
Subject: Niagara Region Transit Governance Study

Report to: Linking Niagara Transit Committee

Report date: Wednesday, October 21, 2020

Recommendations

1. That the Linking Niagara Transit Committee **ENDORSE-IN-PRINCIPLE** the resolution outlined in Appendix 1 to Report LNTC-C 4-2020;
2. That Report LNTC-C 4-2020 **BE FORWARDED** to the Clerks of Niagara's twelve (12) local area municipalities and that they **BE REQUESTED** to have the Council's of the twelve (12) local area municipalities consider the resolution outlined in Appendix 1 to Report LNTC-C 4-2020, advising the Regional Clerk of the results including any additional municipal feedback, no later than March 31, 2021; and
3. That Council **DIRECT** staff to undertake an assessment of the proposed resolution outlined in Appendix 1 to Report LNTC-C 4-2020 and **REPORT BACK** to the Public Works Committee, no later than March 31, 2021, evaluating the expected impacts to Niagara Region Transit, Niagara Specialized Transit, Niagara Region Transit OnDemand, and the Regional tax levy from the proposed resolution.

Key Facts

- The purpose of this report is to provide to Council the results of the Niagara Transit Governance Study (NTGS) and seek the endorsement-in-principle of a Full Commission as the recommended governance model for Niagara's consolidated public transit system.
- There continues to be a strong argument in favour of the consolidation of transit services throughout Niagara. The ongoing COVID-19 pandemic has demonstrated the benefits of enhanced levels of coordination and organization between transit providers. As these providers look to implement recovery plans over the next number of years, there is an opportunity to align these efforts as part of the future consolidation of transit services across the region.
- The Full Commission model is recommended as it is expected to result in an enhanced degree of independence that will support effective decision making, as

well as provide more efficient and cost-effective service delivery through being restricted to funding all operations and unanticipated changes within its annual budget approved by Council. This recommendation is based on a comparative analysis of governance models through a series of fifteen (15) evaluation criteria across four (4) major categories: governance, finance, stakeholder input, and ease of implementation.

- Subject to the endorsement-in-principle of the Full Commission model by each of the twelve (12) local area municipalities (LAMs) and Regional Council, feedback and input received as part of this process will be used to expand and refine the recommended Full Commission model prior to the initiation of a triple-majority approval process anticipated in Q2 2021.
- Both a preliminary transition plan as well as an initial funding strategy have been developed that jointly outline the strategic, financial, and operational milestones required to transition from the existing independent transit systems to the new consolidated system. These plans will be expanded and refined through the approvals process, based on feedback and direction provided by Council and the twelve (12) LAMs. Based on the preliminary schedule outlined herein, responsibility for day-to-day service operation would transition to the new entity in late 2022.

Financial Considerations

To realize the consolidation of transit services across Niagara, a funding strategy must be developed that establishes:

- the baseline or start-up budgets for the Full Commission;
- the manner by which current transit funding provided by municipalities to existing operations is transitioned to the Commission;
- how one-time start-up and transition costs associated with the establishment of the Commission will be funded;
- and how transit-related assets currently owned by the local area municipalities will be transferred.

The recommended financial strategy provides a transition path which allows the Region to incorporate \$3.85 - \$4.96 million in transition costs, \$27.0 million in existing local municipal transit service, plan for the expansion of transit service, and ensure all

municipalities have equitable transit service prior to the redistribution of local transit expenditures through a Regional assessment levy.

The proposed strategy allows for a shorter transition time to upload transit costs in municipalities with minimal local transit service, while concurrently increasing connections to and service within communities outside St. Catharines, Niagara Falls, and Welland. The total Regional levy required to upload the existing local transit services, including transition costs, is 9.5%. The proposed five (5) year local transit upload transition plan requires an average annual separate Regional levy of 1.4% - 2.0% each year over the five (5) years.

This strategy was developed in consultation with local Area Treasurers and CAOs and considered variations between municipal transit grants and full regional upload to a single transit levy. The municipalities with robust transit services were primarily in favour of moving to a single Regional tax levy; municipalities with little or no transit service leaned towards a municipal transit grant to support the exiting local transit service while transit services increased within and to their communities. Conversations indicated that a phasing out of transit grants or a phasing in of a single transit levy may provide a favourable path for all municipalities. The proposed funding strategy incorporates feedback from the LAMs and aims to achieve a fair and equitable transition to a consolidated entity.

The feedback received through the approvals process, in parallel with continued dialogue with the Area Treasurers and CAOs, will be used to continue to refine the funding strategy and arrive at a final recommended strategy in parallel with the future triple-majority approval of the Commission, expected in Q2 2021.

While the recommended governance model for the new transit entity is technically independent from an agreed upon financial funding model, the financial strategy will be used to clearly map how the transition and operation costs associated with the NTGS will be funded.

Strategy Overview

A range of strategies have been considered to ensure existing, stable, and predictable levels of transit funding are transferred to the new Commission, representing a variety of options with regard to grant type, inflationary increases, recognition of existing administrative costs, and implementation timeframes.

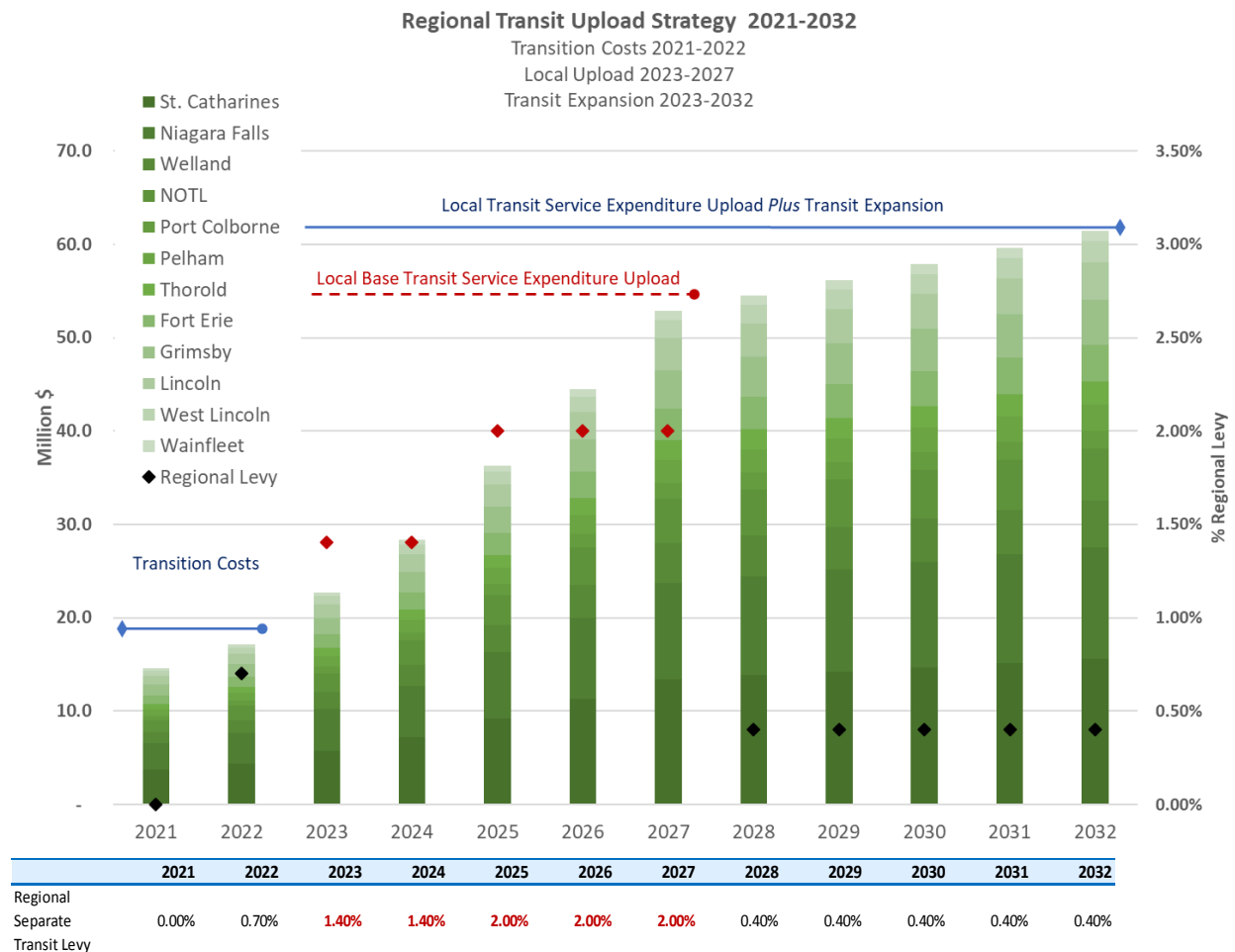
In consultation with the aforementioned groups, the proposed funding strategy recommends that all existing and incremental transit spending will be transferred to the new Commission, funded through a single Regional tax levy. The strategy includes:

- a two (2) year transition period (fiscal years 2021-2022) during which funding derived from the levy is primarily applied to the one-time costs associated with establishing the Commission;
- a transfer implementation period of five (5) years (fiscal years 2023-2027) where existing municipal transit costs are transferred to the Regional levy; and
- the expansion of transit services, running concurrent with the transfer of existing service, however finishing in 2032.

Transition costs are anticipated to be funded through a combination of existing budgets previously established by the Region through its leadership of the governance strategy and the implementation of the Regional levy as reflected in Figure 1 below.

Local transit costs assumed by the Regional levy would be offset by equivalent budgetary reductions at the local level, to support the “Fair” guiding principle that total residential taxpayer impact is minimized using the ‘one-municipal taxpayer approach.

Figure 1 - Regional Transit Consolidation Upload Strategy 2021 - 2032



The implementation time period for the offset will vary by municipality. The recommended funding strategy results in smaller municipalities transferring their transit budgets over to the new entity within the first two (2) years depending on their current transit spend, while larger municipalities transition over the full five (5) year transfer implementation period. The fixed annual municipal transit expenditure and reductions are outlined in Table 1 and Table 2 below.

Table 1 - Municipal Transit Expenditure Transition 2023 - 2027

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
St. Catharines	12,275,402	12,275,402	11,675,402	10,675,402	7,116,935	3,558,467	-	-	-	-
Niagara Falls	8,645,833	8,645,833	8,045,833	7,045,833	4,697,222	2,348,611	-	-	-	-
Welland	2,050,898	2,050,898	1,450,898	450,898	300,599	150,299	-	-	-	-
NOTL	497,223	497,223	-	-	-	-	-	-	-	-
Port Colborne	127,092	127,092	-	-	-	-	-	-	-	-
Pelham	261,156	261,156	-	-	-	-	-	-	-	-
Thorold	2,152,143	2,152,143	1,552,143	552,143	368,095	184,048	-	-	-	-
Fort Erie	826,323	826,323	226,323	-	-	-	-	-	-	-
Grimsby	250,000	250,000	-	-	-	-	-	-	-	-
Lincoln	265,829	265,829	-	-	-	-	-	-	-	-
West Lincoln	-	-	-	-	-	-	-	-	-	-
Wainfleet	-	-	-	-	-	-	-	-	-	-

Table 2 - Municipal Annual Budget Reductions 2023 - 2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
St. Catharines	-	-	(600,000)	(1,000,000)	(3,558,467)	(3,558,467)	(3,558,467)	-	-	-
Niagara Falls	-	-	(600,000)	(1,000,000)	(2,348,611)	(2,348,611)	(2,348,611)	-	-	-
Welland	-	-	(600,000)	(1,000,000)	(150,299)	(150,299)	(150,299)	-	-	-
NOTL	-	-	(497,223)	-	-	-	-	-	-	-
Port Colborne	-	-	(127,092)	-	-	-	-	-	-	-
Pelham	-	-	(261,156)	-	-	-	-	-	-	-
Thorold	-	-	(600,000)	(1,000,000)	(184,048)	(184,048)	(184,048)	-	-	-
Fort Erie	-	-	(600,000)	(226,323)	-	-	-	-	-	-
Grimsby	-	-	(250,000)	-	-	-	-	-	-	-
Lincoln	-	-	(265,829)	-	-	-	-	-	-	-
West Lincoln	-	-	-	-	-	-	-	-	-	-
Wainfleet	-	-	-	-	-	-	-	-	-	-

Note: base year transit expenditures have not been finalized for conventional and specialized transit services therefore estimates may fluctuate from estimates above

The transition path proposed by the funding strategy provides an opportunity to increase service levels or introduce transit services in municipalities where local residents are otherwise realizing a net increase from the transition to a regional levy. This opportunity will be provided as the levy funds initially assigned to transition costs are repurposed to fund service expansion in 2023 and beyond.

This proposed service expansion is intended to ensure that commensurate service levels exist across municipalities prior to a full upload of existing transit expenditures onto the Regional levy. Specific service increases will be determined by the initial strategic service plans developed by the Commission, and following the one (1) to two (2) year Service Launch phase of the transition plan.

The net transition of transit expenditures from local Municipal budgets to a Regional budget results in a redistribution across residential taxpayers as reflected in Figure 2 and Table 3 below.

Figure 2 - Taxpayer Redistribution from Municipal Levy to Regional Levy

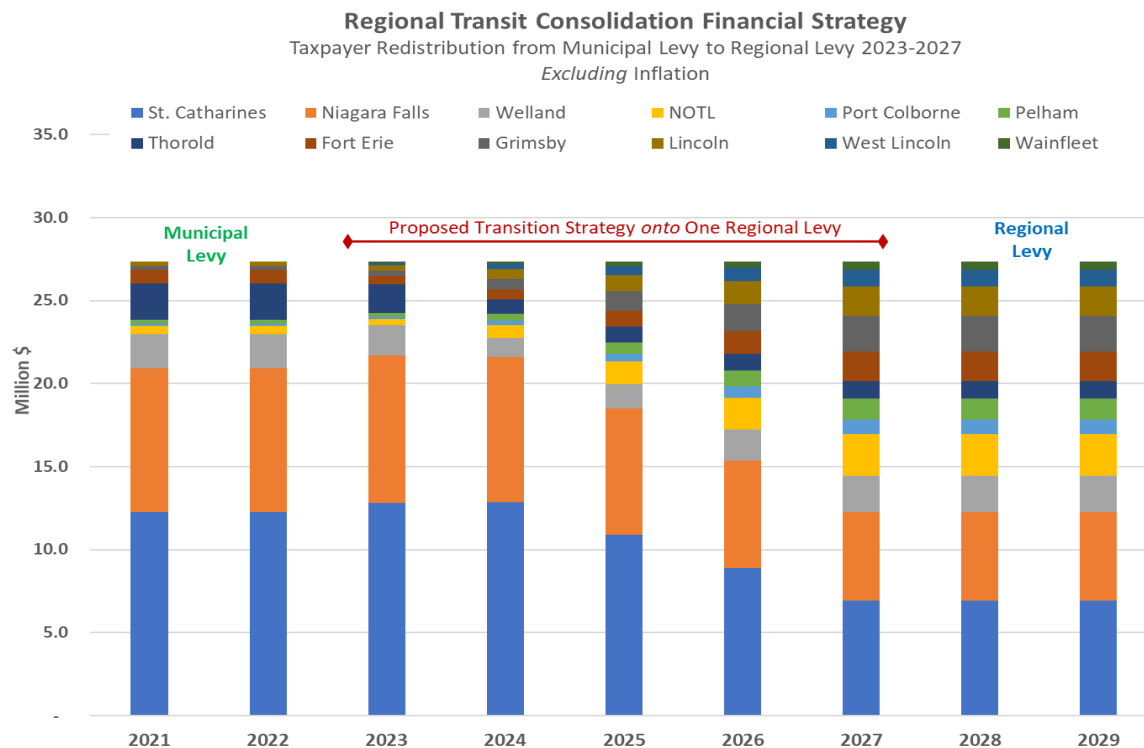


Table 3 - Municipal Residential Impact from Transfer to One Regional Levy

[illegible]

The figures presented in this analysis are draft and based on an assumed base reference year of 2020. The final financial strategy will confirm the base year to be utilized and actual transit expenditures, in consultation with local municipalities.

Transition Costs

The NTGS provides a range of estimated transition costs which include those costs that are related to the transition team plus other one time and incremental costs necessary for transit consolidation. Key activities include the legal establishment of the Commission, development of initial strategic and branding plans, development of transfer agreements, and performance monitoring. These one-time costs have been estimated at a total of \$3.85 - \$4.96 million over the course of four (4) years from 2021 through 2024, comprised of a combination of both capital and operating costs as summarized below in Table 4.

Table 4 - Transition Costs

Cost Category	Integration Approval	Commission Establishment	Commission Setup	Service Launch	Enhancement & Growth	Category Cost
Capital	--	\$275,000 to \$325,000	\$1,195,000 to \$1,700,000	\$200,000	--	\$1,670,000 to \$2,225,000
Operating	\$340,000 to \$500,000	\$110,000 to \$215,000	\$1,175,000 to \$1,465,000	\$350,000	\$200,000	\$2,175,000 to \$2,730,000
Total	\$340,000 to \$500,000	\$385,000 to \$540,000	\$2,370,000 to \$3,165,000	\$550,000	\$200,000	\$3,845,000 to \$4,955,000

While the transition costs are anticipated to be funded through a combination of existing budgets previously established, the implementation of the Regional levy as described above, and future capital budgets, provide a further opportunity to seek support from senior levels of government to offset these costs through programs such as Phase 2 of the Provincial government's Safe Restart program, which specifically identifies new transit governance structures as an eligible category. Staff will continue to develop the transition cost funding strategy throughout the approvals process, for inclusion as part of the final recommended funding model.

Asset Transfer and the Cummings Principle

Based on the recommendation from the consultants as part of the peer jurisdictional review, the CAO Working Group (established by the Linking Niagara Transit Committee (LNTC) to oversee and direct the Project Team to deliver the NTGS) has endorsed the use of applying the Cummings Principle to the future transfer of assets from the local area municipalities to the new Commission. The premise of the Cummings Principle is to transfer assets (and related outstanding liabilities), from one municipality to another with no additional compensation since transferring assets for additional compensation results in the taxpayer paying twice for the same public asset.

This principle, established through judicial precedent, has been applied for over four (4) decades in the municipal setting throughout Ontario, as well as in the vast majority of transit consolidations reviewed as leading practices. The use of the Cummings Principle is also well aligned to Niagara's established guiding principle of fairness, which respects the existing investments made by communities.

Analysis

Background

The completion of the NTGS represents the achievement of the next major milestone in the multi-year plan for the consolidation of transit services across Niagara region.

This consolidation process was first initiated in 2015 when Niagara's three major local transit operating municipalities of St. Catharines, Niagara Falls, and Welland - in partnership with the Region - formed an inter-municipal transit working group to improve inter-municipal transit (IMT) service delivery. This working group established a series of five (5) guiding principles which has continued to inform the process, summarized as:

- **Customer Driven** - continuously improve the rider experience and provide seamless connections and routes based on demand;
- **Unconventional Solutions** - investigate leading-edge technologies and delivery systems that establish Niagara as an innovator in the transit field;
- **Integrated** - be seamless with other modes of transportation, promote interconnectivity with systems that connect Niagara with the GTHA, and evolve according to overall transportation plans across Niagara;

- **Economically Responsible** - recognize inter-municipal transit is a public service funded through property taxes, grants, and partial cost recovery through user-fees, while balancing financial costs with potential ridership and benefits; and
- **Fair** - respect existing investments made by communities with public transit and existing service levels, and provide a basic level of services that can be accessed by as many Niagara residents as possible.

Since the establishment of the Guiding Principles, a series of further milestones have advanced work towards a consolidated transit system for Niagara:

- the Niagara Transit Service Delivery and Governance Strategy Report (known as the *Dillon Report*, 2017) identified several recommendations for service improvements and the following steps with respect to transit governance: approve a consolidated transit model; obtain triple majority for the recommended model; develop a consolidated transit model implementation plan; and implement an IMT service strategy;
 - as part of the IMT service strategy, the Region achieved triple-majority approval in 2017 to operate and deliver inter-municipal transit trips operating as Niagara Region Transit (NRT);
- The triple majority process also established the LNTC, composed of representatives from local and Regional councils and senior staff, to guide the overall IMT consolidation strategy. The mandate of the LNTC was to lead the harmonization and integration of operational and policy regimes of the existing transit properties, as well as advance a consolidated governance model. Through the LNTC, Niagara's four (4) major transit operators entered into a Memorandum of Understanding (MOU) in 2017 that, in principle, endorsed the creation of a consolidated transit system and outlined a governance framework based on the recommendations from the Niagara Transit Service Delivery and Governance Strategy Report;
- The Inter-municipal Transit Working Group (IMTWG), composed of transit staff from all twelve (12) municipalities together with the Region, was established to support the direction of the LNTC. Since its inception, the IMTWG has worked to harmonize, integrate and set the operational and policy foundation for a consolidated transit entity, reporting on all of its key deliverables to the LNTC;

- With considerable policy and operational consolidation achieved, in 2019 the LNTC directed accelerated timelines for developing the consolidated transit governance model, directing the creation of a team of CAOs (the CAO Working Group) to oversee the evaluation and recommendation of a preferred model.

The NTGS and the findings presented in this report represent the outcome of this direction provided by LTNC and the CAO Working Group, and sets out the next steps required to realize the implementation of a consolidated transit system for Niagara.

This report represents the initiation of the approvals process for adoption of the governance model, first seeking endorsement-in-principle of the Full Commission in advance of a future triple-majority approval vote. Should that vote be achieved, a transition period will take place during which the Commission will be set up and established while local transit service operation will remain with the existing entities. Based on the preliminary transition plan, the Commission would be established in Q3 2021 and assume responsibility for operations in Q3 2022.

The Case for Consolidation

The consolidation of transit services across Niagara has the strong potential to deliver a compelling series of economic, social, and mobility benefits to the residents and businesses of Niagara. A consolidated transit Commission is best positioned to deliver these benefits by bringing a scale and flexibility to transit that will:

- foster the consolidation of transit service across the region; in particular enhancing cross-boundary mobility for riders. The future state analysis completed as part of the NTGS identifies the future growth of transit in Niagara is closely linked with a latent demand for inter-municipal trips. While the recent impacts of COVID-19 have impacted current transit ridership levels, with long-term investment in targeted projects and services to grow the transit mode share throughout Niagara, transit ridership region-wide could grow by over 80% by 2031. This growth is only achievable through a consolidated and strategic region-wide approach;
- continue to support the expansion and connectivity of GO Transit service to the region, further enhancing the introductory levels of GO Train service, in addition to the high performing GO Transit Route 12 bus connections to neighbouring regions. For many commuters, the provision of local and regional transit

connections to GO stations is a critical link in their daily journey that must be enhanced through the seamless integration of these services;

- be able to quickly react to emerging transit technology, innovations, and philosophies including mobility-as-a-service and micro-transit. These developments represent an opportunity for Niagara to meet the wide variety of transit needs across the region that are less well served by the current system, through programs such as the recently launched Niagara Region Transit OnDemand (NRTOD) pilot program;
- facilitate economic development and investment through greater access to jobs and services both in Niagara and the GTHA. Providing convenient and seamless transit connections will enhance the ability of Niagara residents to access businesses in adjacent municipalities/regions, allow businesses to attract new customers and employees, and enhance the ability of visitors and tourists to explore all corners of Niagara;
- advance the mandate from Niagara's Heads of Council to Area CAOs, in response to the Provincial government's Governance Review, to pursue shared services between and among municipalities to better serve Niagara residents; and
- contribute to a high quality of life for Niagara residents and support community development through an enhanced ability of residents to choose sustainable (an increased shift to transit means Greenhouse Gas emissions are reduced, less vehicle congestions occurs, and travel time savings occurs), seamless, convenient, and connected mobility options. Transit is a significant contributing factor to the social determinants of health, enabling residents to have equitable access to the community and furthering their socio-economic wellbeing.

While the potential benefits outlined above have supported the ongoing development of a consolidated transit approach since the original adoption of the Guiding Principles in 2015, more recent developments in regards to transit in Niagara have only further enhanced the need for a consolidated transit system. The global COVID-19 pandemic has substantially affected all aspects of life for Niagara residents, including the use of public transit.

The ongoing pandemic has demonstrated the need for and benefits of enhanced levels of coordination and organization between transit providers across the region. As the early days of the pandemic unfolded, significant effort was undertaken via the IMTWG to ensure all transit agencies were unified, aligned and coordinated with the rapidly evolving changes to service levels, fare policy, cleaning protocols, and other operational and strategic changes necessary to effectively respond to the pandemic on behalf of Niagara's residents and transit users.

As Niagara's transit providers continue to monitor the changing environment and implement independent recovery plans over the next number of years, there is an opportunity to align these efforts as part of the future consolidation of transit services across the region. This alignment will ensure that the future state of transit service delivery across the region provides a consistent approach to recovery that is also well positioned to rapidly respond to the continually changing transit environment.

This approach is also closely aligned with the opportunity to seek COVID-19 recovery support from senior levels of government related to both operational needs and with regards to the one-time transition costs associated with consolidation. Under the Provincial governments' Safe Restart Agreement, municipalities and municipal transit systems are eligible to receive funding to address financial pressures associated with COVID-19. Recent direction provided with regards to Phase 2 of this program has identified fare integration and the consideration of new governance structures as among the key eligibility requirements for potential funding.

Niagara Transit Governance Study Process

The purpose of the NTGS was to build from the conclusions of the Niagara Transit Service Delivery and Governance Strategy Report and take the next steps in the consolidation process to determine which transit governance model would be best positioned to deliver the potential benefits of a consolidated transit entity. The analysis has lead to a Full Commission model being the recommended governance structure.

Under direction provided by the LNTC and the CAO Working Group, a consulting assignment (completed by Optimus SBR Inc. /Left Turn Right Turn Ltd.) was undertaken to evaluate and recommend a preferred transit model for Niagara (seen in Figure 3). The NTGS consisted of five (5) project stages, each of which built upon and advanced the work and key findings of earlier elements:

Figure 3 - Niagara Transit Governance Strategy Process



- **Current State and Jurisdictional Scan Report** - To understand the Niagara context, an analysis of the current state of operations of the various transit entities in Niagara was completed. Key results identified included the disparity of services across the region between smaller and larger municipalities and the associated financial contributions.
- **Future State Service Plan** – a forecast of different growth scenarios for transit ridership in Niagara was completed, which outlined the potential costs and revenues associated with those forecasts. Transit ridership forecasts indicate a latent demand for inter-regional transit travel. As a result, transit ridership growth across the region is driven by improved inter-regional transit trips.
- **Model Options Report** – Three candidate governance models were identified: Limited Commission, Full Commission, and Regional Division. An evaluation framework was developed that consisted of a series of fifteen (15) evaluation criteria across four (4) major categories: Governance, Finance, Stakeholder Input, and Ease of Implementation.
- **Recommendation Selection and Model Analysis** – The analysis of each of the candidate models against the selected criteria led to the conclusion that the Full Commission is the most suitable model for Niagara.

While many factors went into this recommendation, two of the primary benefits that made the Full Commission more attractive than other models were the greater autonomy offered in transit-focused decision making, and the determination that it will likely lead to the most cost-efficient service, best able to manage future transit growth in Niagara.

- **Transition Plan** - The transition plan provides a “roadmap” for the establishment of a new transit organization, across a series of five (5) phases: Integration, Commission Establishment, Commission Setup, Service Launch, and Enhancement and Growth. Based on the preliminary schedule contained herein, responsibility for day-to-day service operation would transition to the new entity in late 2022.

The final NTGS consultants’ report is provided as Appendix 2 to this report, which provides additional detail and discussion of the key findings from each of the five (5) project stage reports.

Consultation and Engagement

The project team engaged with a wide variety of stakeholders throughout the development of the NTGS to gather insights and perspectives about the current state of transit services and key considerations for a consolidated system. Consulted stakeholders included: current transit operators in Niagara, Chambers of Commerce, the Region’s Accessibility Advisory Committee, post-secondary institutions, the Amalgamated Transit Unions, and senior public officials such as the Area CAOs and Treasurers. Input received through these consultations was used to inform the overall development of the NTGS, with a particular focus on ensuring the evaluation framework captured the wide range of perspectives on transit throughout the region.

Full Commission Recommendation and Analysis

Benefits of the Full Commission

The Full Commission model is recommended on the basis that it is best suited for the Niagara context, providing the desired ability to deliver on the customer focused, innovative, integrated, economical, and fairness requirements for governance first articulated as part of the project’s Guiding Principles.

While the Full Commission model performed well across a strong majority of the criteria, two (2) of the primary benefits that established the Full Commission model as the preferred alternative were:

- **Autonomy of the Full Commission** - The independence of the Full Commission grants it several advantages that make it the most suitable option for the growth potential of transit in Niagara.
 - With this independence, the Full Commission can remain more strongly and singularly focused on transit and is more capable of formulating its

own responses to trends and pressures, making and owning decisions, and driving necessary change at a strategic and operational level.

- This governance model is able to move from idea to action quickly and reprioritize its resources to meet emerging demands and accommodate growth; and
 - The autonomy of the Full Commission provides advantages with respect to negotiating important elements such as collective bargaining agreements and the transfer of assets.
- **Financial Benefits** - The Full Commission is expected to result in the most cost-efficient service, in part due to a more streamlined decision-making process and being restricted to provide the most effective service within its defined annual budget.
 - From a dollars and cents perspective, a Full Commission is the more costly of the models in terms of administrative costs, but less costly on a per trip basis than other models due to a higher utilization of services realized through the outputs achieved via the autonomy of the Commission. This is particularly important as we look to the future and consider what ridership growth in Niagara could look like, and how services may expand to serve regional needs.
 - The Full Commission has the greatest flexibility to make strategic decisions which drive financial outcomes for transit services and is best positioned to make regionally-focused investments in service growth.

The evaluation process and how the full commission performed against each of the criteria is summarized in Table 5 below and is discussed in greater detail as part of the full NTGS report found in Appendix 2.

Table 5 - Summary of Analysis

	Criteria	Neutral across all models	Limited Commission Preferred	Full Commission Preferred	Regional Division Preferred
Governance & Operations	Authority and Accountability in Driving Change			✓	
	Agility and Flexibility			✓	
	Accommodates Future Growth			✓	
	Public Perception	✓			
Financial Impact	Lower Cost of Implementation	✓			
	Operating Costs and Efficiencies			✓	
	Financial Decision Making			✓	
	Potential for Ongoing Financial Support				✓
Stakeholder Input and Equity	Equity		✓		
	Serves the Public Interest				✓
	Municipal Input		✓		
Ease of Implementation	Staffing Resources Impacts				✓
	Labour Relations			✓	
	Legal Implications				✓
	Asset Transfer Implications			✓	

Nature and Composition of the Full Commission

Following the determination of the Full Commission as the preferred model for Niagara, further work was completed to define the nature of the Commission to be established. A

number of these characteristics have been identified as part of the proposed resolution outlined in Appendix 1 of this report, which seeks the endorsement-in-principle of the governance model.

This overall governance structure of the Commission will be refined through the approvals process and subsequent transition plan. The Regional by-law that will be passed as part of the triple-majority process will establish and confirm the composition of the Board and the governance relationship between the new Commission and Regional Council, including the processes for budgetary oversight and reporting to Council.

The Board of Directors of the Commission, when established, will make the final determination as to numerous elements of its internal structure (along with the CEO/General Manager), such as its initial functional organizational structure and reporting relationships.

Key characteristics of the recommended Commission structure include:

- A Board of Directors established using a hybrid governance model that would include membership comprised of a total of five (5) elected members of Regional Council appointed to the Commission as well as four (4) non-elected skills-based representatives with expertise in key areas such as transit operations, finance, and business operations. These nine (9) voting members would be joined on the board by the CEO/General Manager of the Commission as a non-voting ex-officio member.

This hybrid-governance structure and Board composition was recommended for Niagara as it provides the necessary blend of accountability to the public and representation of local municipal interests, delivered by the elected representatives, and the technical and transit operation expertise required to support efficient transit operations through the skills-based members. A nine (9) member board has been recommended as the appropriate balance between providing the necessary geographic representation across Niagara with supporting efficient-decision making. A nine (9) member board is in line with leading practices and the Boards of peer jurisdictions.

- An Advisory Committee would be established to incorporate local and public interests within the region into the decision-making structure of the Commission. This body would meet 1-2 times annually, or as needed, to present non-binding advice to the Board of Directors and provide an ongoing opportunity for

stakeholder input and engagement. Membership is recommended to be comprised of a variety of stakeholders including members of the public, members of the Accessibility Advisory Committee, representatives of post-secondary institutions, and the Niagara Chambers of Commerce.

- The proposed reporting structure of the organization would see a total of five (5) functional groups under the CEO/General Manager: Customer Service & Communications, Corporate Services, Operations, Strategy & Innovation, and Fleet & Facilities. Within the Corporate Services group there would be an opportunity to establish a number of intended shared-services relationships with existing Niagara Region corporate resources in areas such as finance, information technology, human resources, legal, and procurement.
- The Commission will assume all existing employees, vendors, contracts, and collective bargaining agreements currently held by existing local transit authorities, in accordance with the *Municipal Act* or *Labour Relations Act* as is appropriate. As existing contracts and collective agreements conclude, the Commission will assume responsibility for negotiating continuations or new agreements.

Approval Framework

In order to proceed with the establishment of the Commission, legally known as a Municipal Services Board, and ultimately the consolidation of transit services in Niagara, a series of Regional Council and LAM approvals are required. Should Council approve the recommendations of this report, it will represent the first step of a proposed two-phase approval and engagement framework.

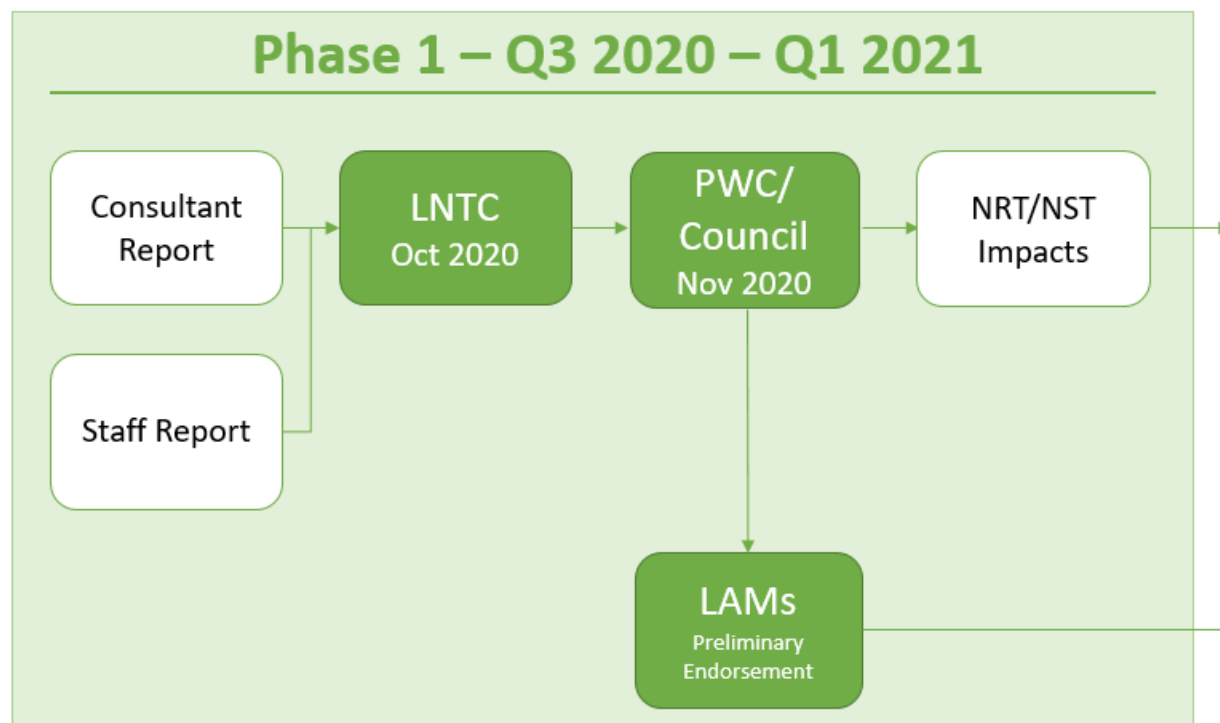
This framework has been developed with a focus on providing political decision making bodies across Niagara the necessary opportunities to provide informed feedback on the recommended governance and financial models and for them to be refined accordingly. Phase 2 of this process is a final triple-majority approval, scheduled for Q2 2021 which identifies, addresses, or incorporates the feedback received through Phase 1. The Phase 2 approval will also provide the necessary legal by-law authorities to proceed with the creation of the Commission as a Municipal Services Board.

Phase 1 Approvals

Phase 1 of the approvals framework (shown below in Figure 4) seeks the endorsement-in-principle of the recommended Commission governance model and the parallel

financial strategy. This process, initiated by this report, first seeks endorsement-in-principle from LNTC, which has had primary oversight of consolidation process to date.

Figure 4 - Phase 1 Approvals Process



Subject to the endorsement of LTNC, a similar endorsement-in-principle will be sought from each of the LAMs through Q4 2020 and Q1 2021. To facilitate this outreach procedurally, Niagara Region's Public Works Committee (PWC) and Council will be required approve the minutes of the LTNC meeting.

Each municipality will be asked to endorse-in-principle the resolution in Attachment 1 of this report, which outlines the key features of the Commission governance structure and financial strategy, including the transfer of assets, people and obligations, transition to a single regional levy, and maintenance of service levels for a defined period. As part of this consideration, each municipality will be also asked to provide any additional feedback on the recommended Full Commission governance model and the financial strategy by March 31, 2021.

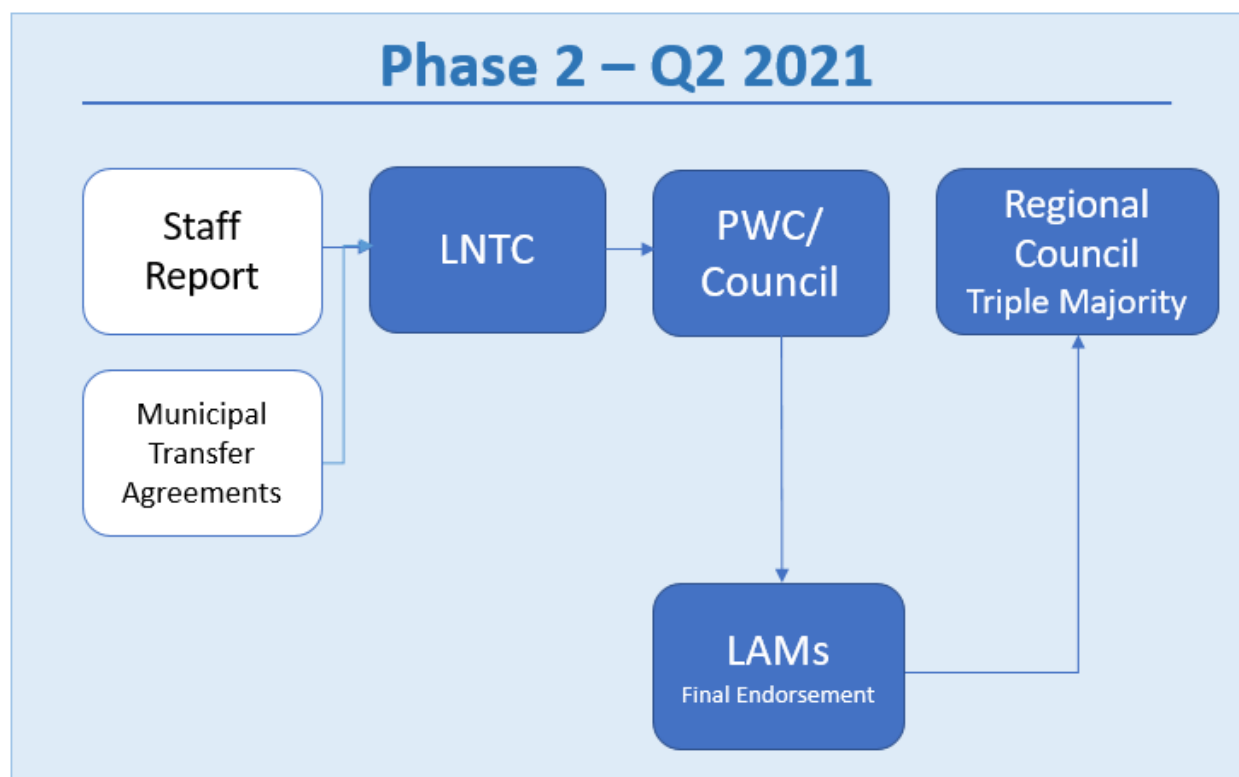
In parallel with the LAM considerations, Regional staff will undertake an analysis of considerations specific to the Region, including an assessment of the Regional levy impacts and the implications to the existing transit operations of Niagara Region Transit (NRT), Niagara Specialized Transit (NST), and Niagara Region Transit OnDemand

(NRTOD). This assessment will be returned to the Public Works Committee for consideration prior to March 31, 2021.

Phase 2 Approvals

Phase 2 of the approval framework (seen below in Figure 5) commences in Q2 2021 and focuses obtaining formal triple-majority approval of the governance model, the authorities required to proceed with the creation of the Commission, and the formal adoption of the recommended financial strategy. To achieve these objectives, a second staff report and series of recommendations will be brought to Council, reflecting the Phase 1 input on the recommended governance and financial models received from the LAMs and through the Regional assessment.

Figure 5 - Phase 2 Approvals Process



As part of Phase 2, a series of Municipal Transfer Agreements (MTAs) will be negotiated that outline the roles of the Region and each of the LAMs that currently operate transit services as the consolidation process unfolds, focused on how assets will be transferred and how transit-related decisions are made during the transitional period.

With the Cummings Principle as a foundation for asset transfer, MTAs will act as the mechanism through which local municipal partners enter the new Commission. They will outline the use and transfer of assets in their community (i.e. new fleet), continuance of existing capital projects and expenditures, debentures and debt financing, etc., giving Councils and transit providers opportunity to ensure consistency in the first (5) years of operation under the new Commission.

These MTAs will be appended to the final report for approval of the Region and the Council of each respective LAM that currently operates transit services. Additional detail regarding the MTAs is included in Appendix 2 as part of the Transition Plan discussion.

A consulting assignment will be undertaken to support Regional staff in the development of the MTAs, given the unique expertise requirements in the areas of the transition of transit operations, legal, and human resources. This assignment is included as part of the transition plan discussed below, covering activities through Phases 1 and 2 of the plan. Funding will be provided through available budgets previously approved for transit governance consulting services.

Considerations Regarding Triple Majority Approval

A triple-majority approval process must be undertaken to transfer the authorities necessary for the Commission to assume responsibility for the delivery of transit services across the region.

Currently Niagara Region holds the authority to operate inter-municipal specialized transit and conventional inter-municipal transit, the latter of which the result of previous triple-majority approvals obtained as part of the establishment of NRT. This previous authority does not extend to the operation of intra-municipal trips which currently resides with the municipalities responsible for local transit services under the *Municipal Act*.

The authorities required for the Commission to operate transit services in the region will be sought in the form of a by-law as part of the second phase of approvals. This by-law will represent the formal consent of the Region and local area municipalities to proceed with the creation of the new Commission.

The Commission will be established as a Municipal Services Board through the *Municipal Act, 2001*. The by-law will further establish the exclusivity of the Commission to operate public transit within Regional boundaries (excluding WEGO and GO Transit).

Appendix 3 provides a detailed legal overview of the current authorities held by Niagara Region and the amendments necessary to facilitate the transfer of powers that will allow

the new Municipal Services Board, operating as a Commission, to deliver services in Niagara.

Transition Plan

Bringing a new organization into existence and successfully consolidating transit services across the region will require a comprehensive series of preparatory activities across a number of categories including governance, service delivery, finance, human resources, legal, and operations. A preliminary transition plan has been developed to outline the scope, sequence, and resourcing requirements associated with undertaking these activities and to serve as a 'roadmap' for the establishment of the Commission.

The preliminary transition plan that has been developed is spread across a series of five (5) phases, which each culminate in a key project milestone, summarized below. Appendix 2 provides additional detail and discussion, including an overview of the key sub-tasks that compromise each of the phases.

- **Phase 1 – Integration Approval Process** – this phase of the transition plan includes the activities leading up to and including the two-phased approval process detailed in the “Approvals Framework” section of this report. This phase concludes with obtaining triple-majority approval of the governance model and authority to establish the Commission, scheduled for the end of Q2 2021.
- **Phase 2 – Establish Commission** – following the triple-majority approval, a two-month phase of work will be undertaken focused on executing the direction of Council and undertaking the tasks necessary to establish the Commission as a legal entity. This phase of work concludes with the appointment of representatives to the Commission’s Board, and the assumption of responsibility for the strategic direction of the consolidation and transition process.
- **Phase 3 – Commission Setup** – this phase of work encompasses all of the activities required to prepare the Commission for the assumption of day-to-day operations of all transit operations throughout Niagara. This will include tasks such as the appointment of the staff leadership team and filling of functional roles through the organization, development of strategic plans and policies, negotiation with relevant bargaining units, and the transfer of assets and contracts to the new Commission. This process is anticipated to take approximately one year, from Q3 2021 through Q2 2022.

- **Phase 4 – Service Launch** – responsibility for day-to-day operations would transfer to the new Commission at the start of this phase, anticipated for Q3 2022. Existing service levels at the time of transfer will be maintained for a defined period (approximately 1-2 years, subject to MTAs) to ensure the smooth transfer of operations to the Commission.
- **Phase 5 – Enhancement and Growth** – having successfully assumed responsibility for operations, the Commission will look to the continued development of the organization and opportunities to improve and expand transit services across the region.

This preliminary plan will continue to develop throughout the approvals process as feedback provided through the Phase 1 LAM engagement is reflected. As the Commission is established and it assumes responsibility for setup activities (Phase 3 below), this plan will need to be validated and adjusted as required to guide day-to-day transition activities.

Alternatives Reviewed

In order to arrive at the recommended governance model for the integration of transit services in Niagara, based on the peer jurisdictional review, the consultants identified and considered three (3) potential candidate models:

- **Limited Commission** – where transit service is governed by a Regional Commission with representation from local area municipality elected officials with regards to operational matters, with strategic decision making directed by Regional Council
- **Full Commission** – a distinct entity independent from Regional Council governed by a board of appointed members, equitably selected by Regional Council, and responsible for all transit planning and delivery
- **Regional Division** – within the Region's Public Works department where Regional Council remains the governing body of the transit division and is integrated into the Regional administration similar to other service delivery departments

An overview of the model options that were considered as part of the NTGS is provided as part of Appendix 2.

The three (3) candidate models were assessed by the means of an evaluation framework developed that would encapsulate the wide variety of interests, criteria, and perspectives that can be applied to transit. Special consideration was given to how the evaluation framework reflected the Guiding Principles set out at the initiation of the project, the ability to ensure fiscal responsibility, and how the governance model would deliver on the opportunity for future growth.

On this basis, a series of fifteen (15) detailed evaluation criteria were selected, across four (4) major categories: Governance and Operations, Financial Impact, Stakeholder Input and Equity, and Ease of Implementation. Each of the fifteen (15) evaluation criteria were evaluated using the 'Harvey Ball' method, which provides a relative rating reflecting the degree to which the candidate model is in alignment with the characteristics and objectives of the criteria.

An overview and detailed discussion of how each of the models were evaluated against the criteria is provided in Appendix 2.

During the development of the evaluation framework, consideration was given different criteria weighting scenarios to consider the impact that placing an enhanced level of importance on selected criteria may have on the final recommendation. However in all weighting systems considered there was no impact to the resulting preference of a Full Commission model.

Relationship to Council Strategic Priorities

The Niagara Transit Governance Strategy and the proposed consolidation of transit services across Niagara into a consolidated transit entity directly aligns with the Council Strategic Priority: Responsible Growth and Infrastructure Planning (Objective 3.1) through advancing regional transit and facilitating the movement of people and goods.

Other Pertinent Reports

CAO 8-2017	Niagara Region's Transit Service Delivery and Governance Strategy
LNTC-C 21-2018	Inter-Municipal Transit (IMT) Service Implementation Strategy

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Appendices

Appendix 1	Resolution for Endorsement-in-Principle
Appendix 2	Niagara Transit Governance Review – Final Report
Appendix 3	Legal Review of Niagara Region's Role in Public Transit