

Date: November 11, 2022

To: Chair and Members of General Committee

From: Geoff Wright, P.Eng, MBA, Commissioner of
Transportation and Works

Originator's files:

Meeting date:
November 23, 2022

Subject

Amendment to PRESTO Operating Agreement

Recommendation

1. That the Mayor and City Clerk be authorized to execute an amendment requested by Metrolinx to the PRESTO Operating Agreement entered into with the City, dated January 10 2018, which reflects a new risk-sharing model that will provide for added lost revenue recovery for the City, and will also permit PRESTO to collect Metrolinx Revenue based fees on the lost revenue recoveries under the Agreement as it relates to Open Payment transactions.
2. That all necessary by-laws be enacted.

Background

The current PRESTO Operating Agreement (OA) is a multi-party agreement with Metrolinx that was approved by the City under City By-law 0264-2017 and executed by Mississauga in January 2018. This OA regulates the roles and responsibilities for the delivery of PRESTO services offered by Metrolinx, to the 905 Transit Agencies (TAs) comprising the municipalities of Hamilton, York Region, Mississauga, Brampton, Oakville, and Durham. PRESTO Services are also provided through Metrolinx, GO Transit, and OC Transpo in Ottawa. Some key elements addressed in the OA includes services provided by PRESTO, commissions that TAs shall pay Metrolinx for the PRESTO services, based on amount of fare revenue collected through the PRESTO system, minimum revenue protection to PRESTO to ensure PRESTO collects the required fee based revenue from TAs to maintain service levels, revenue protection to TAs in case PRESTO does not comply with the service level agreement and governance structure of PRESTO system.

On August 11, 2022, PRESTO launched Open Payment (OP) which is a new method for TAs to collect fare whereby a customer can tap their contactless (tap payment feature enabled) credit card or the mobile wallet on their smartphone or watch, on to the PRESTO card reader in a bus at the time of boarding.

Metrolinx have undertaken the exercise to amend the existing OA to ensure that calculation formulas under the OA of PRESTO commissions that provide minimum revenue protection to PRESTO, and calculations of lost revenue recovery that provides revenue protection to TAs, now also include transactions from Open Payment. Metrolinx prepared and circulated a draft first amending agreement to the TAs in May 2022. The City's Transportation and Works (T&W) department reviewed it together with Legal, and T&W is agreeable with the amendment terms. Due to the summer/election recess, T&W is bringing this corporate report now.

As of September 2022, MiWay is collecting 81% of its fare revenue through the PRESTO system. Participation in PRESTO Services is an eligibility requirement for Provincial gas tax funding.

Comments

The proposed amendment to the OA are broken down into two major areas, change to revenue protection to the City and change to minimum revenue protection to PRESTO.

Revenue Protection to the City.

The City is entitled to recover lost revenues arising from, related to, or in connection with, the failure of PRESTO not providing service as specified in the service level agreement. Once a PRESTO fare collection device requires repairs, PRESTO has a timeline as per service level agreement to repair the equipment and failure to meet this timeline could result to TAs seeking compensation for lost revenues using eligibility and calculation guidelines in the agreement. With the launching of PRESTO Open Payment, PRESTO is now proposing to amend the agreement to make changes in the guidelines seeking compensation for lost revenues from Open Payment. Summary of the additions are:

1. That TAs shall be entitled to recover lost revenues for Open Payment when the number of missed taps are greater than 0.5% of the expected Open Payment taps during the time of breach of service level agreement. Under E-purse fare payment, this percentage has to be greater than 2%.
2. That TAs must lose at least 0.5% of expected revenues from Open Payment during the period of breach of service level agreement before PRESTO is liable. Under E-purse fare payment, this percentage has to be at least 2%.

City staff have reviewed these proposals and are agreeable to the changes as it does provide sufficient assurance to protect revenues.

Minimum Revenue Protection to PRESTO. In order to provide revenue protection to PRESTO as per current agreement, the aggregate Metrolinx Revenue Based Fee from all Transit Agencies that use PRESTO (other than the Toronto Transit Commission), must be greater than or equal to the aggregate projected Metrolinx Revenue Based Fee from such Persons for that calendar year. PRESTO shall calculate each Transit agencies shortfall or

surplus and provide it to the TAs by February 28th of the succeeding year. Metrolinx Revenue Based Fee is based on 9% commission rate applied to revenues collected through E-purse, period pass and Open payment. It also includes total lost revenue from E-purse fare payment. PRESTO is now proposing to amend the agreement such that if a TA is eligible to recover lost revenues for Open Payment, that Metrolinx Revenue Based Fee also include total lost revenue from Open Payments.

City staff have reviewed this change and are agreeable to the change as it does provide a reasonable basis for PRESTO to charge the Metrolinx Revenue Based Fee on lost revenues recovery to the TAs.

Strategic Plan

The amendment to PRESTO operating agreement to provide additional revenue protection to MiWay revenues contributes to the strategic pillar of Developing a Transit Oriented City and the strategic goal of ensuring affordability and accessibility. The Lost revenue recovery will ensure tax payer burden to subsidize the transit service budget is reduced.

Financial Impact

There are no financial impacts resulting from the Recommendations in this Report.

Conclusion

Following the launch of PRESTO open payment on August 11, 2022, Metrolinx have undertaken the exercise to amend the existing OA to ensure that calculations of PRESTO commissions that provides minimum revenue protection to PRESTO, and calculations of lost revenue that provides revenue protection to TAs, include transactions from Open Payment. MiWay agrees with the necessity and appropriateness of this amendment at this time as it does provide sufficient assurance to protect MiWay revenues and a reasonable basis for PRESTO to collect Metrolinx revenue based fee on lost revenue recoveries. MiWay is seeking council approval of the Recommendation under this Report, to approve entering into the first amending Agreement to the PRESTO Operating Agreement.



Geoff Wright, P.Eng, MBA, Commissioner of Transportation and Works

Prepared by: Fritz Youaleu, CMA, MBA, Supervisor, Transit Revenue, MiWay