

City of Mississauga Corporate Report



Date: November 5, 2024

To: Chair and Members of General Committee

From: Sam Rogers, MBA, Acting Commissioner of
Transportation and Works

Originator's files:

Meeting date:
November 20, 2024

Subject

Second Amendment to PRESTO Operating Agreement

Recommendation

1. That the Mayor and City Clerk be authorized to execute a second amending agreement requested by Metrolinx to the PRESTO Operating Agreement dated January 10, 2018, as outlined in the Corporate Report dated November 5, 2024, entitled "Second Amendment to PRESTO Operating Agreement" from the Acting Commissioner of Transportation and Works, that will adjust the price of the PRESTO farecard and permit the City to include transactions from digital PRESTO cards or mobile wallets when calculating lost revenue recovery for the city and revenue based fees to Metrolinx, as well as to execute any further amendments or ancillary documents that may be required to the PRESTO Operating Agreement in the future.
2. That all necessary by-laws be enacted

Executive Summary

- In August 2022, PRESTO launched Open Payment (OP) which allows customers to utilize contactless credit or debit card to pay transit fares.
- The First Amending Agreement was created to modify contractual language of the Operating Agreement (OA) to include transactions from OP in the calculation of lost revenue recovery to the City, and revenue-based fees to Metrolinx.
- PRESTO launched the Mobile Wallet or digital version of the PRESTO card for Android customers in November 2023 and for Apple customers in July 2024. The Digital PRESTO card allows customers to pay transit fares by tapping their smartphone in place of a physical PRESTO card.

- Metrolinx wishes to again amend the OA to include transactions from Mobile Wallet in the calculation of lost revenue recovery to the city and revenue-based fees to Metrolinx.
- Metrolinx wishes to also amend the OA to change the price Transit Agencies (TAs) sell the physical PRESTO card to customers from \$6 to \$4 and the price TAs buy the physical PRESTO card from PRESTO from \$5 to \$3.
- The City's Transportation and Works (T&W) department and the City's legal department have reviewed the changes to OA and are agreeable with the amendment terms.

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, Burlington, Brampton, Oakville, and Durham. PRESTO Services are also provided through Metrolinx, GO Transit, and OC Transpo located in Ottawa. Key elements addressed in the OA include:

- Services provided by PRESTO;
- Commissions driven by amount of fare revenue collected through the PRESTO system that TAs shall pay Metrolinx for the PRESTO services;
- 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.

In August 2022, PRESTO launched Open Payment (OP) which allows customers to utilize contactless credit or debit card to pay transit fares. The First Amending Agreement was created to modify contractual language of the OA to include transactions from OP in the calculation of lost revenue recovery to the City, and revenue-based fees to Metrolinx.

In November 2023, PRESTO launched the Mobile Wallet, a digital version of the PRESTO card that allows customers to pay transit fares by tapping their smartphone in place of a physical PRESTO card. Mobile Wallet was initially available for Android customers and subsequently launched for Apple customers in July 2024. With both Android and Apple customers now able to use digital PRESTO cards through their Mobile Wallets, Metrolinx wishes to again amend the OA to include Mobile Wallet transactions in the calculation of lost revenue recovery to the city and revenue-based fees to Metrolinx, and to change the price of the PRESTO farecard. Metrolinx prepared and circulated a draft Second Amending Agreement to the TAs in June

2024. The City's Transportation and Works (T&W) department and the City's legal department have reviewed and agreeable with the amendment terms.

As of September 2024, MiWay is collecting 93% of its fare revenue through the PRESTO system. Participation in PRESTO Services is an eligibility requirement for Provincial gas tax funding.

Comments

The details of the Second Amendment to the OA are identified below:

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 launch of PRESTO Mobile Wallet, PRESTO is now proposing to amend the agreement to make changes in the guidelines seeking compensation for lost revenues from Mobile Wallet transactions. Summary of the additions are:

1. That TAs shall be entitled to recover lost revenues when the number of missed taps of from Mobile Wallet E-Purse transactions are greater than 0.5% of the expected Mobile Wallet E-Purse transactions during the period of breach of service level agreement. Under physical PRESTO card E-purse transaction, this percentage must be greater than 2%.
2. That TAs must loose at least 0.5% of expected revenues from Mobile Wallet during the period of breach of service level agreement before PRESTO is liable. Under physical PRESTO card E-purse fare payment, this percentage must be at least 2%.

Minimum Revenue Protection to PRESTO.

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 Mobile Wallet, that Metrolinx Revenue Based Fee also include total lost revenue from Mobile Wallet.

Reduction in price of PRESTO fare card.

PRESTO fare cards are manufactured by PRESTO, TAs buy the fare cards from PRESTO for \$5 and are required to sell to customers for \$6 as per the existing agreement. PRESTO provided direction to TAs that effective June 01, 2023, the price TAs shall buy PRESTO fare card shall reduce from \$5 to \$3 and that effective August 08, 2023, the price TAs shall sell the PRESTO fare cards to customers shall reduce from \$6 to \$4. PRESTO introduced this price reduction to reduce the purchase price pain point for some customers while still being able to cover card manufacturing and distribution costs. These price changes were included in the 2024 MiWay fees and charges By-law. PRESTO is now requesting to make this change in the existing OA.

Strategic Plan

The amendment to the PRESTO OA contributes to the strategic pillar of Developing a Transit Oriented City and the strategic goal of ensuring affordability and accessibility. Ability to recover lost revenue reduces the taxpayer burden to subsidize the transit service budget and PRESTO farecard price reduction increases affordability of transit services.

Financial Impact

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

Conclusion

Following the launch of PRESTO Mobile Wallet in November 2023, Metrolinx has undertaken the exercise to again amend the existing OA to ensure that calculations of PRESTO commissions that provide minimum revenue protection to PRESTO, and calculations of lost revenue that provide revenue protection to TAs, include transactions from Mobile Wallet, and the price reduction of the PRESTO fare card. MiWay agrees with the necessity and appropriateness of this amendment as it provides sufficient assurance to protect MiWay revenues and a reasonable basis for PRESTO to collect Metrolinx revenue-based fees on lost revenue recoveries. MiWay is seeking council approval of the Recommendation under this Report, to approve entering into the Second Amendment Agreement to the PRESTO Operating Agreement as well as to execute any further amendments or ancillary documents that may be required to the PRESTO OA in the future.



Sam Rogers, MBA, Acting Commissioner of Transportation and Works

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