options and recommendations on a new Low Income Transit Pass Program for consideration in the 2019 Budget.

Project Implementation

The project was initiated after the approval of the 2019 operating budget on March 20, 2019.

A summary of key project milestones achieved to date is as follows:

- Project oversight is provided by the Director of Transit along with a working committee which includes members of Transit’s Finance, IT, Communications and Client Services divisions. A project manager was hired and is responsible for keeping the project on schedule, among other things.
- In conjunction with the Office of Public Engagement, a stakeholder engagement plan was created. To date, there have been several in-person community stakeholder meetings, in addition to an online survey. The results of the survey are outlined later in this report.
- The search for suitable office space needed for the program administration is underway but finding optimally-located space has been a challenge. As such, in the interim while other options are being considered, the program staff will be located on the main floor of 510 Main Street.
- Branding, marketing and communication plans for the program are being developed.
Work is focused on meeting the timeline for the implementation of the Low Income Transit Pass Program. However, the Department is also continuing to work with the Community Services Department to streamline access to the City’s low income programs to eliminate barriers and simplify the application process.

**Stakeholder Engagement and Survey Results**

The first phase of the public engagement plan focused on stakeholder outreach/meetings and the development and posting of web content aimed at gathering feedback on implementation ideas, from potential partnerships and provide an overview of the program plan.

Building on discussions with community stakeholders, a stakeholder survey was promoted through various agencies and community organizations between June 20 and July 10, 2019.

Survey responses included feedback from over four hundred community members, including representatives from social services, government agencies, health agencies and advocacy groups.

Feedback received included:

- A low income transit pass will be beneficial to many Winnipeggers who face multiple and complex barriers in their activities of daily living.
- Navigating application processes is challenging and frustrating; as such, the process should create as few barriers as possible. Some of the key barriers identified include being able to complete the application, general awareness of the program and being able to demonstrate income levels.
- Organizations regularly provide transportation support in addition to other services, usually in the form of bus tickets/tokens or taxi fare.
- Factors beyond solely income measurement should influence program eligibility.
- Building awareness of the program is essential for its success.
- Even at a discount, the cost of the monthly pass will remain a barrier to many. Other fare options are needed.
- Language and education capacities will vary; support is needed throughout the application process for individuals.
- Stigma associated with requiring low income support exacerbates other challenges.
- There should be various options for submitting applications including multiple, accessible locations.

The administrative processes are being designed to address as many of the concerns and eliminate barriers where possible. Transit is also looking at providing as many options as possible to submit applications, purchase bus fare products, raise awareness and provide assistance in applying for the program which include in-person and online options in various languages.
The Department is addressing concerns around a possible stigma for program participants through intentional and thoughtful program branding. Additionally, although accommodating this program within the peggo system will require the use of a distinct peggo card, the card will look like a full fare card.

The Public Service is exploring how to coordinate eligibility with other programs such as the Provincial Employment and Income Assistance program (EIA) and the Community Services Fee Subsidy program. Ideally, this would eliminate the need for individuals to apply multiple times to access various subsidy programs.

There are various forms of documentation that will be accepted and under certain circumstances, eligibility may be determined through documentation received from a social worker or need to be accompanied by recent pay stubs or other income verification. Reasonable efforts will be made to be adaptive to an individual’s unique circumstances without comprising the controls that are in place to prevent program abuse.

Finally, a communication strategy is being developed to ensure the program is advertised and program information is readily available in both English and French. We are also exploring the potential to translate the program information into other languages to increase accessibility.

**Program Parameters**

**Product**
The low income product that will be available is a monthly bus pass. Consistent with Council direction, the level of discount offered will be phased in over three years as follows:

- May, 2020 – April, 2021 – 30% discount from a full fare adult monthly pass
- May, 2021 – April, 2022 – 40% discount from a full fare adult monthly pass
- May, 2022 and ongoing thereafter – 50% discount from a full fare adult monthly pass

For context, based on current (2019) rates, the discounted monthly pass would be priced at $70.07 in year one, $60.06 in year two and, $50.05 per month when the program is fully implemented.

**Eligibility**
Based on the phased-in approach, youth would not benefit from the 30% discount level provided in 2020/2021 as they are already eligible for that discount as part of our reduced fare pricing. Seniors are also already eligible for a 50% discounted monthly pass. For this reason, initially the recommended eligibility will be limited to adults aged 18-64 years.

As such, eligible participants:
- Must be an adult (aged 18-64); and
- Must be a resident of the City of Winnipeg; and
- Must be either:
- Part of a household with an income level below the Stats Canada low income cut off (LICO-BT) level; or
- Currently approved for the Province of Manitoba’s EIAP Program; or
- A refugee/newcomer to Canada who has been in the country less than one year and has not yet filed a tax return.

The program would specifically exclude individuals who are eligible for programs that provide them the opportunity to take advantage of a larger discount including:

- Seniors (aged 65 and over) as they are already eligible for a monthly pass at a 50% discount rate.
- Students who are eligible for a U-Pass as it offers a better rate for a monthly pass than the proposed low income program.

Additionally, individuals who are eligible for transportation costs already covered under any other program would also be ineligible for this program.

This program criterion acknowledges the current responsibility of the Province (and potentially other organizations) to provide assistance to low income individuals. As part of their current programs they provide transportation costs to individuals who meet certain criteria. The City’s low income pass program is not intended to overlap with the services already provided by these entities. As such, as part of the initial baseline criteria, it is recommended that individuals who currently qualify for transportation costs under any other program would not initially be eligible for the low income pass. This criterion would be revisited should a collaboration effort between any impacted entities be achieved.

The before-tax low income cut off (LICO-BT) is a measure of low income that is maintained by Statistics Canada and has been identified as the income measure that will be used for the low income transit pass program. This measure is the most widely used threshold for determining eligibility for low income programs across Canada and is also used by other City departments, including Community Services for their fee subsidy program. The Community Services and Transit Departments are working to align and streamline the application processes and as such it is imperative the two departments use a consistent income measurement. It also has the benefits of supporting a simple review process and allows for a greater number of individuals to qualify for the program than the other popular measurement tools such as the Market Basket Measure or the Low Income Measure.

The income cut off thresholds are adjusted for inflation annually. The 2019 table is as follows:

<table>
<thead>
<tr>
<th>Number of People in Household</th>
<th>Total Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$25,338</td>
</tr>
<tr>
<td>2</td>
<td>$31,544</td>
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<td>$38,780</td>
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<td>5</td>
<td>$53,402</td>
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<tr>
<td>6</td>
<td>$60,228</td>
</tr>
<tr>
<td>7</td>
<td>$67,055</td>
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</tbody>
</table>

Source: Statistics Canada and Canadian Immigration and Citizenship
The Program Policy is outlined in Appendix A.

The overall uptake has been estimated but it is very difficult to determine how many people will apply for and qualify for the program. By initially limiting eligibility to adults it provides an opportunity to establish the underlying program administrative processes while other programs for children are being evaluated separately. Youth are currently eligible for a 30% discount on a full fare monthly pass and children five and under ride for free. Additionally, a motion to provide free fare for children under 12 is being considered by the 2020 Budget Working Group.

The Public Service will report back after one full year of program operation with an awareness of the administrative effort and overall impact to the city. There will be an opportunity at that time to expand the eligibility of the program considering the decision on the youth fare motion and the output and recommendations from the Transit Master Plan, which will include recommendations on service adjustments and Transit’s fare structure.

Program Administration

Applications will be reviewed and eligibility will be determined by staff in the Transit Department’s Client Services division.

Applications are assessed based on family income in one household. Approval of the application applies to all individuals who meet the eligibility criteria and are part of that family.

The program will be administered through the use of peggo cards. The cards are subject to the smartcard fee (currently $5.00) which is applied to all fare categories. The purchase price covers the cost of the card and also provides an incentive for the individual to safeguard the card, which is a standard policy among other Canadian municipalities surveyed. Replacement cards are also subject to this fee.

Individuals must re-apply annually for this program.

The low income monthly bus pass product will be available for sale at any location where peggo products are sold, including Transit Service Centres and agents (ex. 7-11, Shoppers Drug Mart).

Cards are not to be shared and are non-transferable. Abuse of the program could result in the individual being suspended for a set duration and their peggo card deactivated.

Financial Considerations and Impact on Service Capacity

The costs associated with this program generally fall into the following categories:

- FTEs and related resources required to operate the daily administration of the program;
- Technological upgrades and system changes to accommodate the management of this program;
• Added transit service to accommodate the increase in riders; and
• Lost revenue.

The additional FTEs and related resources needed to administer the program were included in the Department’s 2019 budget submission. A total of 7.0 staff will be added to facilitate application review and approval, communication and customer service, peggo card inventory management, system maintenance and fraud control. The cost of adding these FTEs was offset by savings in the Department’s bus parts budget in an estimated annual amount of $302,000 in 2020 (partial year) and $413,000 in 2021 (full year).

The 2019 budget also includes a capital project to set up all aspects of the low income pass program in the amount of $236,000 for 2019 and an additional $139,000 in 2021. These monies are being used to hire a project manager, test and implement technological changes required on the peggo system, create an IT solution to manage the application information, organize office space, develop promotional/communication materials and any other items required for program launch.

There will be an impact to service from the implementation of this program. However, the timing of the roll out of the program is such that there is an opportunity to re-align this impact back into the analysis being done for the Winnipeg Transit Master Plan. This is ideal because it allows for recommendations to be made for service changes that align with broader transit network changes expected to be recommended as part of the Winnipeg Transit Master Plan and to determine costs and impacts that reflect the long-term vision for transit service in Winnipeg. As a result, the costs related to the impact of service are not included in this report and will be part of the report outlining the Winnipeg Transit Master Plan which will be tabled in 2020.

Based on the information available from the Statistics Canada 2016 census, it is estimated there are over 66,000 low income adults in Winnipeg. Of this, and with the recommended program criteria it is estimated that there would be between 7,000-10,000 participants that would take advantage of a low income monthly pass program when priced at a 50% discount. With the phased-in approach it is expected that the initial uptake will be lower.
Based on the assumptions made, it is estimated the cost of this program is:

<table>
<thead>
<tr>
<th>Cost of Monthly Pass*</th>
<th>2020 (8 months)</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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<tbody>
<tr>
<td>Full Fare</td>
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<td>Low Income</td>
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<td>Estimated # of passes sold</td>
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<td>64,000</td>
<td>72,000</td>
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<td>Revenue generated</td>
<td>$ 2,116,675</td>
<td>$ 4,016,000</td>
<td>$ 3,841,200</td>
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<tr>
<td>Less:</td>
<td></td>
<td></td>
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<tr>
<td>Lost revenue **</td>
<td>2,419,057</td>
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<td>6,143,040</td>
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<td>Administrative costs</td>
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<td>412,873</td>
<td>424,407</td>
<td>435,441</td>
<td>444,150</td>
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<tr>
<td>Total Cost</td>
<td>$ 2,720,846</td>
<td>$ 5,765,958</td>
<td>$ 6,567,447</td>
<td>$ 7,224,561</td>
<td>$ 7,367,548</td>
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<tr>
<td>Net Financial Impact</td>
<td>(604,171)</td>
<td>(1,749,958)</td>
<td>(2,726,247)</td>
<td>(2,981,361)</td>
<td>(3,038,548)</td>
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</tbody>
</table>

*assumes inflationary rate change effective Jan 1 of each year.

**includes an assumption of net new ridership generated from program.

The program criterion recommends that individuals who currently qualify for transportation costs under any other program would not initially be eligible for the low income pass. While processes will be implemented to attempt to enforce this, the financial impact recognizes that, given the gaps between the various programs, there is no perfect methodology to prevent the cross subsidization entirely. Discussions with the Province in regards to cost sharing on this program are ongoing.

The revenue lost from ‘black market’ sales and sharing of passes was not factored into the estimated cost of the program.

It is recommended the net financial impact be referred to the 2020 Budget Working Group for consideration as part of the multi-year budget.

**Best Practices and Benchmarking**

In 2009, the City undertook a survey of best practices related to low income pass program parameters implemented at comparable transit operations. Although now dated, the results continue to be relevant as they reflect the principles applied in other programs across the country.

The program principles included:

- Apply the program to monthly passes only. At that time tickets/tokens were not included in any of the other municipal programs surveyed.
- Eligibility should be limited to adults (aged 18 or older) who are residents of the City of Winnipeg.
- Passes should be priced at 50% of the full fare adult rate.
• Eligibility is defined as having a family income at or below the Low Income Cut Off (LICO) as calculated by Statistics Canada and be determined by applicants providing government-issued documents.

Recent jurisdictional scans of other Canadian municipalities who offer low income transit pass programs found:
• The majority of the cities surveyed offered a monthly pass as the only option. Only one city also included a per-ride option.
• Calgary and Edmonton offer the lowest rates, but share their program costs with the Provincial government. The other municipalities are fairly consistent at offering a 50% discount rate.
• Some municipalities (such as Ottawa) have a social services department established within their city structure which is an asset in implementing a program like this.
• With the exception of Calgary and Edmonton, the general consensus is where seniors are offered 50% discount on full fares, no further low income discount is available. Where seniors normally pay more than 50% of full fares, they are offered a further discount through the low income program.
• The Statistics Canada LICO is the predominant measure used to determine program eligibility across other municipalities.
• Some offer additional eligibility criteria which are generally aimed at simplifying the means testing process (such as including eligibility in other Provincial assistance programs) or eliminating duplicate coverage on available transportation costs with other programs.

Other Considerations

The ‘black market’ sale and sharing of the low income fare product is a significant issue other municipalities have identified. Certain program parameters are proposed to add a level of control over the distribution of peggo cards and the monthly fare product purchases. Examples of these controls would be the requirement to purchase and register a peggo card (this would be accomplished with the assistance from Transit customer service staff), the immediate deactivation of any cards reported lost, or the requirement to re-apply for the program on an annual basis. However, given the structure of the program, activities that may include selling or misuse of the low income pass are ultimately very difficult to control.

Next Steps

The project is on schedule and is targeting to begin accepting applications on April 1st, with the May monthly bus pass being the first low income product for sale.

Program set up will continue with the hiring of staff and office set-up, finalization of the application form, creation of program branding, continued database development and ongoing work on required peggo changes.
Stage two of the Public Engagement Plan includes a ‘check-in’ with stakeholders prior to program implementation to provide an update on the roll-out plan and the mechanics of how the program will run, and allow for questions and concerns to be addressed before program go-live. A second ‘check-in’ will be scheduled near the mid-point of the first year of implementation, and a comment form and idea portal will allow for participants and stakeholders to provide their ideas on improvements to the program. Focus group sessions will be held with program participants near the end of the first year of implementation to better understand their experience with the program.

Work with Community Services and the Province will continue on aligning application processes in an effort to create a program that partners with other low income programs and provides a streamlined application process for applicants.

Overall the program has been designed with the goal of balancing the objective of offering a program that is accessible to the members of the community who need it, while keeping the administrative work streamlined and applying some controls over the distribution of the product.
# Financial Impact Statement

**Date:** September 12, 2019

**Project Name:** First Year of Program 2020

## Low Income Transit Pass Program – Policy and Financial Impact

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<th>Capital</th>
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### Total Funding

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<td>Total Additional Capital Budget Required</td>
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<td>Total Additional Debt Required</td>
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</table>

## Current Expenditures/Revenues

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<th></th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
<th>2024</th>
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<tbody>
<tr>
<td>Direct Costs</td>
<td>$2,720,846</td>
<td>$5,765,958</td>
<td>$6,567,447</td>
<td>$7,224,561</td>
<td>$7,367,548</td>
</tr>
<tr>
<td>Less: Incremental Revenue/Recovery</td>
<td>2,116,675</td>
<td>4,016,000</td>
<td>3,841,200</td>
<td>4,243,200</td>
<td>4,329,000</td>
</tr>
<tr>
<td>Net Cost/(Benefit)</td>
<td>$604,171</td>
<td>$1,749,958</td>
<td>$2,726,247</td>
<td>$2,981,361</td>
<td>$3,038,548</td>
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<tr>
<td>Less: Existing Budget Amounts</td>
<td>301,789</td>
<td>412,873</td>
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<td>444,150</td>
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<td>Net Budget Adjustment Required</td>
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### Additional Comments:
The direct costs include the administrative costs of operating the program and the lost revenue from the discounted passes. This is partially offset by the revenue generated from the sale of the low income transit pass. Budget amounts have been identified for the administrative costs and added FTEs. The net financial impact will be referred to the 2020 Budget Working Group for consideration.

Original signed by
Laurie Fisher, CPA, CA
Manager of Finance & Administration
CONSULTATION

This Report has been prepared in consultation with:

City of Winnipeg – Community Services Department
City of Winnipeg – Office of Public Engagement
Province of Manitoba – Department of Housing
Various Community Groups

OURWINNIPEG POLICY ALIGNMENT

01-01b Key Directions for the Entire City- Key directions for connecting and expanding our sustainable transportation and infrastructure network.

SUBMITTED BY

Department: Transit
Division: Finance and Administration
Prepared by: Laurie Fisher, CPA CA, Manager of Finance and Administration
Date: September 12, 2019
Attachments:

Appendix A – Low Income Transit Pass Program Policy