

TO: MUNICIPAL MANAGER  
FROM: DIRECTOR PLANNING &  
BUILDING INSPECTION  
SUBJECT: VANCOUVER REGIONAL TRANSIT COMMISSION  
TRANSIT FUNDING

Our File: 08.211

PURPOSE: To respond to correspondence from the Chairman of the Vancouver Regional Transit Commission regarding proposed transit fare and tax increases for the 1991/92 Provincial fiscal year.

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RECOMMENDATIONS:

1. THAT a letter be written to the Minister of Transportation and Highways, the Honourable Lyall Hanson, indicating Council's support as related to items #1 and #2 as adopted by the Vancouver Regional Transit Commission and identified in Attachment A of the correspondence.
2. THAT a copy of this report be forwarded to Mayor M. Dykeman, Chairman, Vancouver Regional Transit Commission.

R E P O R T

1.0 BACKGROUND

Appearing on this agenda is correspondence from Mayor M. Dykeman, Chairman of the Vancouver Regional Transit Commission regarding required transit fare and tax increases for the 1991/92 Provincial fiscal year. In this correspondence, Mayor Dykeman notes the need for additional revenue to meet the Commission's share of the recommended budget for transit in the Greater Vancouver region. Raising this additional revenue within the current provisions of the transit funding formula would require increases in transit fares and taxes.

The correspondence notes two factors contributing to this funding shortfall, namely ridership growth and the annual debt servicing cost of SkyTrain and suggests the need for a new transit funding formula. With respect to the latter, Mayor Dykeman requests that Municipalities express their support of changes in the funding formula to the Minister of Transportation and Highways.

This report outlines the implications of the Commission proposals from Burnaby's perspective and requests Council approval of a letter to the Minister of Transportation and Highways on behalf of the Commission regarding changes in the transit funding formula.

2.0 PROPOSED TRANSIT EXPENDITURES

The correspondence indicates that the required increase in transit fares and taxes is partly attributable to an unprecedented growth in transit ridership of 17.4 percent in the past two years. To accommodate this ridership growth, transit expenditures have been increased by 30 percent over the same period. The substantially greater increase in transit expenditures (30%) over ridership growth (17.4%) may be attributable to a more pro-active approach by BC Transit to attract ridership by increasing service levels beyond that needed to accommodate ridership. This approach by BC Transit accords with Council's desire to promote transit more aggressively.

### 3.0 CURRENT REVENUE SOURCES

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Revenue sources permitted under the current funding formula include fares and three tax sources namely the motive fuel tax, a levy on hydro bills and the property tax. Of these sources, transit fares and the motive fuel tax are directly related to the use of the transportation system. The hydro levy, although a relatively minor tax, has been viewed as somewhat regressive while the property tax up to this point has only been applied to non residential property. Municipal Councils have expressed concerns over the use of the property tax for transit purposes.

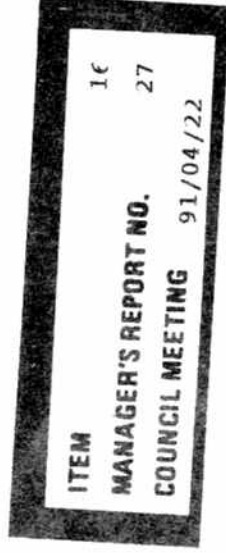
Up to this point, the Commission has tended to use all available sources of fares and tax revenue permitted under the BC Transit Act to raise its share of the transit budget rather than focusing on existing transportation related revenue sources or developing new transportation-related revenue sources such as vehicle licence fees, etc. An advantage of these revenue sources is their potential as instruments of public policy to promote transit usage. In this respect it may be appropriate for both the Province and the Commission to emphasize the motive fuel tax to a greater degree as a revenue source. Adopting this approach, for example an increase in the motive fuel tax by 2 cents per litre instead of 1 cent as currently proposed, could cover the revenue shortfall of \$23.9M without an increase in transit fares, the hydro levy or the non residential property tax.

### 4.0 SKYTRAIN DEBT SERVICING COST

The current transit financing formula requires that the annualized cost of the SkyTrain Phase 1 (New Westminster) and Phase 2 (Scott Road) projects must be included in the annual transit budget.

In response to concerns expressed by the Commission with regard to the funding of future SkyTrain extensions, the Province accepted the principle of 100 percent funding of the guideway related costs of SkyTrain as a provincial highway. This principle however, currently applies to future extensions only and not to the existing SkyTrain system.

Relating to the current funding shortfall, the correspondence notes that no fare or tax increases would be required in 1991/92 if the Province accepted the principle of funding the existing SkyTrain annualized cost 100 percent as a provincial highway. In view of the inconsistency in the Province's position and the implications for transit funding, the Commission's request for amendments to the existing funding formula are supportable from the Municipality's perspective. It is therefore recommended that Council convey support of the Commission's position by letter to the Minister of Transportation and Highways.



## 5.0 NEW TRANSIT FUNDING FORMULA

The principles of a new transit funding formula are outlined in Attachment A of the correspondence from Mayor Dykeman. It should be noted however, that these principles address other matters in addition to funding provisions including organizational structure and operating responsibilities for transit. Fundamental issues of this magnitude would require more detailed evaluation before the Municipality could adequately respond to the Commission or support a position for discussion with the Province. It is recommended therefore that the proposed letter to the Minister express support only for those principles in Attachment A of the correspondence relating to SkyTrain funding, namely:

- #1. Transit links are "urban highways".
- #2. Legislative leaders should be responsible for the financial consequences of their decisions (capital or operating).

## 6.0 CONCLUSION

It is recommended that a letter be written to the Minister of Transportation and Highways indicating Council's support as related to items #1 and #2 as adopted by the Vancouver Regional Transit Commission and identified in Attachment A.

*RRP*  
RG/mm

Attach:

cc: Acting Director Finance

*J.L. Parr*  
J.L. Parr  
DIRECTOR PLANNING &  
BUILDING INSPECTION

ITEM	16
MANAGER'S REPORT NO.	27
COUNCIL MEETING	91/04/22

PRINCIPLES OF A NEW TRANSIT FUNDING FORMULA

1. Transit links are "urban highways"
  - They reduce the need to construct more lanes of highways through established communities.
  - Transit capital costs should be funded in the same way as arterial highways, by the Province.
  - Transit is as important to the economic development of cities as highways are to rural areas.
2. Legislative bodies should be responsible for the financial consequences of their decisions (capital or operating).
  - The Province decided to extend transit throughout an enormous area.
  - While the GVRD endorsed an LRT link, the decision to opt for the more expensive SkyTrain technology was entirely Provincial.
  - The Province decided to proceed at this time with extensions to Surrey and Whalley.
3. A local authority operating transit in the Greater Vancouver Transit Area will determine the local revenues which contribute towards these operating costs. These local revenues include:
  - fares
  - regional gasoline tax, determined by the transit authority
  - residential hydro surcharge, but based on power consumption
  - commercial property tax
  - residential property tax
4. Operating responsibilities and decision-making should be vested in the local authority:
  - set service levels
  - set annual budgets
  - prepare capital programs for Provincial approval
  - negotiate collective agreements
  - establish purchasing and maintenance programs
5. Those who benefit more from transit should pay a larger share than those who benefit less.
  - Fare structure and the level of fares should be gradually increased to the maximum levels acceptable to the marketplace, so that ridership is not reduced significantly.
6. A new transit financing formula should:
  - be simple to understand
  - be enshrined in legislation, not regulations
  - provide for replacement, as needed, of buses and other rolling stock
  - avoid sudden sharp increases in contributions
  - be long term