



# Niagara Transit Governance Study

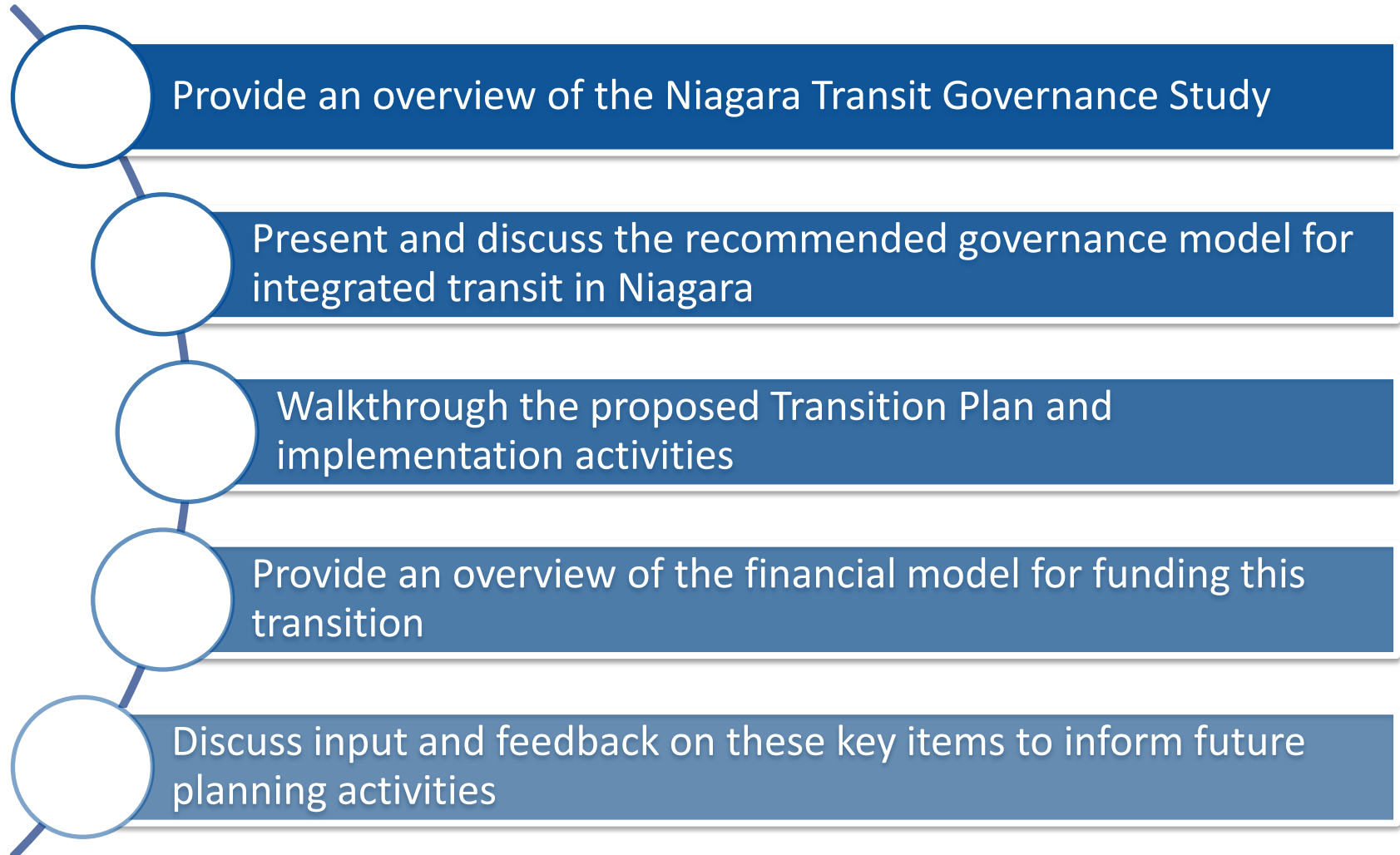
## **LNTC Presentation**

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October 21, 2020

Niagara  Region

# Today's agenda



# Today's key messages



**There is a significant opportunity to increase transit usage in Niagara Region through amalgamation**



**Integration will bring a number of benefits to the Region that otherwise won't be realized**



**Three different governance models were developed and analyzed in order to determine which was the ideal model for the Region**

# Today's key messages



**A Full Commission Model is ultimately recommended because of its autonomy and financial benefits**



**The Commission could be operational by the end of 2022**



**Now is the right time to move forward with integration and take advantage of funding and growth opportunities in the wake of COVID-19**

# The case for integration

## Why integrate?

**Better Connect Riders**



**Meet Evolving Travel Needs**

**Increase Equity**



**Strengthen Economic Development**

**Enhance Growth**

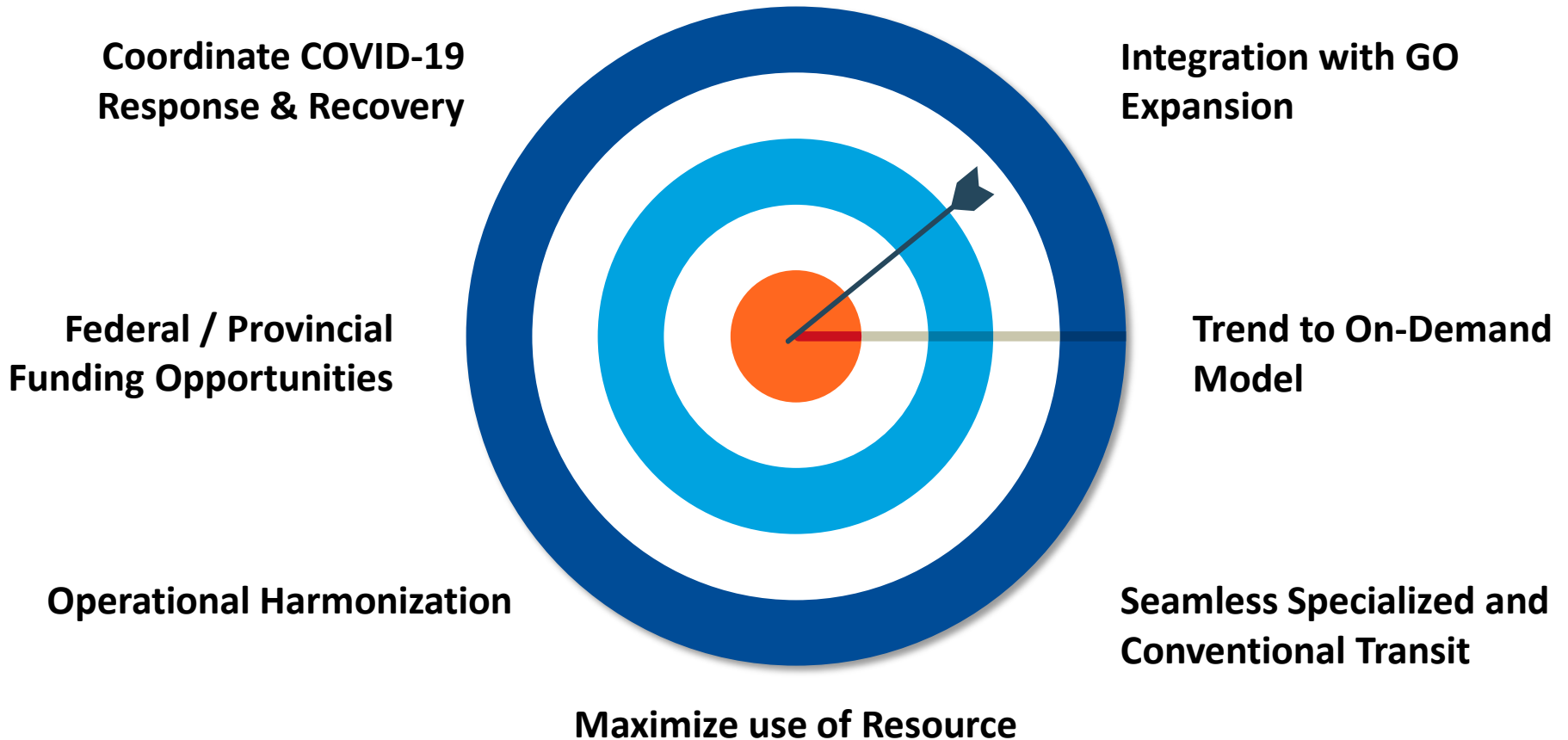


**Support Sustainability**

Now is the time to reflect on what has worked and not worked in the past, take advantage of funding and growth opportunities, and collaborate on building a new system with the flexibility and scale that Niagara needs

# The case for integration

## Why now?






→ Niagara Transit  
Governance Study

# Project Overview



# Project context



Transit services in Niagara currently operate under local and regional jurisdictions

A need for inter-municipal transit was identified as a critical factor in the growth and development of Niagara Region

Municipalities and the Region endorsed the creation of a consolidated conventional and specialized transit system in 2017

LNTC directed the Region to evaluate different transit governance models to identify which options best suits Niagara's present and future needs

Optimus SBR and LTRT were tasked with analyzing and recommending an ideal transit governance model for the Region



# Guiding principles for transit

Guiding principles for transit in Niagara were developed in 2015, accepted in 2017, and re-endorsed in 2019. They helped inform the development and recommendation of the transit governance model.

**Customer  
Driven**

**Unconventional  
Solutions**

**Integrated**

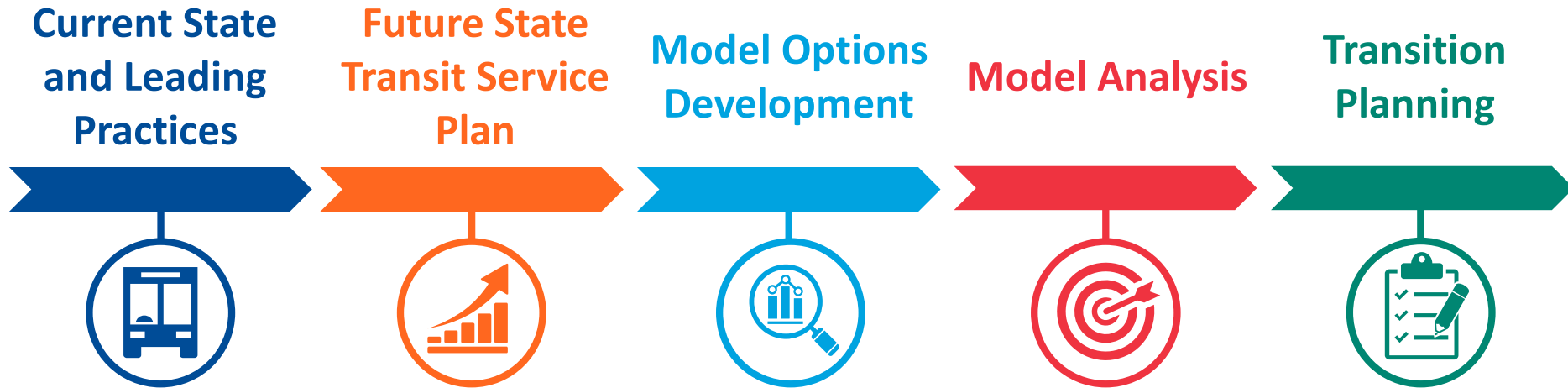
**Economically  
Responsible**

**Fair**

Adherence to guiding principles will be a fundamental factor in ensuring the success of the integration and the future of transit in Niagara Region for the benefit of all

# A systematic approach was followed

To determine a preferred governance model for Niagara's integrated transit system, a five-step approach was followed.





→ Niagara Transit  
Governance Study

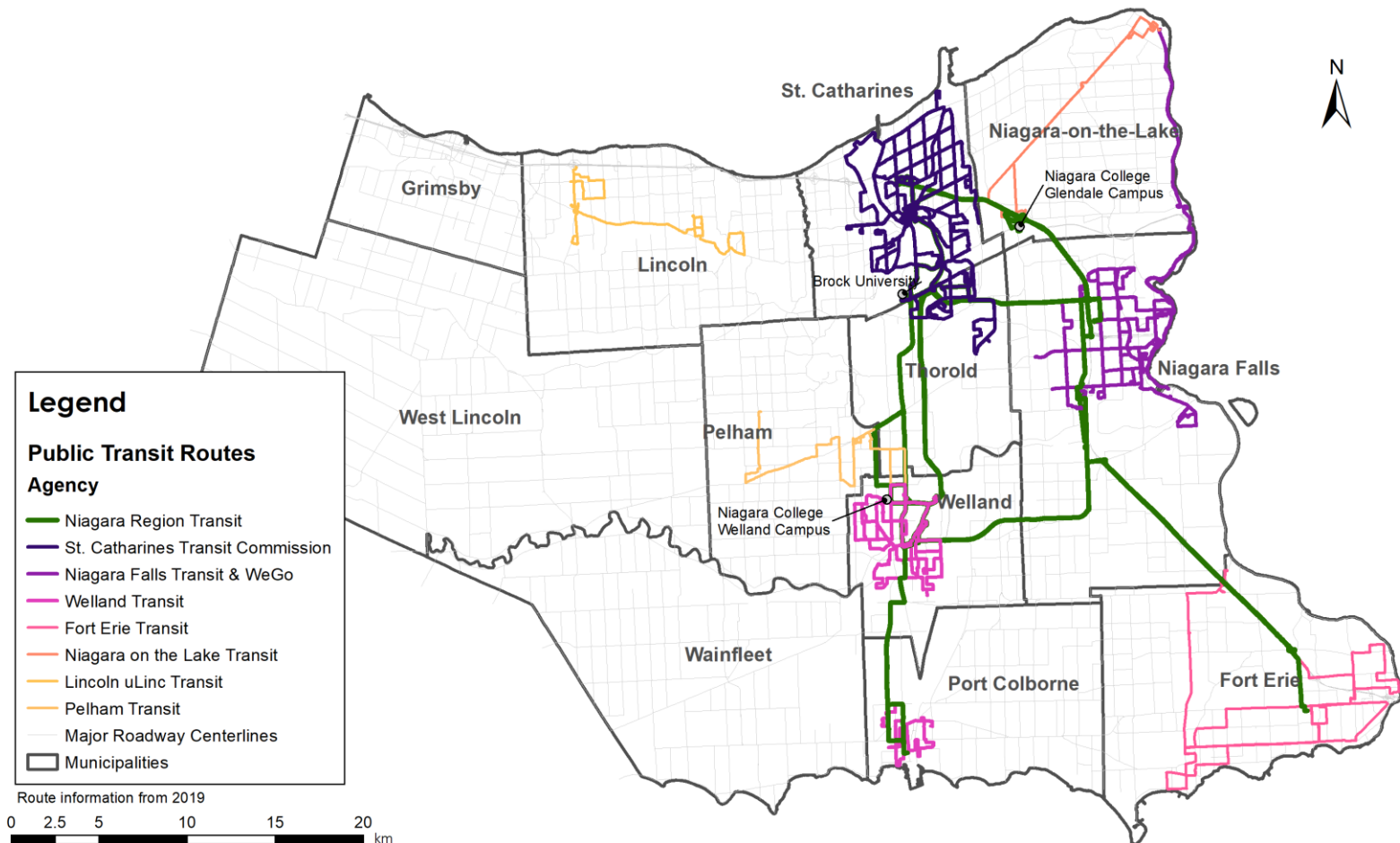
Current State and  
Leading Practices



# System overview

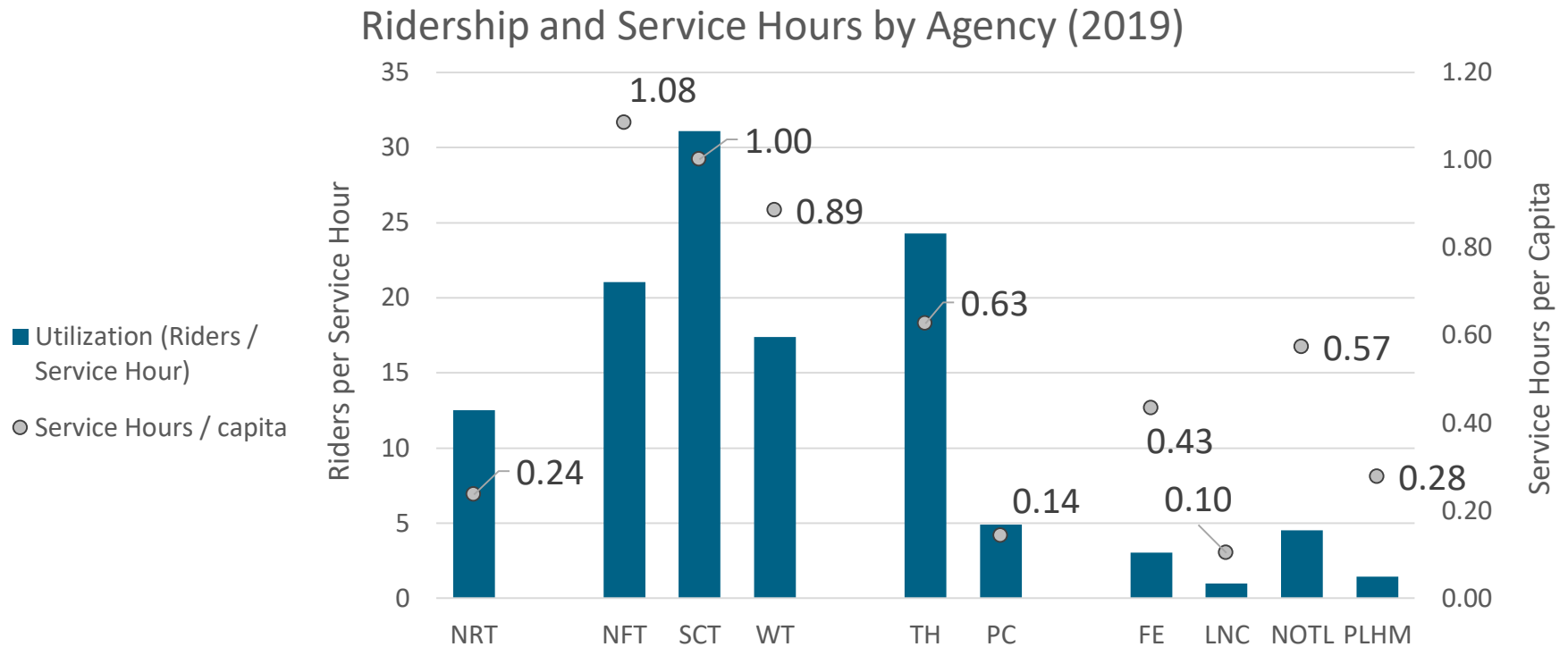
Niagara Region is home to twelve lower-tier municipalities and eight transit service providers. Cities, towns and hamlets are dispersed with large swaths of farmland and natural expanse between them.

## Existing Transit Service in Niagara Region



## System overview

Conventional transit services are accessible to the majority of the region's residents, however there is a stark discrepancy in the amount of service and the utilization of that service in the urban areas versus the smaller municipalities.



While this could be largely related to the density and urban form, it does call attention to the fact that **utilization is driven by availability and utility of the service**

# Leading practice overview

## Governance



Both Commission model and Centralized Delivery in use

## Transit & Operations



Service Enhancements requires prioritization and considerable, investment

## Financial



Cumming Principle used for asset transfers and there is a varied approach to levies

## Transition



Significant communications efforts required to engage staff, unions and the public

# Leading practice overview

## Lessons Learned



Transfer of human resources to a new organizational structure is a significant undertaking

Need to consider the magnitude of cultural change and legacy systems involved in transition planning

A phased-in single tax levy has been successful elsewhere

Ongoing communication is an important factor in bringing key stakeholders onboard

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Niagara Transit  
Governance Study

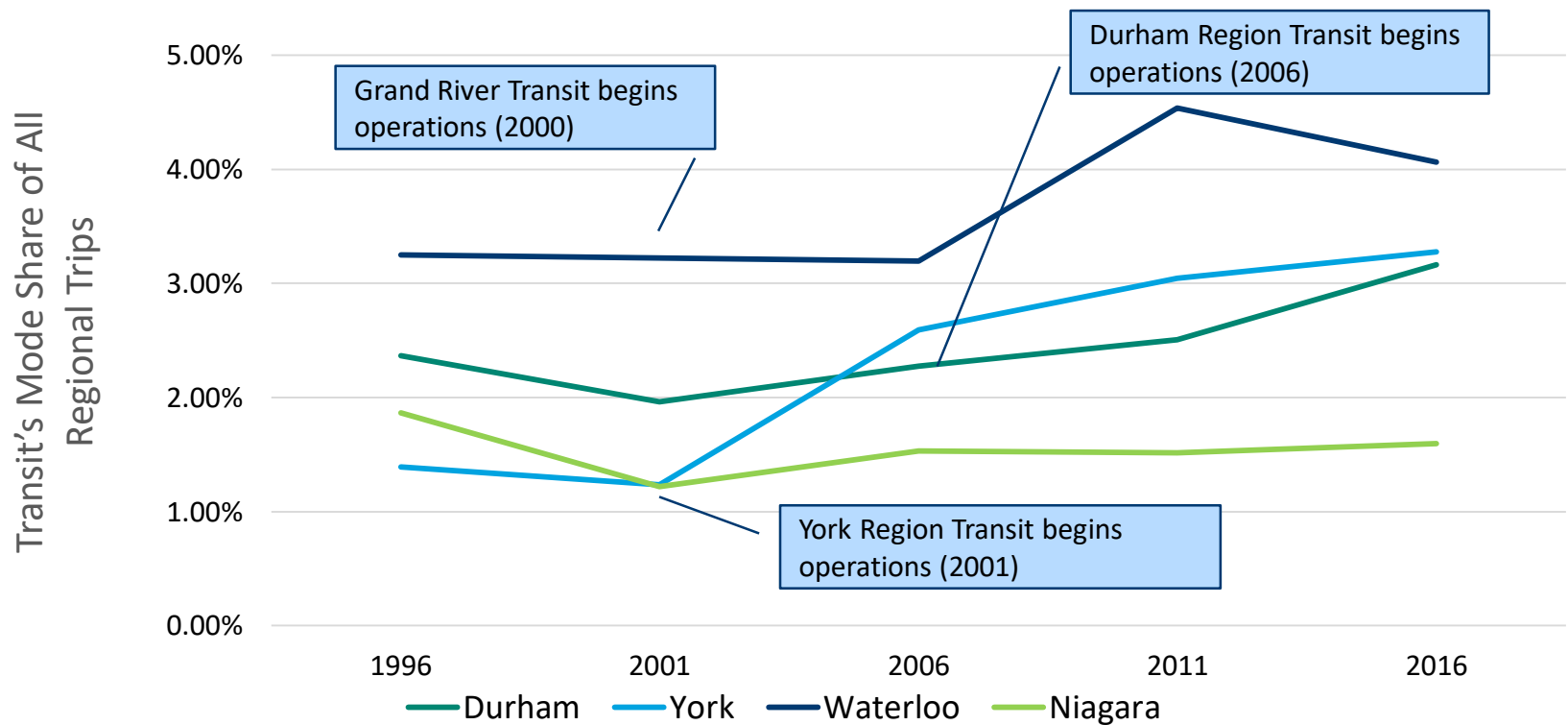
Forecasting the  
Future

A short, solid blue horizontal line is positioned below the text "Forecasting the Future".



Niagara could see a transit mode share growth of 30% to 130% within 10 years of amalgamation.

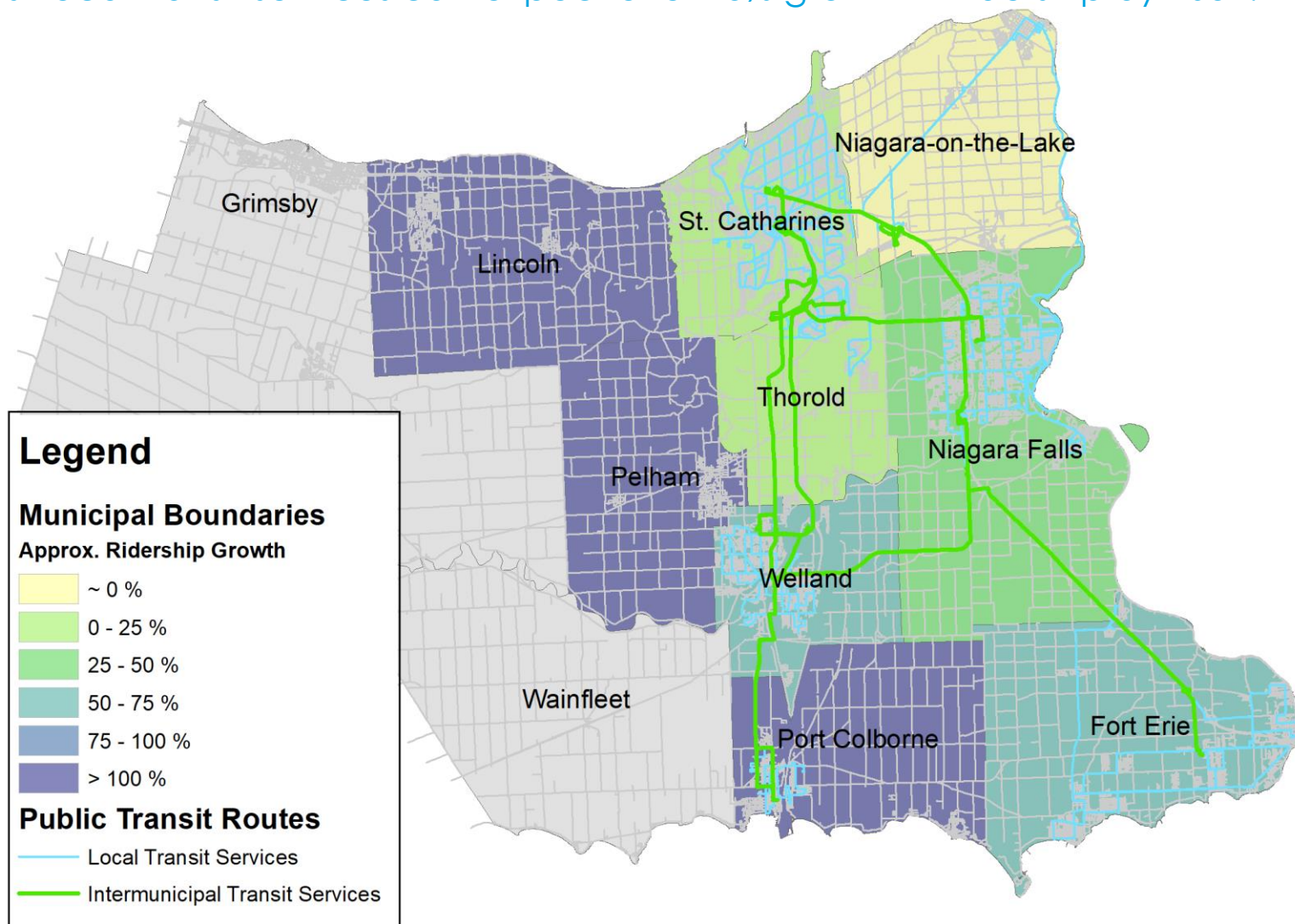
This is consistent with peer jurisdictions, who experienced significant mode share increases post amalgamation, independent of population growth.



After amalgamation of local transit services, other regions experienced a substantial increase in transit utilization. In contrast, the local transit mode share in Niagara has remained largely constant over the past twenty years.

# Overall transit ridership is expected to grow by up to 80% region-wide by 2031

Most local transit services can expect over 25% growth in ridership by 2031.





→ Niagara Transit  
Governance Study

Model Options,  
Analysis, and  
Recommendation



## Three model options were considered

### Limited Commission

- Governed by a regional commission with representation from elected officials
- Commission reports to Regional Council

### Full Commission

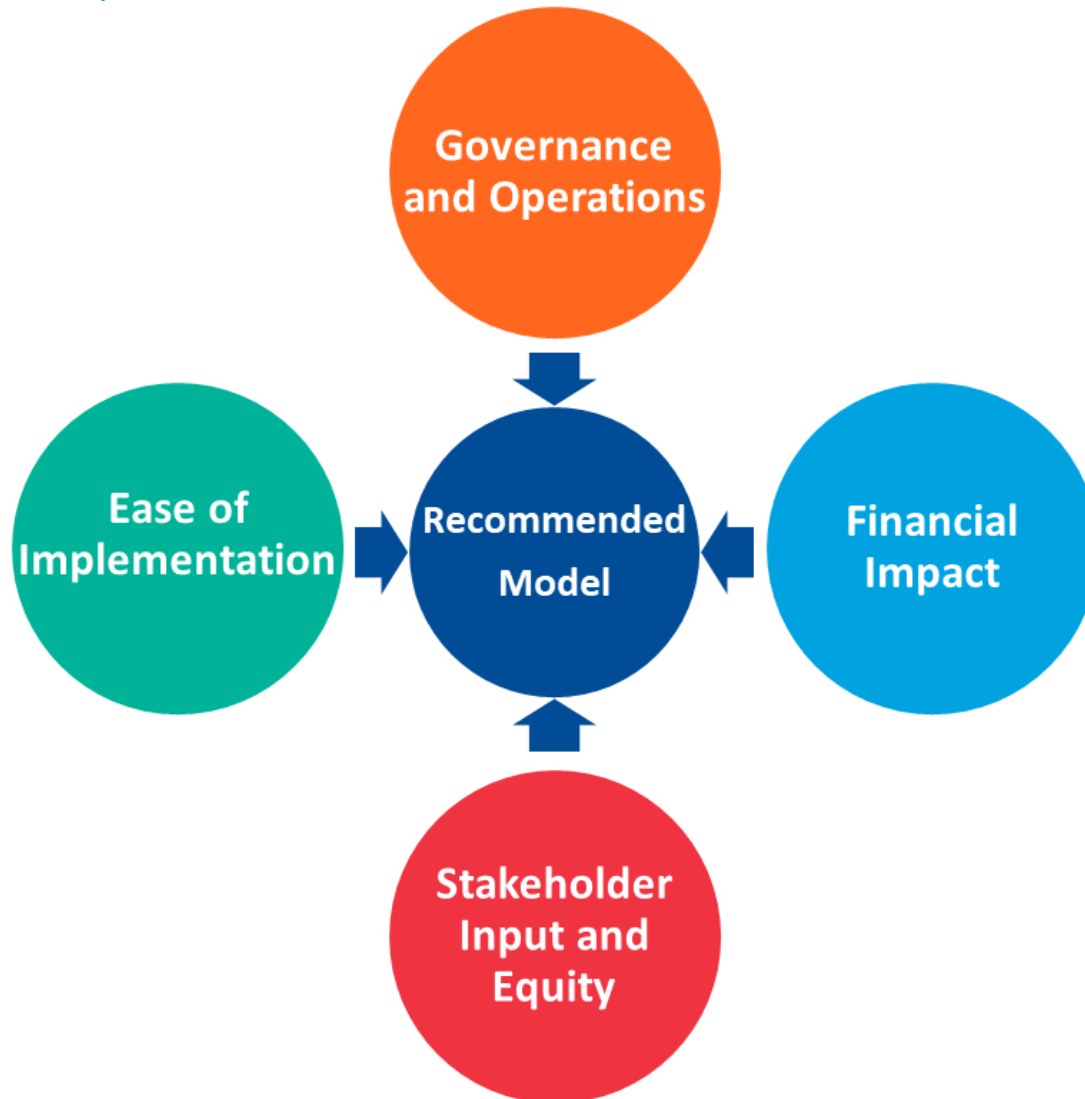
- Governed by a board of appointed members, selected by Regional Council
- Distinct entity, independent from Regional Council

### Regional Division





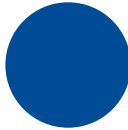







- Division within the Region's Public Works department
- Regional Council remains the governing body of the transit division

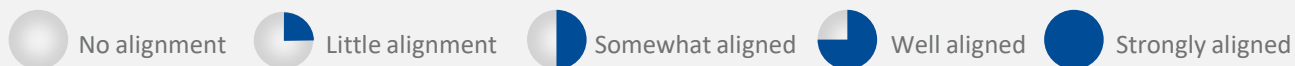
# Evaluation criteria were developed

Four separate evaluation categories were used to evaluate and compare the different model options.















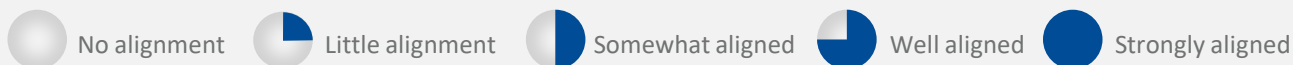
# Governance and Operations

Criteria	Description	Limited Commission	Full Commission	Regional Division
<b>Authority and Accountability in Driving Change</b>	Accountability and decision-making authority			
<b>Agility and Flexibility</b>	Ability to move from decision to action, and to react to external needs			
<b>Accommodates Future Growth</b>	Ability to respond to projected ridership demand			
<b>Public Perception</b>	Brand and image of the transit entity in the eyes of external stakeholders			












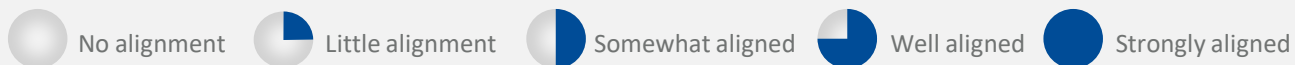
# Financial Impact

Criteria	Description	Limited Commission	Full Commission	Regional Division
<b>Lower Cost of Implementation*</b> <i>*a full circle represents lower relative costs</i>	The costs of implementing the model			
<b>Operating Cost Efficiency*</b> <i>*a full circle represents lower relative costs</i>	Relates to how much a transit agency will spend and how effectively those dollars are allocated			
<b>Financial Decision Making</b>	For operating and capital costs, how to generate revenue, and ability to secure budget approvals			
<b>Potential for Ongoing Financial Support</b>	To fund the necessary investment to build and maintain a transit network			















# Stakeholder Input and Equity

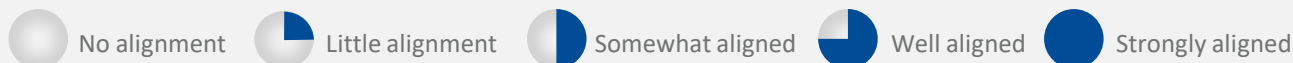
Criteria	Description	Limited Commission	Full Commission	Regional Division
<b>Equity</b>	Ability to balance the needs and perspectives of larger and smaller municipalities			
<b>Serves the Public Interest</b>	Makes decisions that contribute to the broader public good and the region's aspirations overall, and informed by public input			
<b>Municipal Input</b>	Degree to which local area municipalities will be able to provide input into service planning while also maintaining local autonomy			





# Ease of Implementation

Criteria	Description	Limited Commission	Full Commission	Regional Division
<b>Staffing Resources Impacts</b>	Transferring human resources to new entity, including the impact on FTE count			
<b>Labour Relations</b>	Conducting negotiations and harmonizing collective agreements			
<b>Legal Implications</b>	Degree of suitability of the model with regards to the legal formation of the new transit entity			
<b>Asset Transfer Implications</b>	Implementing the Cummings Principle for the transfer of assets			



# Recommendation: Full Commission Model

Following the completion of the analysis, **Full Commission Model** was ultimately recommended:



The **Full Commission** model brings the right balance of autonomy and flexibility to innovate, drive growth, and meet the diverse and changing needs of the region.

# Benefits of the full commission

While many factors went into this recommendation, two of the chief benefits that made the Full Commission more attractive than other models were:



## **The Autonomy of the Full Commission**

- Exclusively focused on transit
- Responds to trends and pressures
- Responsible for strategic and operational decisions
- Nimble → idea to action
- Negotiating power



## **The Financial Benefits**

- Most cost-efficient
- Less costly per-trip
- Flexibility to be strategic
- Regionally focused investments

The Full Commission is best suited to grow transit in the region while delivering high quality, innovative, and seamless transit services.



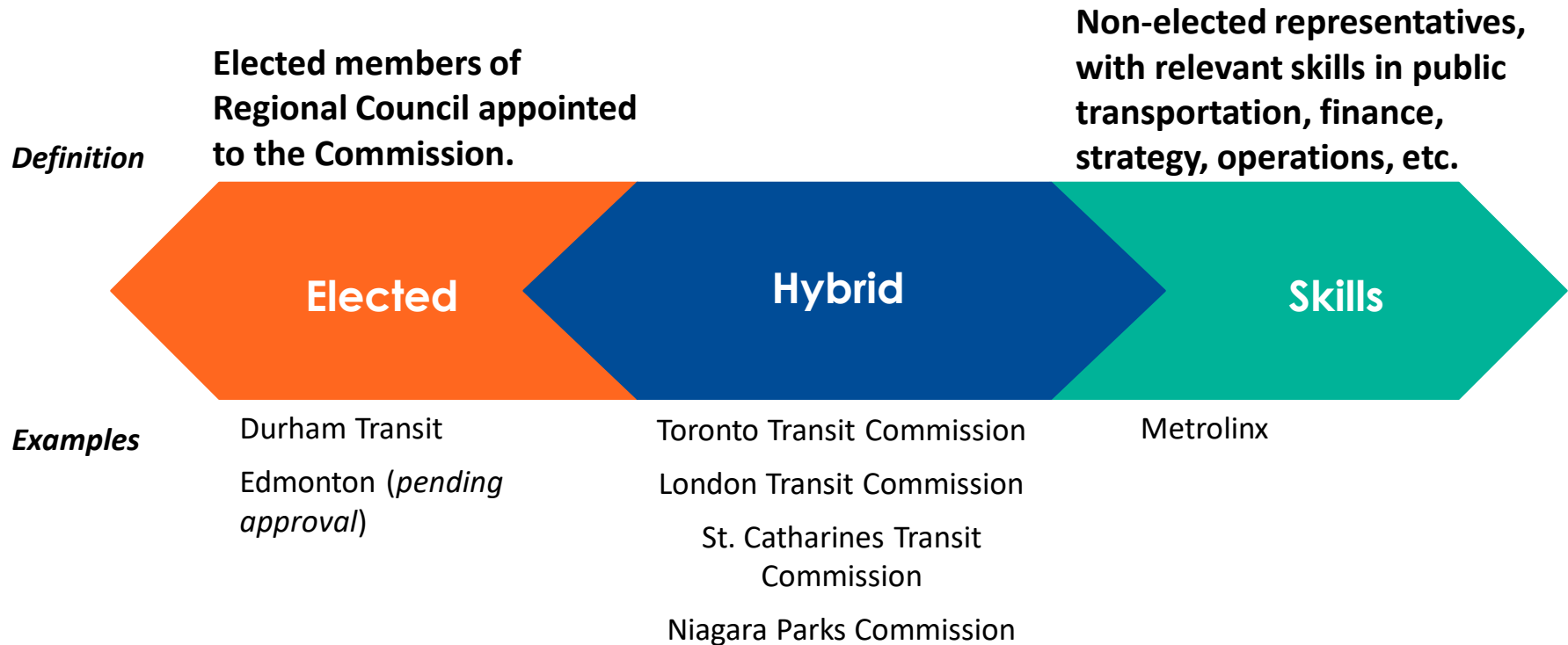
→ Model Options, Analysis, and  
Recommendation

## Commission Composition



# Commission membership options

Membership structure of the Commission may fall on a continuum similar to the one below, each with its own advantages and challenges.



A **hybrid governance structure** is recommended for Niagara, as it allows a combination of elected officials and skills-based members to provide guidance and oversight

# Proposed composition of the commission

Outlined below is the proposed composition of the Commission, which would be appointed by a Nominating Committee of the Regional Council.

## Members of Regional Council

**9 voting members**

(1) Welland

(1) St. Catharines

(1) Niagara Falls

(2) **Niagara Municipalities** *[Selected amongst representatives of: West Lincoln, Lincoln, Grimsby, Pelham, Thorold, Niagara on the Lake, Wainfleet, Fort Erie, and Port Colborne]*

## Skill-based or Public Members

(4) **Skills-based or Public members** (appointed/nominated)

## Ex-Officio

(1) **General Manager** (non-voting member)

The proposed governance structure should be reviewed after 2 to 3 years of operation

# Proposed Advisory Committee

In order to incorporate the local and public interests within the region into the decision-making structure, an Advisory Committee is recommended.

## Advisory Committee

- (12) Niagara region residents**
- (2) Members of the Accessibility Advisory Committee**
- (2) Member of a student association from Niagara College and Brock University**
- (1) Member of Niagara Chamber of Commerce**
- (1) General Manager, or designate**

By establishing an advisory body, the Commission will gain insights into current and upcoming challenges or opportunities, and explore these in a thorough way



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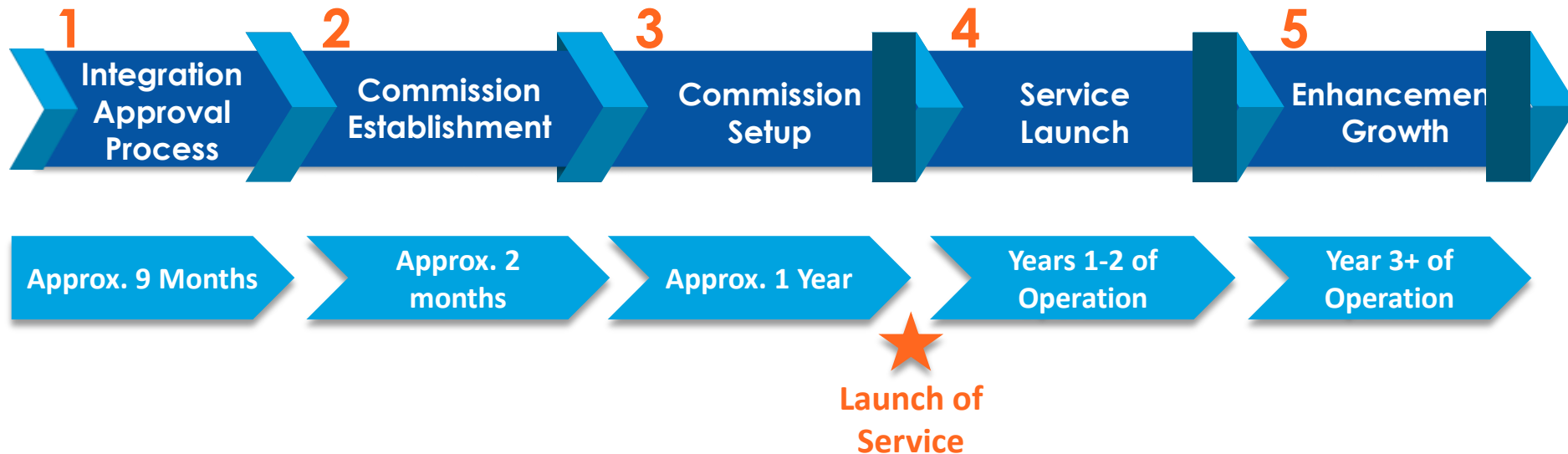
Transitioning to the  
Commission





## Transition plan

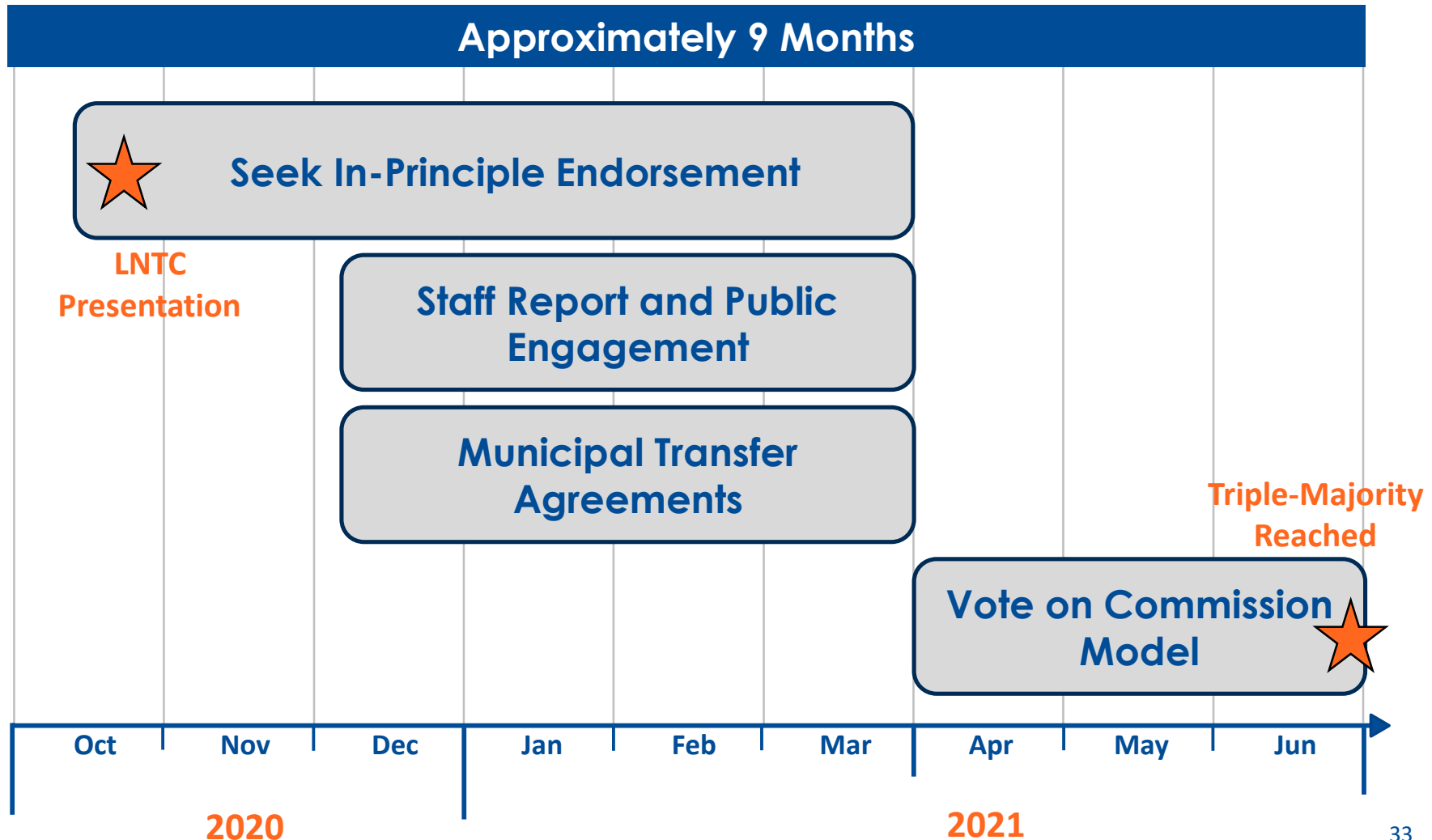
A five-phased transition plan has been developed to guide implementation activities over the coming years.



The Commission will be transformative for Niagara, and its success is dependent on maintaining public and political support while transitioning services from the LAMs to create an effective regional network.

# Integration Approval Process Timelines

This phase of work begins with the initial LNTC presentation and ends with the triple-majority vote to move forward with the Commission.



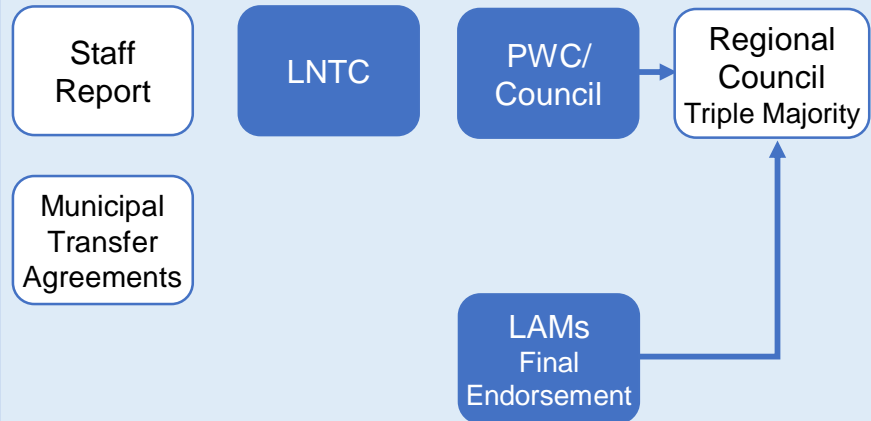
## → Phase 1: Integration Approval Process

# Proposed approval process

### Phase 1 – Q3 2020 – Q1 2021



### Phase 2 – Q2 2021

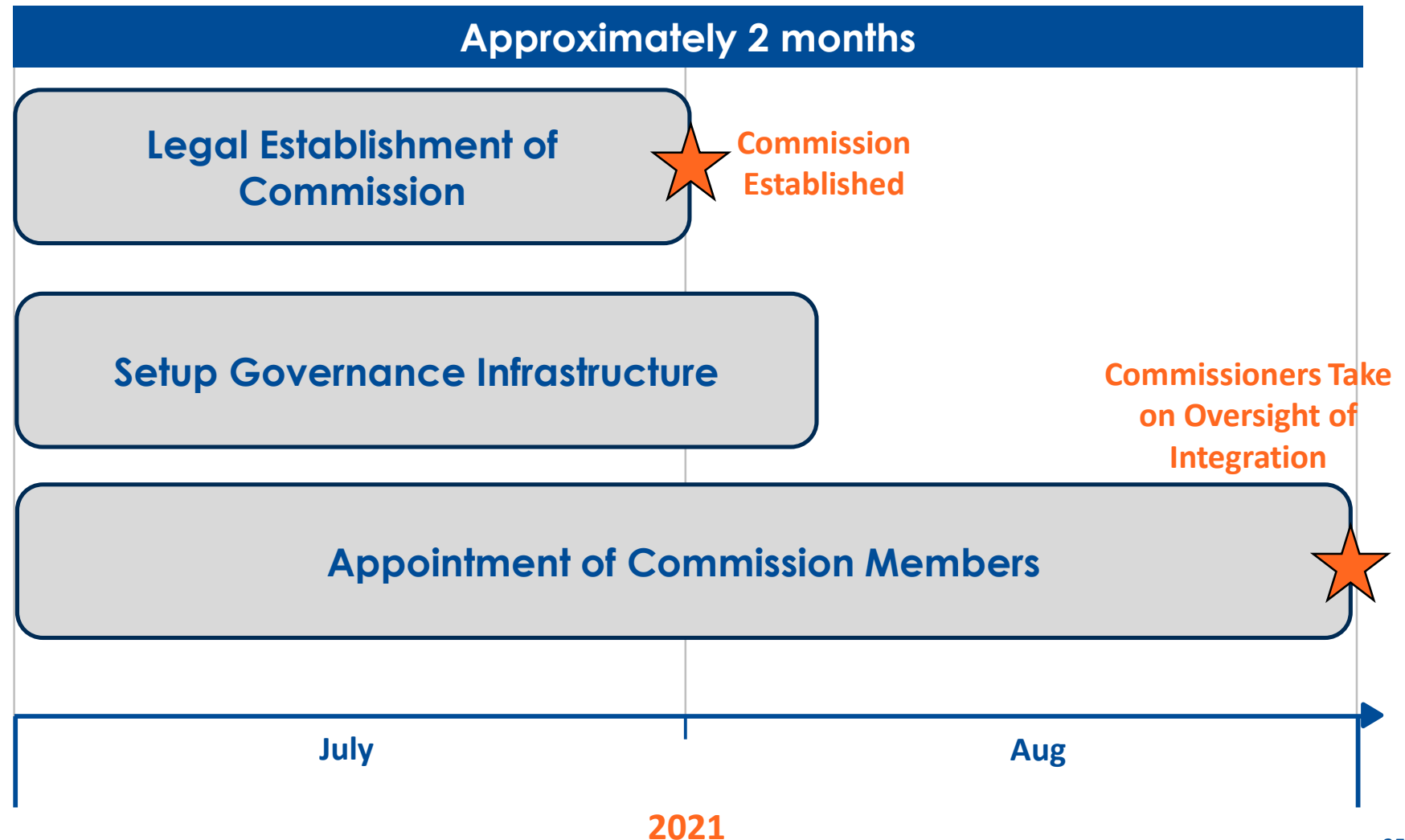


**Phase 1** – in-principle adoption

**Phase 2** – the formal adoption of the governance model

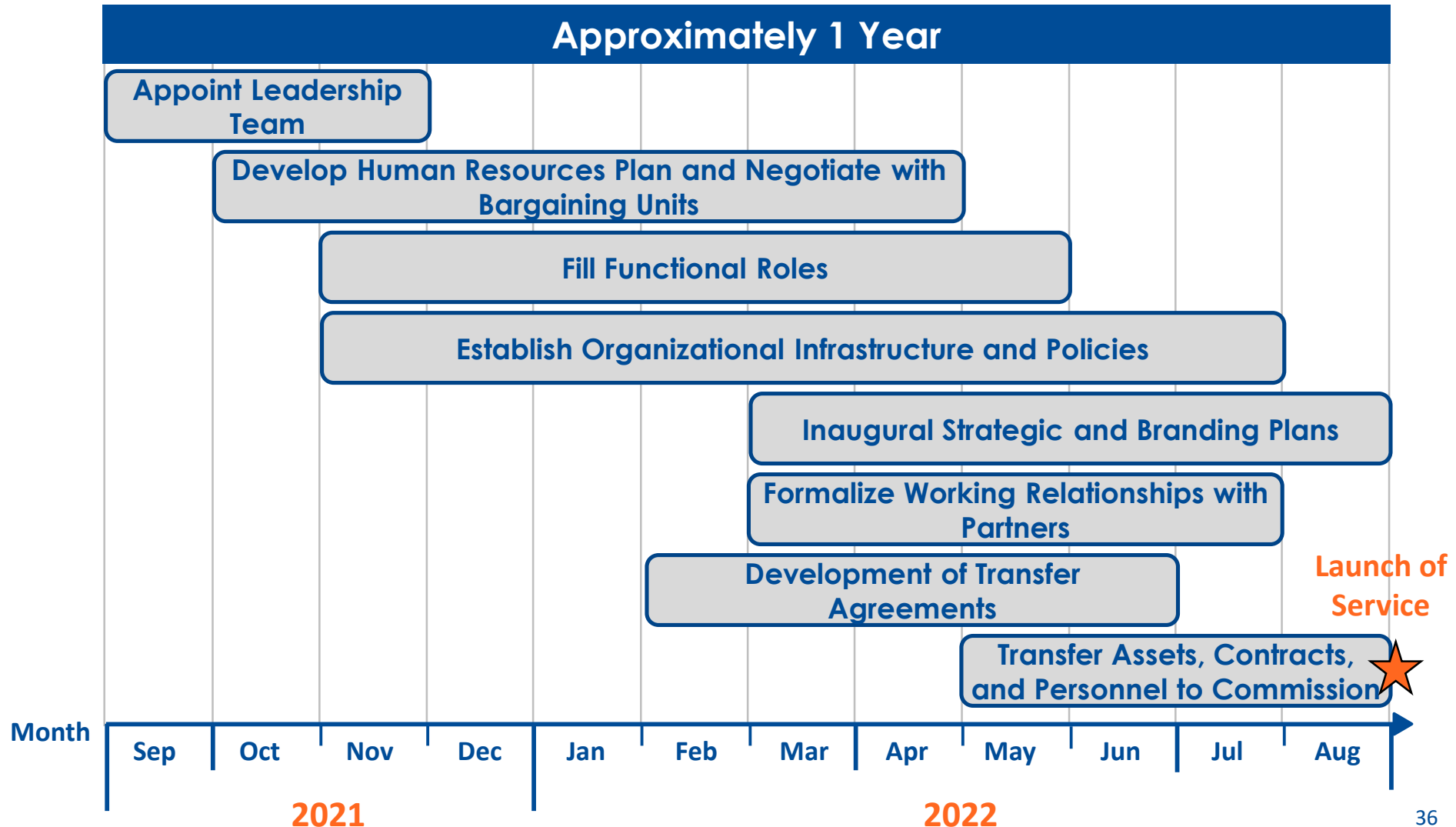
# Commission Establishment Timelines

This phase of work begins with the creation of a municipal service board (the Commission) and ends with the appointment of Commission members.



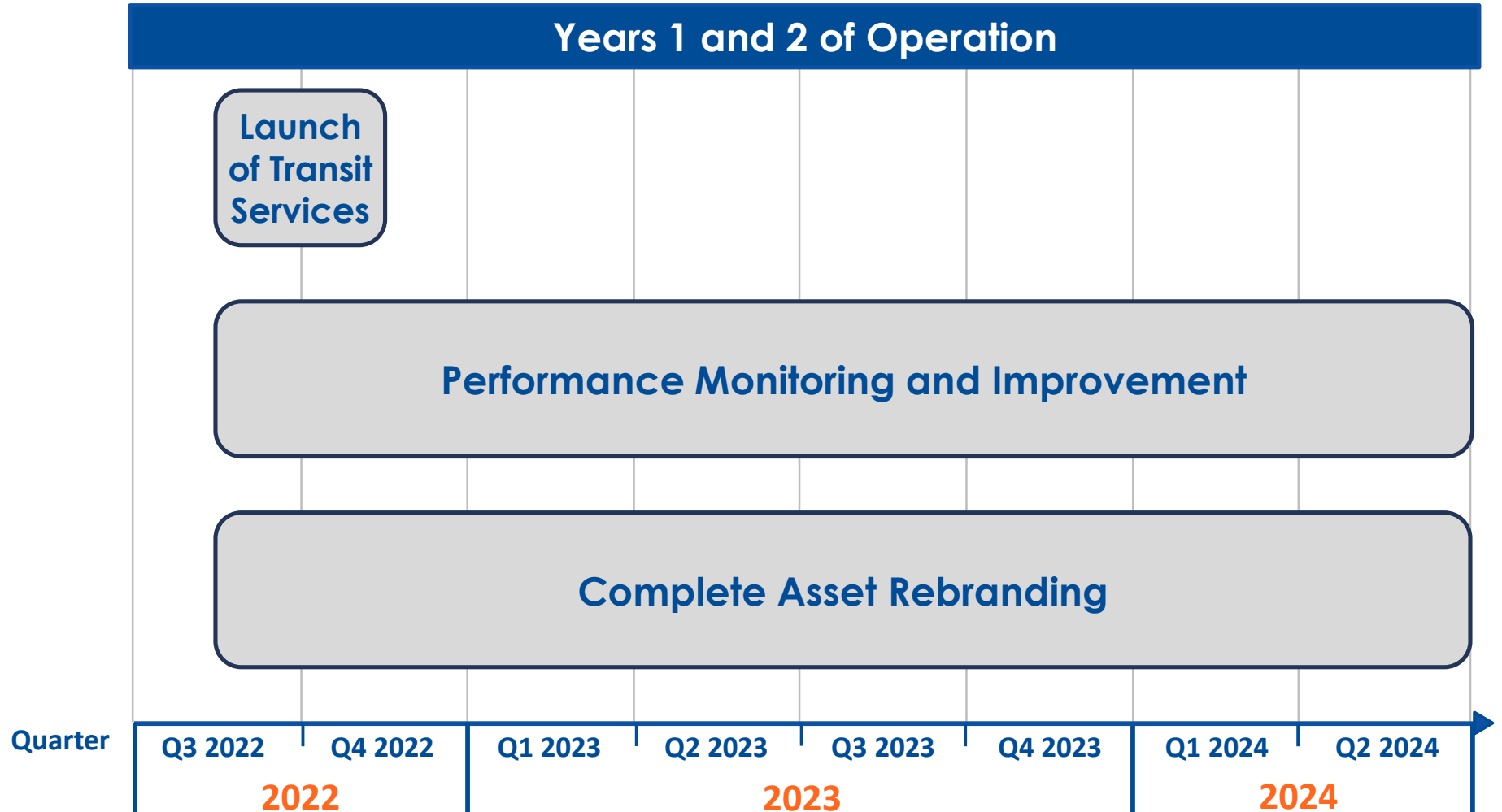
# Commission Setup Timelines

This involves all work associated with getting the Commission setup to take on responsibility for transit services in the region.



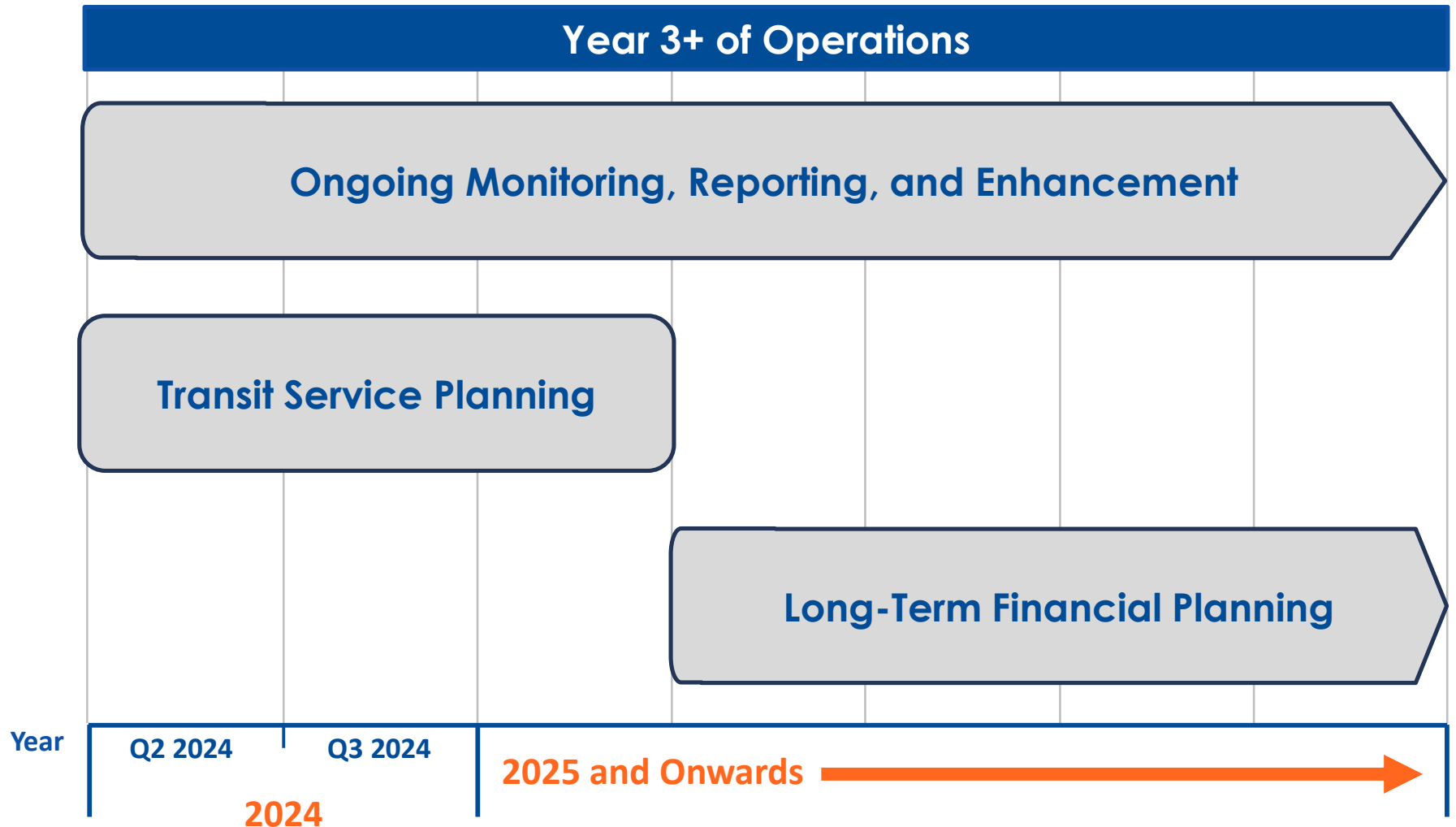
## Service Launch Timelines

This begins with the Commission officially taking on responsibility for transit services in the region and key activities for the first 2 years of operation to ensure a smooth transition.



# Enhancement and Growth Timelines

This phase includes longer-term activities that the Commission will undertake to continue developing its organization and planning for the future.



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Niagara Transit  
Governance Study

A small blue horizontal line.

Funding Model



# Financial Strategy Overview

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

- Baseline or start-up budgets for the Full Commission;
  - Manner by which current transit funding is transitioned to the Commission
  - How one-time transition costs are funded
  - How transit-related assets are transferred to the Commission
- 
- Total Regional levy required to upload all existing local transit services + transition costs

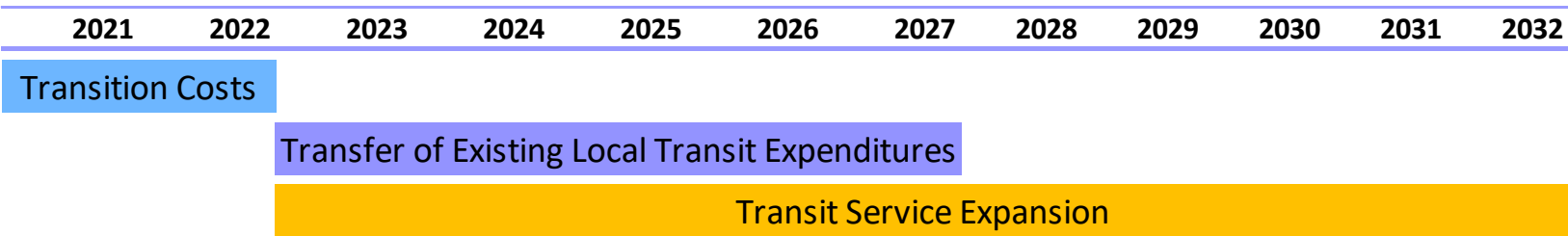
9.5%

# Financial Strategy

A range of strategies have been considered to achieve the transfer of funding from individual Municipal Levies up to a single Regional Levy;

- considerations have included duration of Municipal grants, inflationary increases, fixed administrative costs, and implementation timeframe

Proposed funding strategy is to fund through a single Regional tax levy



Regional levy adjustments offset by *equivalent* budgetary reductions at the local level

**\* supports the principle to minimize total residential taxpayer impact**

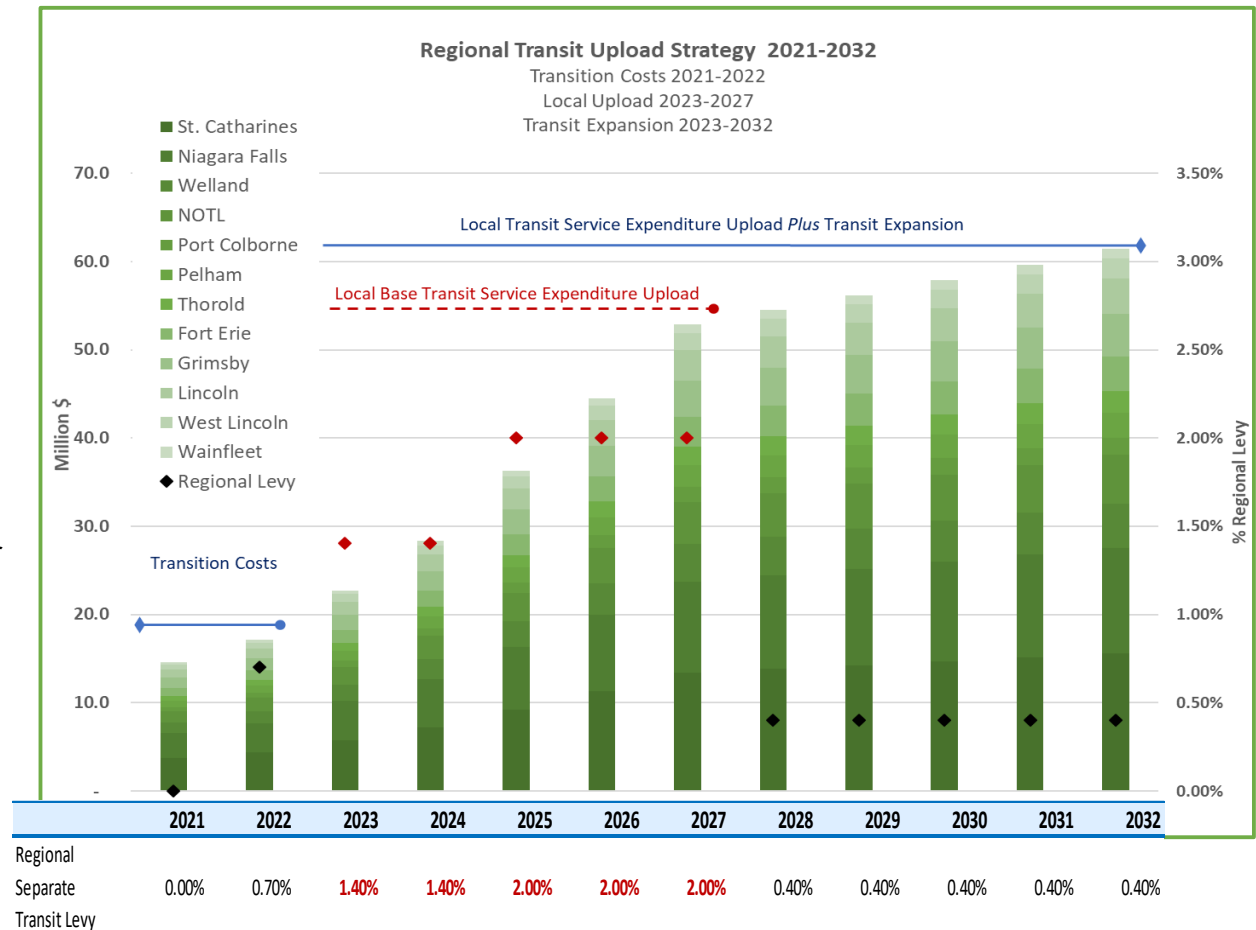
# Transition to Regional Levy

Length of transition period impacts annual levy adjustments; shorter transition time requires larger adjustments to both Regional and Municipal Levies to minimize taxpayer impact

## Recommendation:

- The upload time period will vary by municipality
- Smaller municipalities transfer budgets within the first 2 years
- Larger municipalities transfer budgets over full 5 years

Annual Regional levy  
transfer adjustments  
between  
1.4% - 2.0%



# Transition to Regional Levy

The proposed transition path provides an opportunity to increase or expand service levels outside of municipalities with robust service levels

One-time Transition  
Costs  
To be repurposed in 2023  
To fund service  
expansions / connections  
in Rural municipalities

	2021	2022	2023	2024	2025	2026	2027	2028
<b>St. Catharines</b>	-	(600,000)	(1,000,000)	(3,558,467)	(3,558,467)	(3,558,467)	(3,558,467)	-
<b>Niagara Falls</b>	-	(600,000)	(1,000,000)	(2,348,611)	(2,348,611)	(2,348,611)	(2,348,611)	-
<b>Welland</b>	-	(600,000)	(1,000,000)	(150,299)	(150,299)	(150,299)	(150,299)	-
<b>NOTL</b>	-	(497,223)	-	-	-	-	-	-
<b>Port Colborne</b>	-	(158,100)	-	-	-	-	-	-
<b>Pelham</b>	-	(261,156)	-	-	-	-	-	-
<b>Thorold</b>	-	(600,000)	(1,000,000)	(184,048)	(184,048)	(184,048)	(184,048)	-
<b>Fort Erie</b>	-	(600,000)	(226,323)	-	-	-	-	-
<b>Grimsby</b>	-	(250,000)	-	-	-	-	-	-
<b>Lincoln</b>	-	(265,829)	-	-	-	-	-	-
<b>West Lincoln</b>	-	-	-	-	-	-	-	-
<b>Wainfleet</b>	-	-	-	-	-	-	-	-

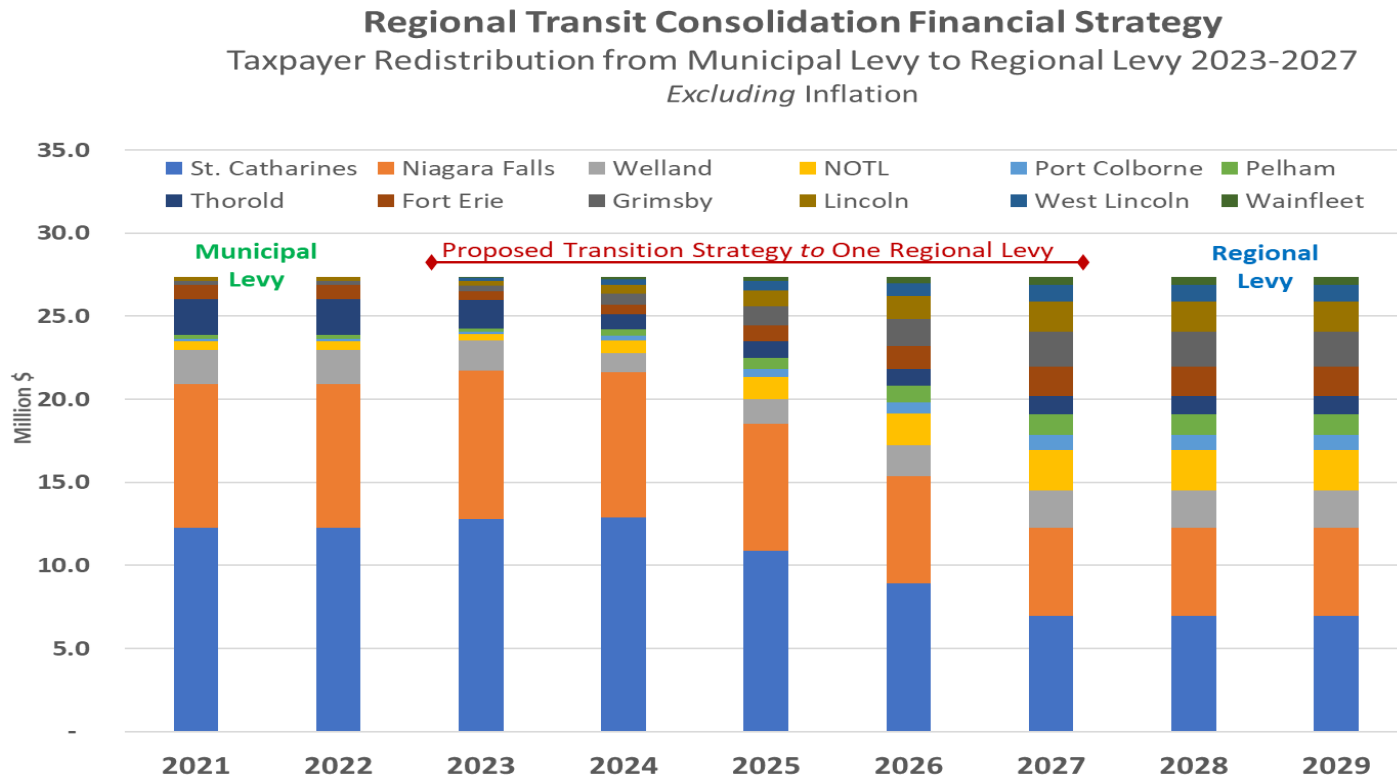
Note: 2020 Municipal Transit budgets inflated to 2022 would be used as baseline transit expenditures beginning in 2023; the financial estimates contained within this presentation represent 2019 actuals or 2020 budget

- Supports commensurate service levels prior to full upload of existing transit expenditures
- Specific service increases will be determined by the initial strategic service plans developed by the Commission

## → Funding Model

### Taxpayer Redistribution from Municipal Levy to Regional Levy

The net transition of transit expenditures from local Municipal budgets to a Regional budget results in a redistribution across residential taxpayers



Transition to a *single* Regional Levy  
Transfers local transit costs  
from Municipalities with robust transit  
to Municipalities with limited or minimal access to transit

## → Funding Model

### Taxpayer Redistribution from Municipal Levy to Regional Levy

The net transition of transit expenditures from local Municipal budgets to a Regional budget results in a redistribution across residential taxpayers

	2022	2023	2024	2025	2026	2027	2028	2029
<b>St. Catharines</b>	12,275,402	12,799,435	12,871,231	10,895,589	8,919,947	6,944,305	6,944,305	6,944,305
<b>Niagara Falls</b>	8,645,833	8,910,133	8,734,266	7,602,733	6,471,200	5,339,667	5,339,667	5,339,667
<b>Welland</b>	2,050,898	1,807,699	1,147,918	1,500,054	1,852,189	2,204,324	2,204,324	2,204,324
<b>NOTL</b>	497,223	400,237	781,874	1,345,475	1,909,076	2,472,677	2,472,677	2,472,677
<b>Port Colborne</b>	158,100	142,277	277,942	478,292	678,642	878,991	878,991	878,991
<b>Pelham</b>	261,156	203,886	398,297	685,403	972,508	1,259,614	1,259,614	1,259,614
<b>Thorold</b>	2,152,143	1,728,106	895,891	959,628	1,023,364	1,087,101	1,087,101	1,087,101
<b>Fort Erie</b>	826,323	512,207	558,482	961,054	1,363,626	1,766,198	1,766,198	1,766,198
<b>Grimsby</b>	250,000	344,834	673,641	1,159,224	1,644,807	2,130,390	2,130,390	2,130,390
<b>Lincoln</b>	265,829	286,770	560,213	964,034	1,367,854	1,771,674	1,771,674	1,771,674
<b>West Lincoln</b>	-	165,325	322,967	555,772	788,577	1,021,382	1,021,382	1,021,382
<b>Wainfleet</b>	-	81,998	160,185	275,651	391,117	506,584	506,584	506,584
<b>Total</b>	27,382,907	27,382,907	27,382,907	27,382,907	27,382,907	27,382,907	27,382,907	27,382,907

Transition to a *single* Regional Levy  
Municipal Taxpayer Impact

# Transition Costs

Transition costs in 2021 are anticipated to be funded through the existing Regional transit budget; 2022 will require a 0.70% separate Regional transit levy

Transition costs include:

- Legal establishment of the Commission,
- Development of initial strategic and branding plans,
- Development of transfer agreements and performance monitoring.

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

- There may be an opportunity to seek support for transition costs through programs such as Phase 2 of the Provincial government's Safe Restart program, which identifies new transit governance structures as an eligible category.

# Asset Transfer

The CAO Working Group 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 Cummings Principle is that the transfer of assets (and related outstanding liabilities) will occur with no additional compensation (outside of existing related transit debt).

## **Rationale**

Transferring assets for additional compensation would result in the taxpayer paying twice for the same public asset.

## **Precedence**

Established through judicial precedent, the Principle has been applied for over four (4) decades in Ontario

## **Guiding Principles**

Well aligned to Niagara's established guiding principle of fairness, which respects the existing investments made by communities.





→ Niagara Transit  
Governance Study

Summary and  
Next Steps



# Recommendations and Next Steps

There continues to be a strong argument in favour of the consolidation of transit services throughout Niagara.

This report recommends the endorsement-in-principle of a Full Commission governance model as being best suited for Niagara, as reflected in the Motion included as Appendix 1.

## Key Characteristics

Full Commission  
Governance Model

Transfer of Existing  
Employees and  
Contracts

Single Regional Fare

Single Regional Levy  
with Five (5) Year  
Transfer

2021 Service Hours  
Maintained for Five (5)  
Years

Cummings Principle

# Recommendations and Next Steps

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.

