

April 11, 2022

Office of Councillors
2nd Floor, City Hall
1 Sir Winston Churchill Square
Edmonton, Alberta T5J 2R7

Dear Councillors,

Re: _CO00607 Mass Transit System - Sustainable Funding and Service Growth Report

ETSAB formed a subcommittee on financial sustainability after being informed that the Edmonton City Council intends to review a presentation on sustainability in transit on April 13, 2022. Transit is the second largest budget item for the city, so the discussion on financial sustainability is essential.

As a Board that represents the impact of transit policy on Edmontonians, we ask that city council take these perspectives into consideration:

Capturing Value Creation through Transit

There are many positive externalities created through the operation of a good transit system that are not yet clearly captured in Edmonton's revenue and sustainability model for ETS, such as emission reductions, positive impacts to tourism, and the benefits to the labour market. Some of the value of these impacts could potentially be captured and redirected to fund transit.

Under current Federal regulations, every tonne of GHG emissions is currently priced at \$50 with planned increases through to at least 2030. With an already notable focus on electrification and mode shift, Edmonton could push to capture that value of GHG reduction through carbon offset partnerships and use these proceeds for increasing electrification and funding the transit system.

More broadly, a strong and well-functioning transit system creates value to the tourism sector and to employers, as evidenced in the partnership with the airport, Leduc county, and nearby employers in the airport region that have helped in funding the 747 service to the Edmonton International Airport and nearby malls and shopping centres. Utilizing new on-demand transit capabilities within ETS could offer further partnership opportunities for employers that wish to access both tourists and employees through transit.

Recommendation to Focus on Tools that Impact User Behaviour

The Revenue/Cost Ratio has been decreasing since 2015. The options presented by

ETS can help offset this decrease, however, more attention needs to be paid on how to create viable transit tools and options such that residents of Edmonton are more likely to reduce their car ownership.

When a household believes that they need multiple vehicles to reliably meet their transportation needs, they will continue to own, service, and operate multiple vehicles and largely exclude themselves from ever being a transit user through this sunk cost. ETSAB urges the adoption of an All Ages and Abilities active transportation infrastructure throughout Edmonton to complement the transit system.

Strategies that provide people with more transportation options are the starting point to reducing the number of vehicles a household owns. Time, cost, and convenience are the key factors that Edmontonians consider in their travel options. If ETS is funded and operated as an option-of-last-resort for people to access transportation, we will not see broad-based support amongst residents of Edmonton to improve the transit system as they do not realize any new value when they cannot reliably access ETS services to meet some or all of their transportation needs.

Freezing Transit Fares

While this report focused on methods outside traditional farebox income generation, the Board wishes to reiterate ETSAB's position that transit fares be frozen until such a time that these alternative revenue generation tools have been fully exhausted and Federal and Provincial funding avenues are not available. The Board believes that with the scale of changes coming to electrification, on-demand transit, active mobility, and other generational revolutions in how people and goods move through cities, it is unlikely that fare increases represent even a small fraction of the available new revenue sources that could be realized through a bold, focused, and evidence-based strategy to support this transition.

Present Quantitative Analysis for Further Feedback

The board was limited in our ability to provide substantive feedback as the report did not include quantitative analysis. We look forward to reviewing any subsequent work or reports that include the anticipated financial impact for each of the revenue tools or other analysis for the Edmonton specific context.

Feedback On The Revenue Tools Presented in the Report

Below is a summary of the feedback from Board members on some of the identified revenue tools:

- Benefit Area Tax:
 - In Edmonton, living in very close proximity to transit is not always considered beneficial due to perceived or real concerns of increased

crime. Noise from LRT lines and from Transit centres can negatively impact property values and a person's lived experience. Crossing LRT lines by foot, on mobility aids and bicycles, and blocking of traffic flow are other considerations reducing attractiveness of living next to transit facilities.

- Market forces should already take the proximity to transit into account in property values and therefore are already being taxed fairly through property taxes. Some members expressed willingness to pay an additional tax due to their proximity to good transit service but it is a perspective not shared by many, especially those that feel they still need multiple cars to meet their transportation needs.
- For people who do live close to transit, are homeowners, and use transit, it seems they would be required to pay three times for the service: fares, benefit area tax, and property tax.
- Community Revitalization Levies (CRLs)
 - CRLs are a form of tax increment financing (TIF) and ultimately require property values to increase for the TIF to be successful. First, while there may be an increase in property taxes overall with new development (e.g. an empty lot being developed), many areas along the existing and planned transit lines are already developed, limiting the potential increase in tax revenue.
 - In a CRL, there is the assumption that property values will continuously increase overall and that proximity to transit increases land values. While this is true in some major cities, it is not clearly true for Edmonton. In fact, in some other major cities, living too close to transit has been found to have a slight negative impact on property values.
 - CRLs are for a designated area. It could be anticipated that a CRL would take place along an LRT line as it is being built. We know that construction strongly impacts businesses in the area and is also a nuisance for people living close to these lines. The construction may actually reduce property values for the construction period of over a decade.
- Motor Fuel Tax, Parking Fees and Vehicle Registration Fees
 - These tools are directly related to vehicle use and ownership. They hold the most potential to modify behaviours and shift transportation choice from cars to transit or other modes.
 - When implementing these fees that increase the cost of car ownership, it is important to increase transit options and coverage to allow a smooth transition of transportation mode for people in Edmonton. There is a risk

of some residents getting caught in the middle, suffering from increased cost of vehicle ownership while transit infrastructure is still insufficient to meet travel needs.

- Transportation Network Company Fee
 - While Canadian case law currently prevents redirecting TNC fees to things other than the cost of implementing the regulatory system, as mentioned in Administration's report, if this changes, this tool would be worth exploring further.
 - The TNC variable fee and the motor vehicle licence fee are potentially equitable and will raise considerable revenue that can be directly targeted to transit operations. They will also disincentivise motor vehicle use and reduce GHG emissions.
 - TNC fees might not be equitable when there are no other options provided (e.g. late at night, early mornings, weekends) and people are forced to use ride sharing, like Uber, because transit services do not meet people's transportation needs.

- Tourism
 - There may be an opportunity to increase ridership by having a transit route from the Southeast of Edmonton through Beaumont to the airport, rather than relying only on the 747 for people to access the airport and surrounding region.
 - Regionalization of transit services may be a method to achieve this goal. In addition to Beaumont, pooling economic development and tourism spending from surrounding communities to provide transit to/from the airport and into regional communities and attractions may create new value for these communities and new revenue sources for a regional transit authority.

Availability for Further Collaboration

ETSAB is willing to continue collaborating with city administration for further discussions and analysis of these revenue tools. We would be willing to engage every step of the way, as more quantitative analysis is conducted in the future, and as these alternate revenue generating tools are planned and implemented in Edmonton.

Sincerely,

Lindsay Vanstone, ETSAB Chair
ETSAB_Chair@edmonton.ca

cc: ocmofficeofthecityclerk-occ@edmonton.ca