

# Staff Report



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To	<b>Committee of the Whole</b>
Service Area	Public Services
Date	Monday, June 7, 2021
Subject	<b>Update on Subsidy Policy</b>

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## Recommendation

That Council approve updating the Subsidy Policy to allow for the acceptance of additional income documents in order to grant subsidy access to people facing sudden or unexpected life-changing economic events.

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## Executive Summary

### Purpose of Report

Staff conducted an annual review of the City of Guelph Subsidy Program that includes access to the Affordable Bus Pass, Fee Assistance in Recreation, and the Animal License subsidy based on financial need. As part of the annual review, staff explored barriers that residents face to access the program and seek to alleviate those barriers. The purpose of this report is to seek approval of recommended changes to the Subsidy Policy to reduce barriers for those living with low-income.

### Key Findings

Through the review, two significant barriers were identified: 1) the subsidized rates for the Affordable Bus Pass may not be affordable for those with the greatest financial need, and 2) people experiencing sudden and unexpected changes to their income through the loss of employment or death of an income-earning family member, must wait sometimes close to a year before becoming eligible for the subsidy program.

In order to address the first barrier, staff considered an option around a sliding scale subsidy program. The sliding scale would provide a larger subsidy to those with the lowest income while maintaining the same subsidized rate for other Affordable Bus Pass users that fall below the current Low Income Cut-Off (LICO) thresholds. Unfortunately, changes would have a substantial impact to revenues, which staff will consider with the next budget process. Staff would suggest a one-year pilot sliding scale program with the Affordable Bus Pass program only if funding could be made available through the 2022 budget.

In order to address the second barrier, staff recommend expanding the types of official income documentation accepted to allow for more immediate access to subsidy programs when significant and sudden changes to income occur. The two main changes to income identified by staff were the loss of employment and death of an income-earning family member.

## Financial Implications

If a one-year pilot with the Affordable Bus Pass and a second tier sliding scale would occur, there is an estimated potential minimum loss of revenue to Transit in 2022 for up to \$250,000. This is based on over 16,900 Affordable Bus Passes sold in 2019 and estimating an uptake of 60 percent of the offered Tier A subsidy.

However, it is possible that a more affordable option would increase purchases of passes and increase ridership numbers overall.

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## Report

From the 2017 [Subsidy Strategy](#), the purpose of Guelph Subsidy Programs are to:

- Improve the wellbeing of residents, and Guelph as a whole, by ensuring that all residents have access to important City services regardless of their ability to pay.
- Ensure that information gathered is accurate and held in confidence to protect the privacy of participants and the integrity of the programs.
- Allow residents in financial need the ability to gain access to all City subsidies through a single application or point of entry.
- Ensure that eligibility thresholds are reflective of the needs of residents for affordable services.

## Background

The City of Guelph has offered subsidy programs to residents for over a decade with the Fee Assistance in Recreation (FAIR) Program dating back to 2006. The permanent Affordable Bus Pass (ABP) Program began in 2013 to provide residents with affordable transportation, to ensure that residents have access to other basic needs in the community from working to accessing programs to building social connections with others across the city. In 2016, an Animal Licensing Subsidy was implemented to provide financial support for residents to license their animals using the same criteria as the ABP.

As multiple subsidies exist in the City to provide financial support to residents with low income, the Subsidy Strategy was developed to ensure that current and future subsidies are administered consistently to create efficiencies for City staff and ease of access for residents, and to protect the dignity of participants enrolled in City Subsidy Programs.

The Subsidy Strategy currently applies to the Affordable Bus Pass, Fee Assistance in Recreation, and the Animal Licensing Subsidy.

## Policy Recommendations

Through staff's annual review of the Subsidy Program, two significant barriers were identified: 1) the subsidized rates for the ABP may not be affordable for those with the greatest financial need, and 2) people experiencing sudden and unexpected changes to their income through the loss of employment or death of an income-earning family member, must wait sometimes close to a year before becoming eligible for the Subsidy Program.

In order to address the first barrier, staff considered an option for a sliding scale subsidy, similar to what has been implemented in the City of Calgary. The sliding scale would provide a larger subsidy to those with the lowest income while

maintaining the same subsidized rate for other users that fall below the current Low Income Cut-Off (LICO) thresholds. Unfortunately, changes would have a substantial impact to revenues, which staff will consider with the next budget process. Where funding could be available, staff would suggest proposing a one-year pilot sliding scale program with the ABP program before considering implementation with other subsidies.

In order to address the second barrier, staff recommend expanding the types of official income documentation accepted to allow for more immediate and mid-year access to subsidy programs when significant and sudden changes to income occur. The two main changes to income identified by staff were the loss of employment and death of an income-earning family member.

As with any subsidy policy change, staff will continue to work with Guelph Transit to ensure alignment with transit policies including the Fare Strategy and Route Review.

### **Sliding Scale Subsidy for Affordable Bus Pass**

Currently, eligibility into the City of Guelph Subsidy Program is based on household incomes below the LICO threshold. Incomes are assessed compared to the applicant's latest tax documents with the latest available LICO scale. The 2019 LICO scale is used for 2021 applicants until the third quarter, when an updated LICO scale is received.

The latest LICO scale (income before tax, 2019) for Guelph includes the following thresholds:

**Table 1 - Low Income Cut-Off by Family Size**

<b>Family Size</b>	<b>Low Income Cut-Off</b>
1	\$22,759
2	\$28,332
3	\$34,831
4	\$42,290
5	\$47,963
6	\$54,096
7 and up	\$60,227

Having an income below the threshold gives residents access to the Guelph Subsidy Programs that include the following subsidized rates:

**Table 2 – Current Subsidy Rates**

<b>Subsidy Program</b>	<b>Subsidy Rate</b>	<b>Full Rate (if applicable)</b>
Affordable Bus Pass Adults	\$37.50	\$80.00
Affordable Bus Pass Seniors	\$31.00	\$68.00
Affordable Bus Pass Youth	\$32.00	\$68.00
Fee Assistance in Recreation	80 per cent up to \$250.00 annually	
Animal Licensing	50 per cent	

However, staff have heard from residents and other stakeholders that the current subsidized rate is not affordable for those with the lowest incomes.

Guided by the Subsidy Strategy purpose to support the needs of affordability for residents, Guelph could have two tiers of subsidy. Tier B would be for all residents that fall below the LICO threshold (the City of Guelph's current subsidy threshold). Tier A would be set up at 50 percent of the LICO threshold. For current applications, eligibility thresholds for each tier are represented in the following table:

**Table 3 – Income Thresholds by Family Size for Tier B and Tier A Subsidies**

<b>Family Size</b>	<b>Tier B Subsidy Threshold</b>	<b>Tier A Subsidy Threshold</b>
1	\$22,759	\$11,380
2	\$28,332	\$14,166
3	\$34,831	\$17,416
4	\$42,290	\$21,145
5	\$47,963	\$23,982
6	\$54,096	\$27,048
7 and up	\$60,227	\$30,114

Within this option, deepening the ABP subsidized rate for Tier A eligible residents to a flat monthly rate of \$12 would have a positive impact. This represents approximately 15 per cent of the full fare, similar to the original subsidized rate proposed in Calgary. Initially staff in Calgary proposed 15 per cent, but with provincial funding Calgary was able to deepen the subsidy to 5 per cent. While a 5 per cent subsidized rate (\$4 for an adult pass) addresses the deepest need without cost recovery from the province, it will lead to greater loss of revenue.

For seniors, this represents a significant subsidy as well. In Calgary, seniors living with low income receive access to an annual pass of \$25 per year. This option does not recommend an annual subsidized pass at this time but instead recommend a deeper monthly subsidized rate for all those eligible for Tier A.

There is no consideration for Tier B Affordable Bus Pass rates to alter at this time. In summary, the following rates could apply based on tier of subsidy.

**Table 4 – Monthly Bus Pass Rates by Subsidy Tier**

<b>Pass</b>	<b>Standard Rate</b>	<b>Tier B Rate</b>	<b>Tier A Rate</b>
Adult	\$80.00	\$37.50	\$12.00
Senior	\$68.00	\$31.00	\$12.00
Youth	\$68.00	\$32.00	\$12.00

## **Estimated Participation Rates**

Based on estimates of approvals into the ABP program, staff estimate that up to 60 per cent of eligible ABP applicants could be eligible for Tier A.

There may also be additional new residents that would apply for the program and purchase passes that did not apply previously. For some reference, in Calgary, the implementation of a sliding scale led to an increase of 44 per cent of passes sold in its first year, and a further increase of 33 per cent the following year. In the first two years of launch, the number of affordable passes sold annually in Calgary went from 213,000 to 409,000.

The more affordable rates in Calgary also led to an estimated increase in use of transit with 87 per cent of affordable program users surveyed in 2018 saying the program has led to an increase in use of transit.

In terms of administration of the subsidy program, staff do not expect this to add significantly to the administration needs of the program (beyond some additional applications) and the same approval procedures can be followed.

### **Reducing Barriers to Access for Sudden Changes to Income**

Currently, eligibility for subsidy programs is determined based on official income documents – often relating to the previous tax year. Applications for 2021 are based on 2020 documentation. For most people, this is not an issue as incomes tend to be relatively stable year-to-year, barring any unexpected changes.

However, there is a small portion of residents for which this presents barriers to access. Every year, there are some people that apply for the subsidy program, and do not qualify based on their previous year's income despite having current financial need. The two examples of this that staff see most frequently are: 1) loss of employment and 2) the death of an income-earning family member that would suddenly put their current income below the LICO threshold.

Staff propose additional documentation be accepted to allow access to the program in these unique circumstances. Examples of documentation could include Records of Employment or letters from a professional support worker. Staff will explore options for documentation with other levels of government prior to implementation in early 2022.

If the City implemented a sliding scale subsidy, staff would propose that residents gaining approval to the program under these circumstances receive subsidies under Tier B for one year or until income documentation demonstrating eligibility for Tier A can be provided. Residents apply or reapply annually for subsidies, where official income documentation should be available and reflect the current financial need. Without a sliding scale subsidy, approval would be reviewed for the current subsidy programs and rates.

Staff do not expect the uptake of these new approval methods to be significant in numbers, however, the impact on the dignity and quality of life for individuals dealing with life changing events would be significant.

Administratively, these changes would involve some additional work from staff to update procedures and forms, and to provide replacement cards for people entering the ABP program. However, beyond the initial stages, staff do not expect these changes to add significantly to the administrative needs of the program.

### **Financial Implications**

Staff do not anticipate any significant additional administrative costs of the subsidy program's recommended change.

Staff anticipate that changes to reduce barriers to access to the program based on income documentation will not have financial implications for the City. The small number of people that will be paying a reduced rate is likely to be offset by the slight increase in numbers of people that will be able to afford to purchase monthly passes.

Implementing a sliding scale at the thresholds and depth of subsidy presented could impact up to 60 per cent of current ABP applicants based on a review of applications from two months prior to the pandemic. As staff do not currently track actual income, the exact number of pass purchasers this will affect and the number

of new passes that will be purchased as a result of these changes is difficult to predict.

Although not recommended at this time, staff estimate a minimum loss of revenue of up to \$250,000 would need to be accounted for through Community Investment to offset revenue from the Transit budget. This loss is based on over 16,900 affordable bus passes sold in 2019 when estimating an uptake of 60 per cent of the Tier A subsidy. This impact and program could be considered as a part of the 2022 budget.

Estimating revenue impact as a result of the COVID-19 pandemic has been challenging. The suggested revenue loss of \$250,000 is based on data from applications in 2019. As 2020 sales data dropped significantly due to the pandemic, this data would not offer a strong estimate to the impact as a result of a deeper subsidy. Ridership in 2022 is uncertain as well, due to the pandemic, which could result in less revenue of the ABP at either subsidy rate. Also, the potential loss of revenue does not account for the potential increase of revenue due to an increase in access to monthly pass sales (at any rate). A pilot program would allow access to current data and show more accurate impacts of COVID-19.

## **Consultations**

Guelph Transit

Finance

## **Strategic Plan Alignment**

Staff recommendations align well with the City's Strategic Plan priorities of fostering more accessible transportation through affordable transit and nurturing social well-being to ensure that everyone belongs and has opportunities regardless of their income.

## **Attachments**

None

## **Departmental Approval**

None

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