



Memorandum

To: Regional Council
From: Paul Jankowski, Commissioner, Transportation Services
Date: October 17, 2016
Re: **PRESTO Operating Agreement and Governance Update**

This memorandum provides an update on negotiations between PRESTO, the 905 transit agencies, Metrolinx (GO Transit) and the City of Ottawa, regarding a new PRESTO Operating Agreement and future governance model. Metrolinx manages the PRESTO system for the Ministry of Transportation and is also, through GO transit, a major PRESTO system user.

A letter of agreement was targeted to be executed by October 27, 2016. The Province committed to a 12-month extension of the current agreement under the same terms, conditions and costs, contingent upon the execution of a letter of agreement. Significant efforts have been made to meet the deadline; however, additional work is required. Metrolinx is seeking a minimum 30-day extension from the Minister of Transportation.

York Region Transit (YRT/Viva) implemented PRESTO on July 18, 2011.

On **March 26, 2015**, Council authorized staff to seek renewal of the current PRESTO Operating Agreement for an additional three years (October 27, 2016 to October 27, 2019). The current agreement includes a provision for three renewal terms of three years each.

On **September 29, 2015**, the 905 transit agencies sent a joint letter, with the appropriate resolutions, formally notifying Metrolinx that their respective Councils and Boards have authorized renewal of the current agreement.

On **February 25, 2016**, the 905 transit agencies received written notification from PRESTO acknowledging the request for the three-year extension, but also expressing a preference to develop an agreement with a revised business model for the PRESTO system.

On **June 23, 2016**, Council received a report advising of the decision by the Minister of Transportation to not extend the current operating agreement beyond October 27, 2016. However, the Province also offered a one-year extension (to October 27, 2017) of the current agreement, if consensus could be reached by the 905 transit agencies and PRESTO on resolving outstanding issues including, future PRESTO vision, future governance, and contract terms and cost-sharing agreement by an October 27, 2016 deadline.

Actions to date include:

- The 905 transit agencies have agreed that a fully-managed service by PRESTO, similar to the TTC agreement with PRESTO, is preferred.
- PRESTO has provided costing related to the “core” operating services and a governance structure has been proposed.
- The 905 transit agencies are working with PRESTO to determine the needs beyond the core requirements, but the costs have not yet been determined.
- Commission rates (based on a per cent of the revenue collected through PRESTO) in each year of the new agreement are being negotiated; a capped rate is one of the outstanding issues.
- Currently, PRESTO use on YRT/Viva is approximately 25 per cent. This is because TTC buses provide approximately one third of YRT/VIVA service and are not yet equipped with PRESTO. It is anticipated that this will grow to 75 per cent once the TTC is fully equipped with PRESTO by December 2016, and commitment to 80 per cent PRESTO adoption is part of the current negotiations.
- Prior to adopting PRESTO, YRT/Viva’s cost to collect fare revenue was approximately 5.7 per cent of revenue or \$2.9 million annually. This includes labour costs or processing fares, ticket agent commission paid, printing of paper and equipment repairs.
- With the implementation of PRESTO in 2011, YRT/Viva’s cost to collect fare revenue grew to 7.5 per cent or \$4.8 million annually. The additional cost is for the support of the central system required to operate PRESTO, labour costs and equipment repairs associated with PRESTO.

The 905 transit agencies were the first to adopt use of PRESTO. The current PRESTO equipment in York Region has served its useful life and now requires replacement. The new equipment will need to be transitioned into place; this will depend on PRESTO’s

ability to procure and install the new equipment. At this time, it is anticipated the work will be completed by the end of 2019.

The 905 transit agencies continue to work with PRESTO to negotiate a new PRESTO Operating Agreement and arrive at a future governance model and associated costs that is in the best interest of all parties.

Paul Jankowski
Commissioner, Transportation Services

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