

**NIAGARA TRANSIT COMMISSION
SPECIAL MEETING AGENDA**

NTC 7-2022

Tuesday, November 1, 2022

3:00 p.m.

Council Chamber

Niagara Region Headquarters, Campbell West

1815 Sir Isaac Brock Way, Thorold, ON

		Pages
1.	<u>CALL TO ORDER</u>	
2.	<u>ADOPTION OF AGENDA</u>	
3.	<u>DISCLOSURES OF PECUNIARY INTEREST</u>	
4.	<u>ITEMS FOR CONSIDERATION</u>	
4.1.	<u>NTC 20-2022</u> 2023 Budget and Requisition – Niagara Transit Commission A presentation will precede the consideration of this item.	1 - 35
4.2.	<u>NTC 19-2022</u> Investing in Canada Infrastructure Program - Intake 3	36 - 40
5.	<u>CONSENT ITEMS FOR INFORMATION</u>	
5.1.	<u>NTC-C 3-2022</u> Niagara Transit Commission Interim Board – Remaining Meetings	41 - 42
6.	<u>NEXT MEETING</u> The next meeting will be held on Tuesday, November 8, 2022 at 3:00 p.m. in the Council Chamber, Regional Headquarters.	
7.	<u>ADJOURNMENT</u>	

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2023 Niagara Region Budget

Niagara Transit Commission

NTC 20-2022
November

Carla Stout - General Manager, Niagara Transit Commission



TWENTY23

NIAGARA REGION BUDGET

Niagara Transit Commission

2023 Budget

November 1, 2022

Key Themes

1. Respected triple majority strategy for budget and municipal requisition
2. Strategy to phase out Provincial Gas Tax as an operational support over three years
3. Transfer of transit staff and incorporation of shared services within the existing compensation budget
4. All initiated ICIP projects are accommodated with zero incremental budget
5. Sustainable revenue strategy for Covid-19 related revenue losses

Agenda

1. 2023 Niagara Transit Commission (NTC) Operating Budget
2. 2023 NTC Capital Budget
3. 2023 Requisition and Special Levy

I. 2023 Operating Budget

Strategy

- Intent is to align with triple majority financial strategy
 - All transit budgets (used 2020 base budget) to be uploaded to NTC then adjusted for capital and inflation for 2023 estimated at **\$48.57M**
- 2023 Budget proposing same capital and inflation strategy estimated now at **\$55.05M**
- Increase from triple majority estimate of \$6.48M

2023 Operating Budget Drivers

\$6.48M Increase Over Triple Majority Strategy

Special Levy Requisition Component	Local - Service Hour Allocation	Regional - Assessment Allocation	Local - Direct Municipal Allocation	Total
Triple Majority Strategy Estimates	\$31.52	\$17.05		\$48.57
<u>Triple Majority Drivers:</u>				
Inflation / Savings	0.49	(0.40)		0.09
Deferred Provincial Gas Tax Phase-out	(0.32)			(0.32)
<u>Other Drivers:</u>				
Service Enhancements	1.28			1.28
Debt Servicing Increase	0.24			0.24
2022 Unsustainable Use of Reserves			5.70	5.70
Farebox Recovery	(0.50)			(0.50)
Totals	\$32.70	\$16.65	\$5.70	\$55.05

Increase largely due to 2022 use of reserves to mitigate farebox decline
 Unsustainable reserve use allocated directly to municipality until farebox revenue recovers

2023 NTC Operating Budget

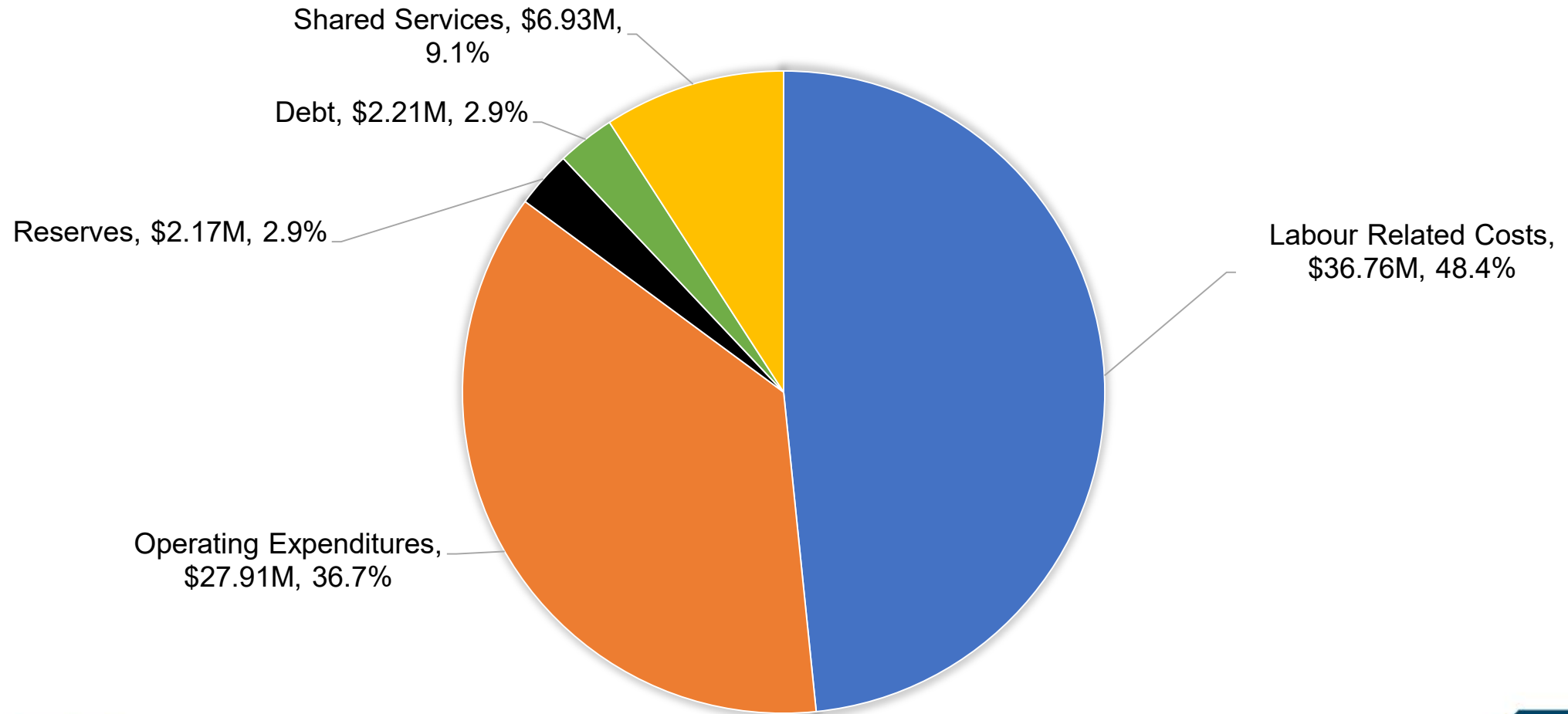
\$6.48M Increase By Expenditure (\$ Millions)

	Financial Strategy Estimate	Proposed 2023 NTC Budget	Difference: Pressure (Savings)	Comments
Labour Related Costs	\$38.20	\$36.76	\$(1.44)	Shared services / new organizational structure
Operating Expenditures	31.02	27.91	(3.11)	Shared services / new organizational structure, net of \$1.28M in service enhancements
Reserves	2.17	2.17	0.00	No variance
Debt	1.97	2.21	0.24	New debentures issued
Shared Services	<u>0.00</u>	<u>6.93</u>	<u>6.93</u>	Shared services / new organizational structure
Total Gross Expenses	\$73.36	\$75.98	\$2.62	
Revenues – Fares and Other	(23.50)	(18.30)	5.20	\$5.70M in 2022 unsustainable reserves, less \$0.5M revenue increase
Provincial Gas Tax Revenue (PGT)	(1.29)	(1.61)	(0.32)	Deferred provincial gas tax phase-out
One time Reserve Funding	<u>(0.00)</u>	<u>(1.02)</u>	<u>(1.02)</u>	One-time 2022 funding to fund 2023 costs
Total Net Special Levy	\$48.57	\$55.05	\$6.48	

Increase largely due to 2022 reduction in farebox revenue and service enhancements

2023 NTC Operating Budget

Where does the money go? Gross Budget = \$75.98M



2023 NTC Operating Budget

Staff Complement

Function	Headcount	FTE Temporary Employees	FTE Permanent Employees
Administration	5	0	5
Planning & Performance	27	1	23
Fleet	63	1	59.7
Operations	343	0	321.4
Shared Services	<u>16</u>	<u>3.3</u>	<u>12.1</u>
Totals	454	5.3	421.2

2023 NTC Operating Budget

Shared Services

Area	Region Shared Service	NTC
HR	<ul style="list-style-type: none"> - Run payroll for four unique pay cycles which include weekly and biweekly deliverables; all related pay and HRIS transactions for hiring, leaves, transfers, and terminations; and related reporting requirements including HR and general ledger reporting - manage remittances for source deductions, garnishments and court orders and any other payables; payroll year end deliverables - Manage AON benefit consolidation consultancy and benefits/pension administration 	Manager, Training and development, Timekeeping/Scheduling, Recruitment, Labour Relations and Collective Bargaining, Health and Safety, Attendance/Disability Management, Policy Development, Performance Management
Clerks	Manage meetings, escribe, FOI process	Records management system and processes
IT	Provide advice for Cyber Security services and programs	<ul style="list-style-type: none"> -Network infrastructure and support -Transit software and hardware
Legal	<ul style="list-style-type: none"> -Insurance, risk, claim and ligation support -General solicitor advice (agreements, leases, licenses, procurement, day to day support) - External legal if needed 	-HR legal matters and specialized transit matters would continue to be funded from NTC budget.

2023 NTC Operating Budget

Shared Services

Area	Region Shared Service	NTC
Facilities	<ul style="list-style-type: none"> -Facilities management (maintenance, contracted services management, etc.) -Security still to be assessed -Capital facilities renewal/replacement project managers - Still needs some assessment but could likely be charged to capital 	<ul style="list-style-type: none"> -On street asset management and maintenance -Customer service
Real Estate	Lease/licensing management and property acquisitions	None
Procurement	<ul style="list-style-type: none"> -Support formal procurement process with systems and coordination -Procurement by-law support 	<ul style="list-style-type: none"> -Procurement bid drafting, requisitioning, compliance with by-law -Low value and Informal procurement -RFP evaluations, Vendor performance and contract management
Finance	<ul style="list-style-type: none"> -Use of PeopleSoft Financials and Hyperion Planning as core financial systems -Provide accounting transaction processing support in AP, AR/revenue, banking and system support and training -Provide budgeting preparation & submission, internal & external financial reporting requirements, financial analysis, external audit support -Direction on financial strategy and budget targets as presented and approved to Regional Council 	<ul style="list-style-type: none"> -Performance and business strategy resources -NTC leadership and decision makers -Purchase requisition/order/contract resources (to work in conjunction with NR Procurement as needed)
Communications	None	NTC to resource

2023 One Time Special Levy

For Employment Liabilities

- Employees will transfer to NTC with medical/dental/LTD benefit obligations that will be a significant cost to the NTC at a later date
- Previous providers have not budgeted for this cost nor set the funding aside in reserves representing a significant risk to the NTC
- In order to mitigate NTC budget pressures that will impact remaining 9 municipalities in the future:
 - An estimate these obligations has been determined (subject to a future actuarial valuation)
 - The estimate will be levied/recovered from St. Catharines, Niagara Falls and Welland directly in accordance with the MTA provisions
 - Funds received for this purpose will be set aside in 'special purpose' reserve to be used to fund the NTC expenses when incurred

2023 Budget Mitigations

Strategies Implemented for 2023 Budget:

- 1) New service level increases deferred to 2024 as per the triple majority strategy
- 2) Included \$0.50M modest increase in 2023 farebox revenues
- 3) Using \$1.61 million in PGT for operating, phasing out over 3 years starting in 2024. (\$7.31M in PGT/Reserve funding in 2022 budget reduced to \$1.61M, equal to 24% of annual \$6.83M PGT)

Opportunity: Lobby Federal/Provincial government for transitional funding

2023 Budget Risks

- Increased student demand may drive increase service and costs
- Line by line review of local budgets not yet completed
- Inflation in excess of 2% such as fuel and insurance, however it is recommended that real inflationary pressures be managed post budget once operational staff onboard and we have line of sight to all pressures and opportunities
- Cost of claims related to potential changes in insurance deductibles
- Strategic supports may not have adequate resourcing i.e. communications, performance measurement etc.
- PGT/reserves used in operating limits the NTC's capital program
- \$2.17M transfer to reserve required to support 2023 capital

2. 2023 Capital Budget

Overview

- NTC to assume \$159.33M in capital assets (historical cost) with annual life cycle replacement needs of **\$14.11M** (replacement cost)
- PGT for capital **\$5.22M** (\$6.83M less \$1.61M for operating)
- **Gap of \$8.89M** per year to be funded from reserve strategy or other levels of government

2023 NTC Capital Budget

Strategy

- 2023 capital plan will consist only of previously approved, unfinished projects (“in flight” projects) included in the MTA
- Include \$2.17M Capital Reserve Contribution as per triple majority process to be increased over 3 years to \$6.50M annual transfer
- Investing in Canada Infrastructure (ICIP) Funding to be transferred to the NTC pending approval
- PGT to be fully utilized to support capital budget by 2026
- Region approved Development Charges (DC’s) By-law September 29, 2022 to support collection of growth capital costs as of Jan 1, 2023 (net of LAM balances to be transferred to Region)

NTC Capital Forecast Recommended

(\$ Millions)

Source	2023	10 year forecast 2024-2033	Total
In-flight	\$52.26		\$52.26
Niagara Falls Fareboxes (see slide 16)	2.00		2.00
Welland Facility (see slide 16)		15.00	15.00
10 Year forecast		189.58	189.58
Growth forecast	<u>0.00</u>	<u>40.80</u>	<u>40.80</u>
Total GROSS CAPITAL	\$54.26	\$245.38	\$299.65
Total External Funding (ICIP/PGT/DC's)	<u>(54.26)</u>	<u>(169.90)</u>	<u>(224.16)</u>
Net FUNDING (Reserves)	\$0.00	\$75.49	\$75.49

Capital strategy provides \$65.00M over 11 years in reserve funding

The funding gap of \$10.49M will impact timing of capital projects

2023 NTC Capital Budget

Other Considerations

- New Welland transit facility \$15.00M
 - Facility review in GM workplan
- Niagara Falls new ICIP request of \$2.00M for farebox related costs
 - Ontario Ministry of Transportation/Provincial/Federal Funders currently reviewing this project application

3. 2023 NTC Budget Upload

- All local transit service operating costs will belong to the NTC
 - LAM and Regional budgets will upload/transfer to the NTC
- LAM/Regional General Levy budgets will be reduced by the transit net budget
- LAM and Regional General Levy Reduction will offset Special Levy from the NTC as per guiding principle of the triple majority process

2023 NTC Requisition

Methodology

- NTC will determine 12 requisitions for 2023 – one for each LAM as determined in accordance with methodology approved in the ‘triple majority’ approval process.
- Requisition based on sum of:
 1. Local net transit costs and incremental capital will be apportioned based on proportion of service hours
 2. Intermunicipal Regional Transit service cost apportioned based on municipal share of Region wide assessment

2023 NTC Special Levy

Methodology

- Region will determine Special Levy Tax Rate required to recover each municipal requisition
- Municipal tax bills to property owners will include a separate line for Transit Special Levy Taxes
 - Tax rate set by Region just like Regional General Levy rate and Waste Management Special Levy Rate
- LAMs will pay the Region the amount of the requisition in four instalments (like taxes) and collect the Transit special levy from property owners to recover the amount paid to Region

2023 Requisition by Municipality

(\$ Millions)

¹ estimate based on 2022 Municipal Assessment.

Municipality	2023 Local Service Hours	2023 Local Service Hour %	Service Hour Allocation	Regional Assessment Allocation ¹	Direct Municipal Allocation	Total Before EFB – 2023 Requisition
St. Catharines	193,499	42.6%	\$13.93	\$4.25	\$2.37	\$20.55
Niagara Falls	125,048	27.5%	9.00	3.51	2.05	14.56
Welland	57,031	12.6%	4.10	1.38	1.28	6.76
Niagara-on-the-lake	15,912	3.5%	1.15	1.44	0.00	2.59
Port Colborne	5,655*	1.2%	0.41	0.53	0.00	0.94
Pelham	5,655*	1.2%	0.41	0.71	0.00	1.12
Thorold	14,751	3.2%	1.06	0.71	0.00	1.78
Fort Erie	25,444*	5.6%	1.83	1.04	0.00	2.88
Grimsby	5,655*	1.2%	0.41	1.27	0.00	1.68
Lincoln	5,655*	1.2%	0.41	1.02	0.00	1.43
West Lincoln	0	0.0%	0.00	0.53	0.00	0.53
Wainfleet	<u>0</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.25</u>	<u>0.00</u>	<u>0.25</u>
Total	454,305	100%	\$32.70	\$16.65	\$5.70	\$55.05

*On demand service hour allocation adjusted to reflect current NTC cost per hour however actual service hours remain consistent with current contracts.

2023 Requisition by Municipality

Including EFB estimate (\$ Millions)

Municipality	2023 Local Service Hours	2023 Local Service Hour %	Service Hour Allocation	Regional Assessment Allocation**	Direct Municipal Allocation	Total – 2023 Requisition
St. Catharines	193,499	42.6%	\$13.93	\$4.25	\$3.59	\$21.77
Niagara Falls	125,048	27.5%	9.00	3.51	2.48	14.99
Welland	57,031	12.6%	4.10	1.38	1.56	7.05
Niagara-on-the-lake	15,912	3.5%	1.15	1.44	0.00	2.59
Port Colborne	5,655*	1.2%	0.41	0.53	0.00	0.94
Pelham	5,655*	1.2%	0.41	0.71	0.00	1.12
Thorold	14,751	3.2%	1.06	0.71	0.00	1.78
Fort Erie	25,444*	5.6%	1.83	1.04	0.00	2.88
Grimsby	5,655*	1.2%	0.41	1.27	0.00	1.68
Lincoln	5,655*	1.2%	0.41	1.02	0.00	1.43
West Lincoln	0	0.0%	0.00	0.53	0.00	0.53
Wainfleet	<u>0</u>	<u>0.0%</u>	<u>0.00</u>	<u>0.25</u>	<u>0.00</u>	<u>0.25</u>
Total	454,305	100%	\$32.70	\$16.65	\$7.63	\$56.98

*Service hours allocation adjusted.

Next Steps

- Forward to LAMs for information
- Implement organization plan
- On-going support to LAMs regarding transit upload and changes to tax bill
- Refine estimate for EFB's by November 30, 2022
- Present to Regional BRCOTW on January 19, 2023 at 4PM for approval in accordance with MA Section 290 (1.1), for budget year following an election year, budget “may only be adopted in the year to which the budget applies” and applies to any “board, commission or other body”.
- Region to calculate tax rates with tax policy March/April 2023

Carla Stout, DPA
General Manager
Niagara Transit Commission

Subject: 2023 Budget and Requisition – Niagara Transit Commission

Report to: Niagara Transit Commission Board

Report date: Tuesday, November 1, 2022

Recommendations

1. That the 2023 Niagara Transit Commission (NTC) gross operating budget of \$75,975,876 and net budget of \$55,052,950 as per Appendix 1 **BE APPROVED**;
2. That the net budget of \$55,052,950 **BE APPORTIONED** between the local municipalities as per Appendix 2 determined in accordance with the methodology approved in PW 55-2021 and subject to update based on final 2023 current value assessment;
3. That the additional special levy estimate of \$1,931,540 **BE LEVIED** on the municipalities in accordance with Appendix 2 subject to final update in accordance with the Municipal Transfer Agreement (MTA);
4. That the 2023 Niagara Transit Commission budget **BE FORWARDED** to Regional Council Budget Review Committee of the Whole (BRCOTW) on January 19 for approval and subsequent calculation of the Special Levy tax rates for each municipality;
5. That in order to ensure continuity of transit services on January 1, 2023, the General Manager **BE AUTHORIZED** to implement the organizational chart endorsed in Confidential Report NTC 17-2022, which now reflects the Shared Services strategy approved in Confidential Report NTC 18-2022, all of which is accommodated within the \$36,762,584 labour related cost included in the 2023 Operating Budget; and
6. That a copy of this Report **BE CIRCULATED** to the Local Area Municipalities.

Key Facts

- The purpose of this report is to seek Board approval of the 2023 operating budget, which is the first of the new Niagara Transit Commission (NTC) in accordance with Article 7 of the Municipal Service By-law (MSB).
- Due to the many limitations in supporting the operation being live January 1, 2023, the 2023 budget is based on a consolidation of the 2022 operating budgets of the local area municipalities with adjustments for capital strategies, inflation, and one-time funding based on the assumptions used in the past as described in the Analysis.

- In addition to the approval of the budget, the report estimates the one-time 2023 levy for employment obligations of the employees transferred from the Cities of Niagara Falls and Welland and the St. Catharines Transit Commission. The funds are estimated in accordance with the proposed terms of the MTA which is in the process of being finalized and will be set aside in reserve and used in accordance with the terms of the MTA once finalized.
- There is no new capital budget being proposed for the NTC for 2023. However, there are currently 38 capital projects in-flight approved by the Cities of Niagara Falls and Welland and the St. Catharines Transit Commission that will be transferred to and completed by the NTC in accordance with proposed terms of the MTA (including the need for Provincial/Federal consent as applicable for the transfer of any related funding agreements). The NTC will also complete any reporting and compliance requirements associated with Provincial and Federal funding contributions for these transferred capital projects.
- The NTC budget will be presented to Regional Council on January 19, 2023 for consideration and approval in accordance with the Council approved timetable in accordance with Article 7.3 of the MSB.

Financial Considerations

The recommended 2023 Operating budget is provided in Appendix 1 with gross expenses of \$75,975,876 and a net special levy of \$55,052,950. The 2023 NTC budget is based on the 2022 base budgets of the twelve local area municipalities with adjustments as follows:

Table 1 (Millions): 2022 Base Budgets in Comparison to 2023 NTC Budget

Special Levy Requisition Component	Local – Service Hour Allocation	Regional – Assessment Allocation	Local – Direct Municipal Allocation	Total
2022 Base Budget	\$29.33	\$16.16		\$45.50
Inflation Estimate	0.99	0.47		1.47
Capital Reserve Strategy	2.17			2.17
2022 On-Demand Service Enhancements	0.46			0.46
Debt Servicing	0.24	0.02		0.26
2022 Farebox Decline Mitigated with Unsustainable Reserves			5.70	5.70
Farebox Recovery	(0.50)			(0.50)
Total	\$32.70	\$16.65	\$5.70	\$55.05

The estimate previously provided with the Triple Majority process was based on 2020 transit budgets and was estimated at a \$48,568,788 net special levy. The increase of \$6,484,162 is due to the following:

Table 2 (Millions): Triple Majority Strategy in Comparison to 2023 NTC Budget

Special Levy Requisition Component	Local – Service Hour Allocation	Regional – Assessment Allocation	Local – Direct Municipal Allocation	Total
Financial Strategy Estimate	\$31.52	\$17.05		\$48.57
Inflation / Savings	0.49	(0.40)		0.09
Deferred Provincial Gas Tax Phase-out	(0.32)			(0.32)
Service Enhancements	1.28			1.28
Debt Servicing	0.24			0.24
2022 Farebox Decline Mitigated with Unsustainable Reserves			5.70	5.70
Farebox Recovery	(0.50)			(0.50)
Total	\$32.70	\$16.65	\$5.70	\$55.05

In addition, a one-time special levy of \$1,931,540 estimated in accordance with the MTA for employment obligations associated with transferred and terminated employees, will be levied for 2023, bringing the total special levy for the NTC for 2023 to \$56,984,490. This special levy will fund a portion of the employment obligations associated with employees transferred to the NTC. The remaining costs of the employment related liabilities will either be adjusted by the NTC in future year levies or be included in the NTC base budget in accordance with the terms of the approved MTA.

Analysis

This first budget of the NTC has been prepared in accordance with the provision of the Municipal Service By-law and specifically Article 7.2 and prepared in accordance with the policies in Schedule A of the By-law in particular the Budget Planning By-law.

Operating Budget

As noted above, the 2023 NTC budget is a consolidation of 2022 local area municipal budgets with adjustments for inflation, capital financing and previous one-time uses of funding.

- **Inflation:** A 2% inflationary adjustment has been made to 2022 base budgets. In addition, inflationary adjustments have been made as per the terms of contractual agreements that dictate the prescribed calculation of inflation for 2023 assumed contracts.
- **Capital:** Capital needs of the NTC are significant, which requires a balance between operational budget affordability and capital sustainability. The triple majority strategy included the strategy to build up capital reserves and reserve PGT entirely for capital for long-term asset sustainability. The following strategies are included in the proposed 2023 budget, however a \$10.5 million gap in funding exists for the 10 year forecast and therefore capital will be realigned to available funding.
 - a) Phasing in \$6.5 million of required annual transfers to capital reserve over 3 years (\$2.17 million in 2023) as per triple majority strategy.
 - b) Continue to use \$1.61 million in Provincial Gas Tax (PGT) for operating budget. Triple majority strategy had started to phase this out of operating for capital in 2023 however due to other pressures the phase out is proposed to begin in 2024 instead offering savings of \$320,000.
 - c) In 2022, municipalities saw a decline in farebox revenues, which many mitigated with one time use of reserves totaling \$5.7 million. These reserves were funded from PGT or Safe Restart Funding (SSRF) which is not sustainable given the SSRF was a one-time provincial contribution and PGT is only \$6.8 million annually. Therefore, these one-time sources of funding have been removed from the 2023 NTC budget and the budget reflects the decline in revenue.

Additional items creating pressure in the 2023 budget are:

- Service enhancements adopted by the local area municipalities since 2020 and including 2022 in year enhancements.
- Changes in estimate of debt servicing costs for capital financing decisions made by the local area municipalities since 2020.

The budget includes labour related costs that accommodate the approved organization chart and corporate and administrative services supported by a shared services agreement that will be entered into with the Region. In accordance with the Budget Planning By-law the staff complement in Table 3 is provided for in the recommended

NTC budget and includes both headcount (number of employees which may include part time employees) as well as full time equivalents which converts headcount based on full time hours for each position as per the Budget Planning By-law. Modification to the staff complement in future budgets will be considered in accordance with Budget Planning By-law Section 4.8:

Table 3: NTC Staff Complement

Function	Head Count	Full Time Equivalents Temporary	Full Time Equivalents Permanent
Administration	5	0	5
Planning & Performance	27	1	23
Fleet	63	1	59.7
Operations	343	0	321.4
Shared Services	16	3.3	12.1
Totals	454	5.3	421.20

Capital Budget

The capital forecast below includes ‘in-flight’ capital projects totaling \$69.26 million gross and zero net that are being transferred to the NTC in accordance with the MTA as well as the ten year total of capital projects driving the capital financing strategy built into the operating budget. The ten year forecast will be part of future year budgets for approval as the NTC will focus efforts in 2023 on the ‘in-flight’ projects transferred. All of the strategies noted above are required to support the following ten year forecast but still result in a \$10.5 million funding gap which will require modification to the capital forecast if funding does not become available:

Table 4 (Millions): NTC Capital Forecast

Source	Gross 2023	10 year forecast 2024-2033	Total
In-flight	\$52.26		\$52.26
Additional Niagara Falls	2.00		2.00
In Flight Welland Facility		15.00	15.00
TOTAL IN FLIGHT PROJECTS	\$54.26	\$15.00	\$69.26
10 Year forecast		189.58	189.58
Growth forecast	0.00	40.80	40.80
TOTAL GROSS CAPITAL	\$54.26	\$245.38	\$299.65

Source	Gross 2023	10 year forecast 2024-2033	Total
Total External Funding (ICIP/PGT/DC's)	(54.26)	(169.90)	(224.16)
Net FUNDING (Reserves)	\$0.00	\$75.49	\$75.49

Note: Capital forecast table has removed 2034 for the forecast horizon as depicted in the presentation at the Niagara Transit Commission Special Meeting September 27, 2022.

The table above specifically itemizes two in-flight projects separately. One project being a Niagara Falls project for farebox harmonization still requiring additional provincial approval and the other a project for the existing Welland transit operations facility where timing has been modified to a future year to allow for a full facilities needs assessment and review to be completed by the NTC in 2023.

Any modification to the capital strategies included in the operating budget will increase the current funding gap and will jeopardize the NTC's ability to meet the Municipal contribution portions of the required Investing in Canada Infrastructure Program (ICIP) projects (see report NTC 19-2022 Investing in Canada Infrastructure Program – Intake 3). The NTC has been lobbying the Federal government for \$10.1 million for one-time transition capital and consulting projects to help fill some of the funding gaps.

The Region's recently approved DC by-law will support growth capital costs effective January 1, 2023 when the local area municipalities will cease to collect development charges for transit.

Opportunities and Risks

Throughout 2023, as staff are brought on board and the NTC becomes operational, a line by line review of the NTC's budget will be completed so that any mitigation opportunities in addition to the following are incorporated into future NTC budgets:

- Service level increases deferred to 2024 as per the triple majority strategy
- Increased farebox revenues by \$0.5 million in increased 2023 farebox revenues
- Using \$1.61 million in PGT for operating, phasing out over 3 years starting in 2024

As with any budget, there are risks that need to be managed throughout the year. The following risks are highlighted specific to the NTC:

- Increased student demand driving increases in service and costs

-
- Inflation in excess of 2% such as fuel and insurance, however, it is recommended that real inflationary pressures be managed post budget once operational staff onboard and the NTC has line of sight to all pressures and opportunities
 - Cost of insurance and claims costs due to changes in deductibles and differences in municipal funding practices
 - Strategic supports not having adequate resourcing
 - PGT used in operating limits the NTC's capital program

Alternatives Reviewed

No additional alternatives are provided other than those noted above regarding phasing of capital funding. In 2023 a line by line review of the NTC's budget will be completed and may identify alternative mitigation strategies for use in 2024.

Other Pertinent Reports

N/A

Prepared by:

Helen Chamberlain, CPA, CA
Director, Financial Management and
Planning/Deputy Treasurer

Recommended by:

Carla Stout
General Manager

Submitted by:

Bruce Zvaniga
Commissioner
Public Works

This report was prepared in consultation with Heather Talbot, Financial and Special Projects Consultant, Corporate Services, Matt Greenfield, Program Financial Specialist, Corporate Services, and Donna Gibbs, Director, Legal and Court Services, Corporate Services.

Appendices

Appendix 1	2023 NTC Operating Budget by Operating Expenditure
Appendix 2	2023 NTC Requisition by Municipality

2023 NTC Operating Budget by Operating Expenditure

Operating Expenditure	Total \$M
Labour Related Costs	36,762,584
Administrative	2,559,299
Operational and Supply	16,169,149
Equipment, Vehicles, Technology	9,182,304
Transfers to Capital Reserve	2,166,667
Debt	2,206,673
Shared Services	6,929,201
Total Gross Expenses	75,975,876
Revenues	(19,909,420)
Transfers from 2022 Encumbrance Reserve	(1,013,506)
Total Net Special Levy	55,052,950
One-Time Levy Estimate	1,931,540
2023 Special Levy	56,984,490

2023 NTC Requisition by Municipality

Municipality	Service Hour Allocation	Regional Assessment Allocation ¹	Direct Municipal Allocation	Total Net Special Levy	One-Time Levy	2023 Special Levy
St. Catharines	13,927,190	4,253,082	2,370,000	20,550,272	1,220,633	21,770,905
Niagara Falls	9,000,394	3,506,595	2,054,974	14,561,963	423,140	14,985,103
Welland	4,104,835	1,381,264	1,275,000	6,761,099	287,767	7,048,866
Niagara-on-the-lake	1,145,274	1,439,735	0	2,585,009		2,585,009
Port Colborne	407,022	531,016	0	938,038		938,038
Pelham	407,022	711,489	0	1,118,510		1,118,510
Thorold	1,061,711	713,700	0	1,775,411		1,775,411
Fort Erie	1,831,377	1,044,527	0	2,875,904		2,875,904
Grimsby	407,022	1,272,758	0	1,679,779		1,679,779
Lincoln	407,022	1,020,420	0	1,427,442		1,427,442
West Lincoln	0	530,128	0	530,128		530,128
Wainfleet	0	249,394	0	249,394		249,394
Total	32,698,867	16,654,109	5,699,974	55,052,950	1,931,540	56,984,490

¹ Estimate based on 2022 Municipal assessment and is subject to update for final 2023 current value assessment.

Subject: Investing in Canada Infrastructure Program - Intake 3

Report to: Niagara Transit Commission Board

Report date: Tuesday, November 1, 2022

Recommendations

1. That the Niagara Transit Commission (NTC) **ENDORSE** the submission of an Investing in Canada Infrastructure Program (ICIP) funding (Intake 3) application reflecting the conventional fleet replacement requirements outlined in Table 2 in the NTC's 10-Year Capital Forecast (2024-2033).

Key Facts

- The purpose of this report is to endorse the submission of a funding application to allow the utilization of ICIP intake 3 (\$72M) towards the NTC's 10 year conventional fleet replacement forecast outlined in Table 2 below . The approval of the project budgets will be subject to Board approval in future budget years, if the funding application is successful, as the identified capital projects need to be initiated.
- The NTC's 10-Year Total Capital Forecast (2024-2033) and ongoing capital in-flight projects outlines a total NTC capital requirement of \$299.7M, including \$137M in Conventional Fleet replacement requirements.
- It is recommended that available ICIP funding be allocated to these known fleet replacement requirements to meet the ICIP strict timing requirements given that applications are due by November 30, 2022, and allow the NTC flexibility to prioritize other future capital requirements as funding permits.
- Remaining capital needs including specialized fleet, service vehicles, shelters, ITS and other equipment, growth capacity, as well as the required 'municipal match' portion of the ICIP program, are to be funded through a combination of Provincial Gas Tax (PGT), reserves and development charges.
- NTC and Region staff are continuing discussions with the Ministry of Transportation (MTO) and Infrastructure Canada (INFC) to support a single consolidated ICIP

application by the NTC/Region, as opposed to the need for individual applications by municipalities (which would otherwise be required given the timing of the application deadline being November 30, 2022, in advance of the January 1, 2023 assumption of operational responsibility for transit by the NTC). In either outcome, the recommended fleet replacement prioritization remains unchanged.

Financial Considerations

The NTC’s 10-Year total capital forecast (2024-2033) and ongoing 2023 capital in-flight projects outlines a total NTC capital requirement of \$299.7M presented in Table 1 (NTC 20-2022 Niagara Transit Commission Budget).

Table 1 – Total NTC Capital Replacement, Growth and Transition Capital

Million \$	2023-2033 Total
Conventional Fleet Replacement	\$136.60
Existing Specialized Fleet Replacement	\$4.90
New In-House On-Demand/Specialized Replacement	\$8.70
Other Capital Replacements (Facility & Equipment, Service Vehicles, Shelters, ITS, Brock Hub)	\$39.20
Growth	\$41.00
Inflight Projects	\$69.30
Total NTC Capital Requirements	\$299.70
Total NTC One-Time & Transition Capital Federal Request (incl. 7.4M to purchase upfront On-Demand/Specialized fleet)	\$10.20

The remaining \$72M of available ICIP funding would be directed to the \$137M in known fixed conventional fleet lifecycle replacement costs to ensure that existing services are maintained (Table 2 below).

Table 2 - Recommended ICIP Intake 3 Conventional Fleet Replacement Schedule

Year	Number of Conventional Fleet Lifecycle Replacements	Total Conventional Fleet Replacement Cost (M\$)	ICIP Funding / Application (M\$)	Total Net Municipal Contribution
2024	21	\$19.029	(\$13.954)	\$5.075
2025	11	\$12.047	(\$8.834)	\$3.213
2026	9	\$10.756	(\$7.887)	\$2.869
2027	14	\$14.584	(\$10.694)	\$3.890
2028	16	\$18.915	(\$13.870)	\$5.045
2029	20	\$16.220	(\$7.628)	\$8.592
2030	11	\$12.696	(\$4.958)	\$7.738
2031	12	\$9.755	(\$2.715)	\$7.040
2032	12	\$11.051	(\$2.152)	\$8.899
2033	13	\$11.545	\$0	\$11.545
10 Year Total	139	\$136.602	(\$72.697)	\$63.906

The net NTC funding requirements for conventional fleet replacement is \$64M, which in addition to the other capital replacements and investments in the 10 year forecast, totals a funding requirement of \$162M which is to be funded through PGT, DC's and reserves as outlined in the Financial Strategy adopted through the triple majority.

Previous Municipal capital projects utilized \$68M in ICIP funding, \$23M of which have already been completed with assets being transferred to the NTC through the Municipal Transfer Agreements (MTAs). The remaining \$45M will be utilized and applied to the inflight capital projects or assets being transferred to the NTC (including the Welland Facility improvements with \$11M of ICIP grants, which will be subject to the Facility Review in 2023 and may result in modifications to project scope). The inflight ICIP projects being transferred to the NTC will also transfer the previously approved Municipal contributions which were funded through previous PGT allocations, Development Charges (DCs) and debt. Details of costs and funding obligations are detailed in the MTA.

Analysis

The federal ICIP supports investment in the capital needs of public transit networks. The MTO, which administers the program in Ontario, has recently opened the next round of applications for funding (Intake 3) to utilize the balance of federal and provincial funding available to municipalities with a deadline application date of November 30, 2022. Niagara's municipalities anticipate being eligible for approximately \$72M in funding.

This report recommends that the NTC endorse the use of available ICIP Intake 3 funding to support the ongoing fleet replacement requirements of the NTC as outlined in the 10-Year Capital Forecast. This approach is recommended given that the fleet replacement requirements of the NTC are fully forecasted at this time, both in terms of the investment required as well as anticipated timing. This results in low risk associated with meeting ICIP program reporting and spending deadlines.

This will further maintain maximum flexibility to the NTC in the timing and prioritization of other individual capital facility improvements or asset review studies in its capital program in the future, by ensuring they are not linked to intergovernmental program requirements. The investment in conventional fleet replacement through ICIP Intake 3 does not interfere with future opportunities to pursue additional support for "Green Fleet" investment in the future.

Given the application deadline date of November 30, 2022 comes ahead of the date that the NTC assumes operational responsibility for transit on January 1, 2023, at the current time and by default, individual applications by each municipal transit operator are therefore required. Region and NTC staff have engaged with MTO and Infrastructure Canada (INFC) staff to support the move to a single consolidated application on behalf of the NTC. These discussions have been positive, but remain ongoing at the current time. In the event that a single consolidated application cannot be advanced, the individual LAM applications and resulting Transfer Payment Agreements would be submitted, executed, and be subsequently transferred to the NTC by the LAMs following consolidation. Staff are trying to avoid this cumbersome step by engaging to submit a consolidated application.

Alternatives Reviewed

Consideration could be given to allocating ICIP funding towards other projects in the NTC's 10-Year Capital Forecast, including individual capital facility improvement

projects or asset review studies. This approach is not recommended to maintain the maximum amount of flexibility to the NTC in its capital planning as discussed in the analysis section of this report.

Other Pertinent Reports

NTC-C 2-2022 Amalgamation Transition Costs – Niagara Transit Commission
NTC 20-2022 2023 Budget and Requisition – Niagara Transit Commission

Prepared and Recommended by:

Carla Stout, DPA
General Manager
Niagara Transit Commission

Submitted by:

Bruce Zvaniga, P.Eng.
Chair – Transit Commission Steering Committee

This report was reviewed by the Transit Commission Steering Committee, which is chaired by the Commissioner of Public Works and is comprised of extensive senior Regional staff (Commissioner and Director levels) and the NTC General Manager.

MEMORANDUM

NTC-C 3-2022

Subject: Niagara Transit Commission Interim Board – Remaining Meetings

Date: November 1, 2022

To: Niagara Transit Committee

From: Carla Stout, General Manager

The purpose of this memorandum is to inform the members of the interim Niagara Transit Commission (NTC) Board that the November 8, 2022 scheduled meeting is anticipated to be the last regular meeting of the NTC Board in advance of the conclusion of the term of the interim Board on January 31, 2023. All remaining items of business required prior to transition are expected to be brought forward for Board consideration at the November 8, 2022 meeting.

In accordance with the by-law establishing the Niagara Transit Commission, any Board members who did not seek re-election or were not re-elected will cease to be members as of November 15.

In addition to the requirement of quorum, staff are cognizant of the fact that holding meetings after the November 8 meeting and prior to new members being appointed would result in the unintended consequence of some local area municipalities not having representatives able to participate in those meetings and as such are endeavouring to avoid this to the extent possible.

The currently scheduled December 13, 2022 meeting will remain as a hold through November, and will be held as scheduled should additional critical transition items be identified. However, should no additional items be identified, this meeting will be cancelled.

In the event the December 13 meeting is required or a meeting does need to be called, it would be appropriate for the Board to appoint an Acting Chair for the period between November 15 and January 31, 2023.

Should the Board be supportive of appointing an Acting Chair to be in place effective November 15, 2022, the following motion would be in order:

That nominations to appoint an Acting Chair for the Niagara Transit Commission Board Chair **BE CONSIDERED** at this time.

Respectfully submitted and signed by

Carla Stout, DPA
General Manager
Niagara Transit Commission