**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.

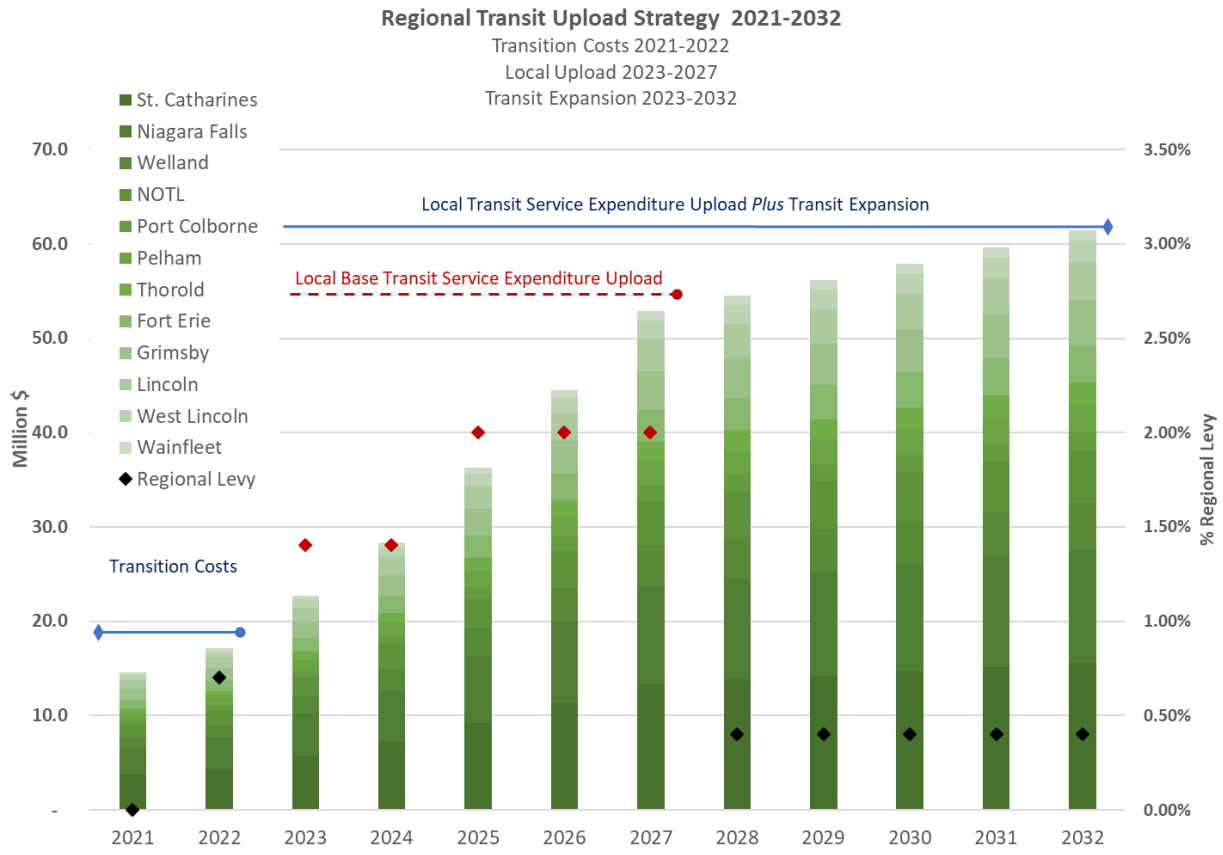
In consultation with the aforementioned groups, the proposed funding strategy recommends that all existing and incremental transit spending will be transferred to the new Commission, funded through a single Regional tax levy. The strategy includes:

- 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*




| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | 2032 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Regional Separate Transit Levy | 0.00% | 0.70% | 1.40% | 1.40% | 2.00% | 2.00% | 2.00% | 0.40% | 0.40% | 0.40% | 0.40% | 0.40% |

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*

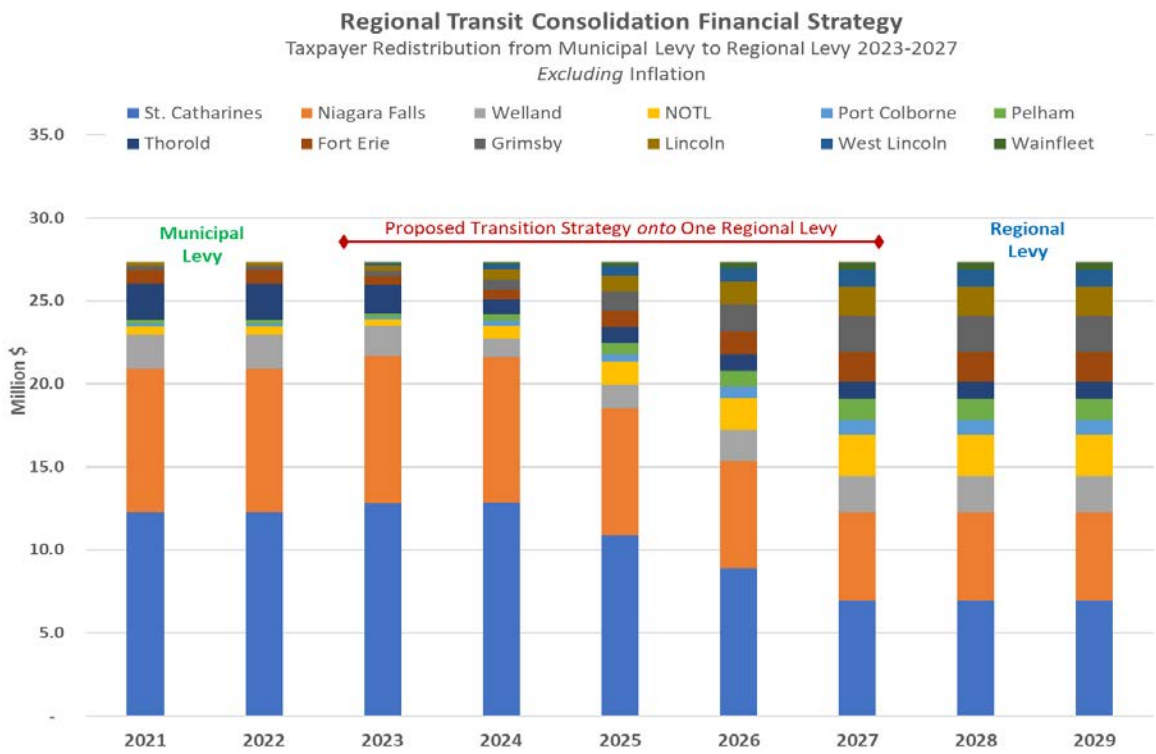



*Table 3 - Municipal Residential Impact from Transfer to One Regional Levy*

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 |
|---|---|---|---|---|---|---|---|---|---|
| **St. Catharines** | 12,275,402 | 12,275,402 | 12,791,572 | 12,863,367 | 10,887,725 | 8,912,083 | 6,936,442 | 6,936,442 | 6,936,442 |
| **Niagara Falls** | 8,645,833 | 8,645,833 | 8,904,086 | 8,728,219 | 7,596,686 | 6,465,153 | 5,333,620 | 5,333,620 | 5,333,620 |
| **Welland** | 2,050,898 | 2,050,898 | 1,805,203 | 1,145,422 | 1,497,557 | 1,849,693 | 2,201,828 | 2,201,828 | 2,201,828 |
| **NOTL** | 497,223 | 497,223 | 397,437 | 779,074 | 1,342,675 | 1,906,276 | 2,469,877 | 2,469,877 | 2,469,877 |
| **Port Colborne** | 127,092 | 127,092 | 141,282 | 276,947 | 477,296 | 677,646 | 877,996 | 877,996 | 877,996 |
| **Pelham** | 261,156 | 261,156 | 202,460 | 396,871 | 683,976 | 971,082 | 1,258,187 | 1,258,187 | 1,258,187 |
| **Thorold** | 2,152,143 | 2,152,143 | 1,726,875 | 894,660 | 958,397 | 1,022,133 | 1,085,870 | 1,085,870 | 1,085,870 |
| **Fort Erie** | 826,323 | 826,323 | 510,207 | 556,482 | 959,054 | 1,361,626 | 1,764,198 | 1,764,198 | 1,764,198 |
| **Grimsby** | 250,000 | 250,000 | 342,421 | 671,229 | 1,156,812 | 1,642,395 | 2,127,978 | 2,127,978 | 2,127,978 |
| **Lincoln** | 265,829 | 265,829 | 284,764 | 558,207 | 962,027 | 1,365,848 | 1,769,668 | 1,769,668 | 1,769,668 |
| **West Lincoln** | - | - | 164,168 | 321,810 | 554,616 | 787,421 | 1,020,226 | 1,020,226 | 1,020,226 |
| **Wainfleet** | - | - | 81,424 | 159,611 | 275,077 | 390,544 | 506,010 | 506,010 | 506,010 |
| **Total** | 27,351,899 | 27,351,899 | 27,351,899 | 27,351,899 | 27,351,899 | 27,351,899 | 27,351,899 | 27,351,899 | 27,351,899 |

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.

<u>The Case for Consolidation</u>

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.

<u>Full Commission Recommendation and Analysis</u>

*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 expect 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.

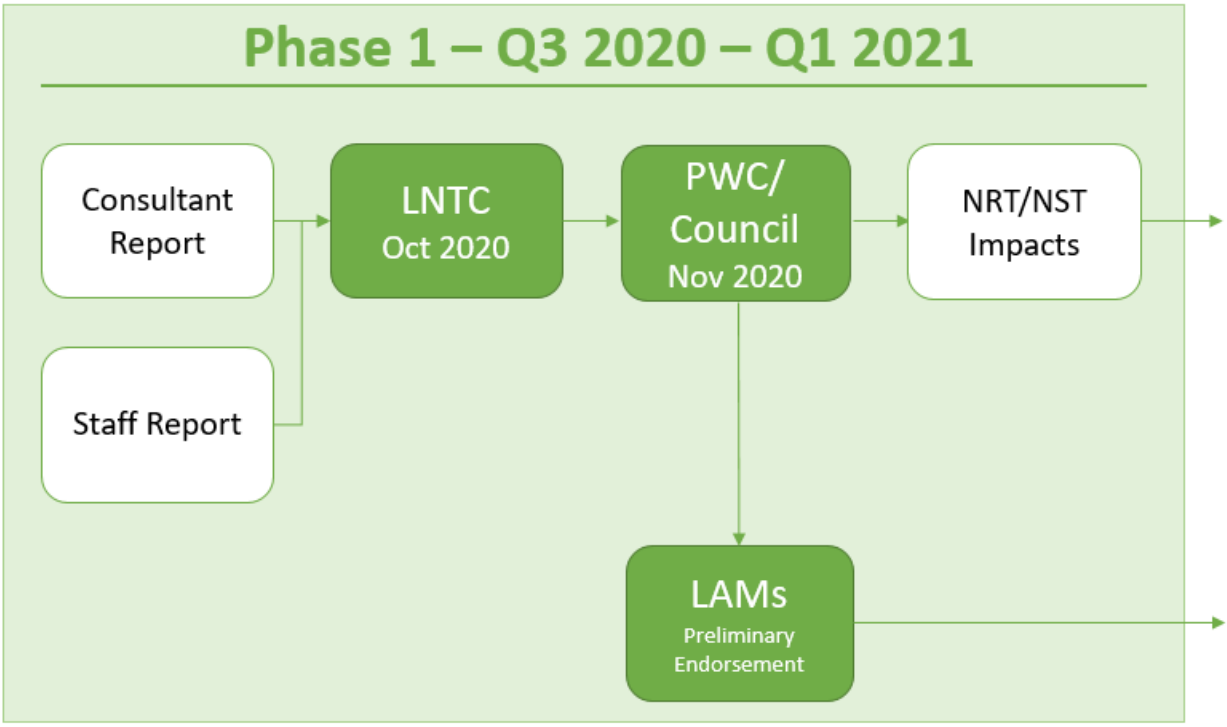
This framework has been developed with a focus on providing political decision making bodies across Niagara the necessary opportunities to provide informed feedback on the recommended governance and financial models and for them to be refined accordingly. Phase 2 of this process is a final triple-majority 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.

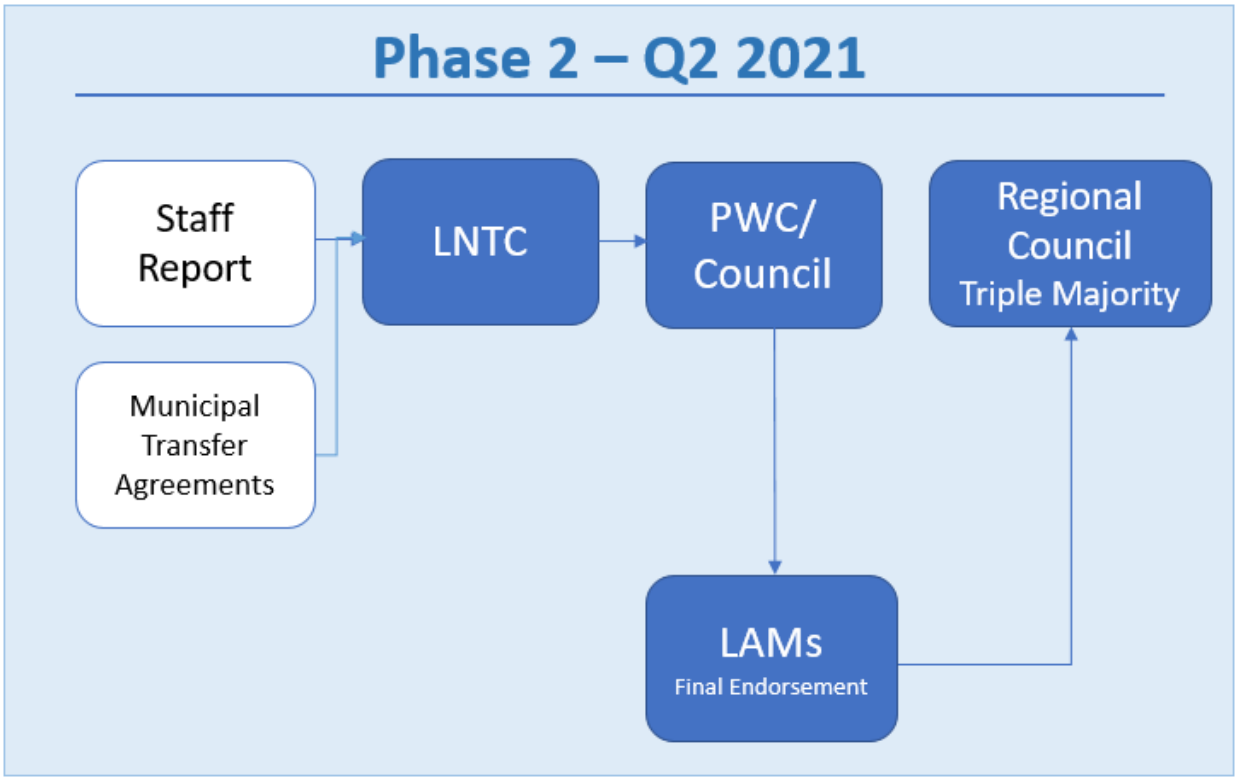
In parallel with the LAM considerations, Regional staff will undertake an analysis of considerations specific to the Region, including an assessment of the Regional levy impacts and the implications to the existing transit operations of Niagara Region Transit (NRT), Niagara Specialized Transit (NST),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

**Prepared by:**
Matt Robinson
Director, GO Implementation Office

**Recommended by:**
Bruce Zvaniga
Acting Commissioner
Public Works

**Submitted by:**
Ron Tripp, P.Eng.
Acting Chief Administrative Officer

*This report was prepared in consultation with Scott Fraser, Transportation Lead - GO Implementation Office; Heather Talbot, Financial & Special Projects Consultant – Financial Management and Planning; and the NTGS CAO Working Group comprised of the CAOs from St. Catharines, Welland, Niagara Falls, Lincoln, and Niagara Region; and reviewed by Sterling Wood, Legal Counsel; Helen Chamberlain, Director, Financial Management & Planning/Deputy Treasurer; Todd Harrison, Commissioner of Corporate Services/Treasurer.*

## 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 |

## Appendix 1 – Resolution for Endorsement in Principle

WHEREAS, a Full Commission model as described in Appendix 2 to Report LNTC-C 4-2020, and to be established as a Municipal Services Board of the Region in accordance with *Municipal Act*, *2001*, has been recommended as the preferred governance model for the consolidation of Niagara's public transit system;

AND WHEREAS, the Cummings Principle, enacted through as series of Municipal Transfer Agreements, will be used to guide the transfer, use of, and access to assets and facilities from existing local area municipalities to the Commission;

AND WHEREAS, all existing employees, vendors, contracts, and collective bargaining agreements will be transferred to or assumed by the Commission, in accordance with the *Municipal Act, 2001* or *Labour Relations Act, 1995;*

AND WHEREAS, a minimum of 2021 transit service hours in local area municipalities will be maintained for a period of five (5) years from the assumption of delivery of service by the Commission, unless otherwise agreed to by the local area municipality;

AND WHEREAS, all existing and incremental transit spending will be transferred to the new Commission, funded through a single Regional tax levy to be enacted over a transfer implementation period of five fiscal (5) years as described in Report LNTC-C 4-2020;

AND WHEREAS, to achieve a net-neutral impact to the regional taxpayer, local transit costs assumed by the Regional tax levy will be offset by equivalent budgetary reductions by the local area municipality;

AND WHEREAS, funding previously committed under inter-governmental programs such as the Investing in Canada Infrastructure Program (ICIP) will be maintained and used within the receiving municipality;

AND WHEREAS, support will be sought from senior levels of government for the one-time transition costs associated with consolidation under programs such as the Provincial governments' Safe Restart Agreement;

AND WHEREAS, an integrated single regional fare will be established by the Commission within five (5) years of the assumption of delivery of service by the Commission;

BE IT RESOLVED THAT Council endorse, in principle, the Full Commission as the recommended governance model for he consolidation of Niagara's public transit system.

# Niagara Transit Governance Study

## Final Report

October 2, 2020

Niagara Region

# Niagara Transit Governance Study

→ Final Report

## → Contents

**1. Executive Summary**

**2. Full Report**

1. Introduction
2. Current State & Leading Practices
3. Future State Transit Service Plan
4. Model Options, Analysis, and Recommendation
5. Transition Planning
6. In Summary

# Purpose of this Document

- In 2019, the consulting firms of Optimus SBR and Left Turn, Right Turn (LRTR), were retained by the Region of Niagara, in partnership with the region's local area municipalities, to undertake a study of different integrated transit governance models and recommend the best path forward to ensure that the present and future transit needs of the region can be met.

- This document is the Final Report of the study undertaken (the Niagara Transit Governance Study) – setting the stage for transit integration across Niagara Region. It provides a comprehensive summary of all work undertaken during the course of this study.

- In this Final Report, readers will find:
  1. A summary of the current state of transit in Niagara Region;
  2. Lessons learned from other jurisdictions that have integrated transit services;
  3. A future state service plan that identifies the potential growth of transit in the region; and outlines the opportunity that integration can bring;
  4. An overview and analysis of different models for transit integration;
  5. The recommended model option for the region; and,
  6. A transition plan to guide the implementation of an integrated system.

# Report Snapshot

## Key Highlights

Research into the benefits and feasibility of an integrated transit system in Niagara Region has been considered for several years, and has culminated in **this Niagara Transit Governance Study.**

A review of the current state of transit in Niagara and a forecast of demand for transit services over the coming 10 years has shown that there is a **significant opportunity to increase transit usage in Niagara (over 80% by 2031).**

To determine how Niagara could best accommodate this future growth, **three potential transit governance model options were developed**, each one reflecting a different approach to integrating transit in the region.

Each potential model was assessed against key evaluation criteria, and ultimately, an **independent Full Commission Model was recommended** as it provides the greatest opportunity for success by bringing the right degree of autonomy and flexibility to innovate, drive growth, and meet the diverse and changing needs of Niagara.

In order to create this new Commission, a five-phased Transition Plan has been developed to guide implementation activities. It is expected that **this Commission will be operational by the end of 2022**, and there is opportunity to **take advantage of government funding** to support the cost of transition to the Commission model.

# Niagara Transit Governance Study

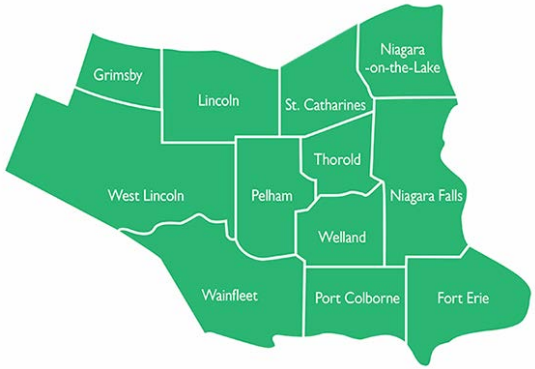
## Executive Summary

# Context for this Study

Research into the benefits and feasibility of an integrated transit system in Niagara Region has been considered for several years, and has culminated in this project, the Niagara Transit Governance Study.

## Transit in Niagara Region

- Niagara Region constitutes 12 municipalities that have varying levels of transit services available.




- The three largest providers are St. Catharines Transit, Niagara Falls Transit, and Welland Transit, who also support the existing Regional service.

## 2017 Service Delivery & Governance Review

- Following agreement on Guiding Principles for integration in 2015, the Region completed the *Niagara Transit Service Delivery and Governance Strategy Report* in 2017. The report identified several recommendations for service improvements and the following steps with respect to transit governance:
  - Approve consolidated transit model
  - Obtain triple majority for recommended model
  - Develop consolidated transit model implementation plan
  - Implement inter-municipal transit service strategy

## Governance Models

- To support the development of an integrated approach to transit, the Region formed the Linking Niagara Transit Committee (LNTC), and a working group was formed to evaluate transit governance models, consisting of the CAOs of St. Catharines, Niagara Falls, Welland, and Lincoln, and the Director of the Go Implementation Office.
- The consulting firms of Optimus SBR and Left Turn Right Turn (LTRT) were engaged by the working group to evaluate various transit service delivery models and to identify which option best accommodates Niagara's future transit operational and planning needs.

# A Systematic Approach was Followed

To determine a preferred governance model for Niagara's integrated transit system, Optimus SBR and LTRT followed a systematic approach that followed five main steps. This report contains a summary of the key information and insights from each of these steps.

## Current State and Leading Practices

### Understanding the Current Situation

Developed a mutual understanding of the current state of operations of the various transit entities in Niagara, and to understand how other jurisdictions approached the integration of their systems

## Future State Transit Service Plan

### Modelling the Future

Forecasted different growth scenarios for transit ridership in Niagara and outlined the costs/revenues associated with those forecasts

## Model Options Development

### Developing Options

Outlined three different Governance models that could potentially be created to oversee integrated transit services in Niagara, and key evaluation criteria that would be used to choose a preferred model

## Model Analysis

### Recommending a Model

The evaluation criteria was used to complete a detailed assessment of each model, and ultimately led to a recommendation

## Transition Planning

### Planning for Change

Detailed phasing for how Niagara should move from the current state of transit services to a successful integrated system

This report represents the culmination of research, analysis, and input from key stakeholders across Niagara Region to establish a way forward for transit integration

# Guiding Principles for Transit

Guiding principles for transit in Niagara were developed in 2015 and helped inform the development and recommendation of the recommended transit governance model. These principles will continue to be important throughout the transition to an integrated system and in the life of the new transit entity.

**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 for the benefit of all

# There is a Significant Opportunity to Increase Transit Usage in Niagara Region

By way of investments and harmonization of services and fares, transit under an amalgamated system is anticipated to become a more frequently used means of transportation in the region, with ridership outpacing the status quo.

## How?

Transit ridership forecasts indicate a **latent demand for inter-municipal transit** travel, which can be capitalized on through improved inter-municipal and connections to GO Transit rail services.

By investing in targeted projects and services to grow the transit mode share throughout the region, **transit ridership region-wide could grow by over 80% by 2031 under an amalgamated transit service.**

It is anticipated that Niagara Region, like its peer jurisdictions will experience a **transit mode share growth of 30% to 130% within ten years of amalgamation.**

By 2031, **operating costs in the high growth scenario will increase by approximately 55% over the status quo.**

**Capital investment of between $70M and $155M** between 2021 and 2031 may be required to address service and demand growth. Provincial Gas Tax revenue could result in up to $50M - $80M in revenue over the same ten years. Over $ 70M-worth of near- and mid-term projects have committed funds from the federal and provincial governments through ICIP.

**An integrated single fare is critical to driving ridership growth** and could be achieved in a way that is revenue-neutral if implemented progressively as ridership grows. While an integrated payment system and harmonized fare structure will be required at the start of service, a single fare region-wide can be implemented over time.

**The COVID-19 pandemic presents an opportunity** to look beyond the status quo, bring the transit systems in Niagara together, and build a new and improved service that takes capitalizes on current funding programs to see this forecasted ridership growth become a reality.

# Recommendation: Full Commission Model

Following the completion of the current state review, a jurisdictional scan, and the development of a future state service plan, three potential governance models were developed, and the **Full Commission Model** was ultimately recommended:

## Limited Commission

- Transit Service is governed by a regional commission with representation from local elected officials.
- Commission reports to Regional Council
- Strategic decision making for Transit Service is directed by Regional Council
- Relies on corporate services but retains transit-related services in-house

## Full Commission

- Distinct entity independent from Regional Council
- Governed by a board of appointed members, equitably selected by Regional Council
- Responsible for all transit planning and delivery
- Budget allotment approved by Regional Council
- Makes limited use of Regional services except where service sharing does not impede agility or independence

## Regional Division

- Division within Niagara Region's Public Works department
- Regional Council remains the governing body of the transit division
- Strategic decision making for Transit Service is directed by Regional Council
- Integrated into the Regional administration similar to other service delivery departments

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

Ultimately, the analysis 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 chief benefits that made the Full Commission more attractive than other models were:

## The 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 focused solely 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.
- The autonomy of the Full Commission provides it advantages with respect to negotiating important elements such as collective bargaining agreements and the transfer of assets.

## The Financial Benefits

- The Full Commission will likely have 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 the means previously defined in the 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.
- This is particularly important when looking to the future and considering what ridership growth may be, 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 Full Commission is best suited to grow transit in the region while delivering the high quality, innovative, and seamless transit services that the citizens of Niagara deserve.

# 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

(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)

***9 voting members***

A Hybrid governance structure was recommended as it allows a combination of elected officials and skills-based members to provide guidance and oversight.

optimus sbr

LNTC-C 4-2020
Appendix 2

# Transition to the Commission

A five-phased transition plan has been developed to guide implementation activities over the coming years to ensure the successful creation of the transit Commission.

| 1 Integration Approval Process | 2 | 3 Commission Setup | 4 Service Launch | 5 Enhancement Growth |
|---|---|---|---|---|
| Includes activities leading up to, and including, a phased political approval process that concludes with the submission of recommendations to LAM and Regional Councils to seek triple-majority approval to create the Commission | This phase of work encompasses activities related to the legal establishment of the Commission as a municipal service board and concludes with the appointment of members to the Commission | This phase includes work associated with getting the Commission ready to take on responsibility for transit services in the region, including establishing policies and processes, filling key roles, and negotiating and executing transfer agreements | 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 | This phase includes longer-term activities that the Commission will undertake to continue developing its organization and planning for the future |
| Approx. 9 Months | Approx. 2 months | Approx. 1 Year | Years 1-2 of Operation | Year 3+ of Operation |

The creation of a Regional Transit 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.

# Funding the Transition

Regional staff are currently developing an initial funding model for the start-up budget of the Commission, that will strive for a fair and equitable funding baseline commensurate with the existing baseline services within each municipality. This funding model will be provided to all decision makers upon its completion.

The preliminary cost estimates of transition to the Full Commission model is between **$3,845,000 and $4,955,000**. Given the complexity and ongoing impact of the global pandemic, fluctuations in these costs should be considered.

| Category | Items Included | Cost |
|---|---|---|
| **Capital Costs** | • Transit System Branding<br>• Facility and Office Improvements<br>• Transit Service Design<br>• Technology and Equipment | $1,670,000 to $2,225,000 |
| **Operating Costs** | • Transit Integration Team<br>• Legal Fees<br>• Public Consultation<br>• Human Resources Fees | $2,175,000 - $2,730,000 |
| | | **$3,845,000 - $4,955,000** |

Suitable investments into the start-up of the Commission will be critical in its early development and long-term success.

# Niagara Transit Governance Study

## Full Report

Niagara Transit Governance Study

# Introduction

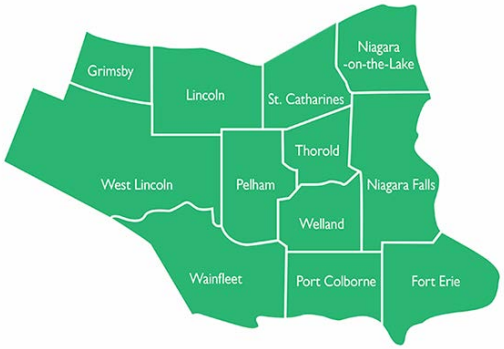
optimus sbr

LNTC-C 4-2020
Appendix 2

# Context for this Study

## Transit in Niagara Region

- Niagara Region constitutes 12 municipalities that have varying levels of transit services available.




- The three largest providers are St. Catharines Transit, Niagara Falls Transit, and Welland Transit, who also support the existing Regional service.

## 2017 Service Delivery & Governance Review

- Following agreement on Guiding Principles for integration in 2015, the Region completed the *Niagara Transit Service Delivery and Governance Strategy Report* in 2017. The report identified several recommendations for service improvements and the following steps with respect to transit governance:
  - Approve consolidated transit model
  - Obtain triple majority for recommended model
  - Develop consolidated transit model implementation plan
  - Implement inter-municipal transit service strategy

## Governance Models

- To support the development of an integrated approach to transit, the region formed the Linking Niagara Transit Committee (LNTC), and a working group was formed to evaluate transit governance models, consisting of the CAOs of St. Catharines, Niagara Falls, Welland, and Lincoln, and the Director of the Go Implementation Office.
- The consulting firms of Optimus SBR and Left Turn Right Turn (LTRT) were engaged by the working group to evaluate various transit service delivery models and to identify which option best accommodates Niagara's future transit operational and planning needs.

The concept of integrating transit systems in Niagara has been around for many years. Now, in 2020, a myriad of transit and non-transit related factors and pressures present an opportunity for the region's systems to reflect on its strengths and challenges, and consider new avenues for innovation and growth.

# The Case for Integration

A multitude of global and local trends make the need to rethink transit more apparent than ever before. Globally, emerging technology and philosophies around transit, including concept of mobility as a service, has engendered the need to see different transportation methods jointly rather than as individual elements. Economic and cultural trends are also resulting in a trend towards lower personal vehicle ownership due to a reduction in buying power, and evolving perspectives on the environment and the importance of public transit in curbing climate change.

Locally, there is a strong desire improve mobility not only within the region, but with neighboring regions as well, along with a growing need to address the disparity of transit service across the region. Moreover, the current system does not provide the integrated and seamless experience that users are growing to expect, and as new commercial and residential developments emerge, the importance of quick and reliable transit will as well.

Finally, there is a need to look at transit and its benefits not at the local level, but more broadly. Transit can be a cornerstone of a strong and vibrant community and region, and is a key enabler to attracting new residents, tourists, and businesses. An integrated transit system that can more easily respond to the needs of the region can also help strengthen economic development, support environmental sustainability, and enhance quality of life for residents and visitors alike.

Unfortunately, the innovation and growth required to capitalize on these opportunities and accommodate these shifting needs won't be achieved by maintaining the status quo; an evolution of the current system is needed.

Integration isn't about creating a larger version of what already exists today, nor is it about bringing the status quo under a single roof. Rather, **integration is about bringing a scale and flexibility to transit** that will allow for greater innovation, more beneficial partnerships, and the ability to better accommodate the variety of transit needs in the region that won't be able to be served within the constraints of the current system.

# Integration and COVID-19

The 2020 COVID-19 pandemic has undoubtedly affected transit ridership in Niagara, Ontario, and Canada as a whole. With ridership down 75% nationally,[1] operating revenues for transit agencies have also seen a significant decline. However, despite the devastating impacts that COVID-19 has had on the health of Canadians, the use of public transit, and the overall economy, now is an apt time to redesign transit in Niagara.

The ongoing pandemic has demonstrated the need for, and benefits of, enhanced levels of coordination and organization between transit providers across the region. In the early days of the pandemic, significant effort was undertaken to align and coordinate across delivery agencies 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 residents.

In addition, there is an opportunity to align efforts with current funding programs associated with the province's economic recovery. In July 2020, the province announced that it had secured one-time urgent funding to support its municipalities' critical public services, including transit services. This Safe Restart Agreement funding may include up to $2 billion for transit in the province and is already beginning to flow to municipalities and transit agencies, with eligible projects including service improvements and governance restructuring. This unique funding opportunity only strengthens the case for integration and the need for collaboration and alignment of effort across the region.

As transit providers continue to monitor the changing environment and implement recovery plans over the coming years, now is the ideal time to move integration forward and align efforts, especially given the significant work that will be needed to grow ridership in a safe and effective way, and the funding opportunities made available to municipalities.

Municipalities in the region need to look beyond the current situation and how to return to the status quo. 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 that provides a high-quality and user-friendly service for the region.

[1] *Statistics Canada. Urban Public Transit, June 2020. https://www150.statcan.gc.ca/n1/daily-quotidien/200831/dq200831d-eng.htm*

# Guiding Principles for Integrated Transit

Guiding principles were first established in 2015 and subsequently endorsed by the Linking Niagara Transit Committee (LNTC). They have informed the development of the transit governance model for Niagara.

To achieve success the new transit entity will need to make regionally-focused decisions aligned to guiding principles. This will ensure that potential growth in ridership, efficiency of operations, and improved service delivery are realized.

## 1 Customer Driven

- Continuously improve the rider experience, including improvements throughout the pilot phase;
- Understand customers, particularly those who rely on transit the most;
- Provide seamless connections and routes based on demand;
- Take people to work, school, healthcare, shopping and recreation as efficiently as possible;
- Respect established local service levels and routes; and,
- Maintain and improve transit to Niagara College and Brock University users.

## 2 Unconventional Solutions

- Investigate leading-edge technologies and delivery systems that establish Niagara as an innovator in the transit field; and,
- Explore partnerships with other providers (e.g. GO Transit) where service delivery gaps exist.

# Guiding Principles for Integrated Transit

Guiding principles were first established in 2015 and subsequently endorsed by the Linking Niagara Transit Committee (LNTC). They have informed the development of the transit governance model for Niagara.

## 3 Integrated

- Be seamless with other modes of transportation and evolve according to overall transportation plans across Niagara (e.g. Transportation Master Plan and local Master Transit plans);
- Integrated with and support daily GO train service;
- Connect municipalities at hubs that are most appropriate for customers and the community;
- Evolve according to long-term transportation planning, growth planning, and economic development opportunities; and,
- Promote interconnectivity with systems that connect Niagara with the GTHA (e.g. GO Transit, Hamilton Street Railway).

## 4 Economically Responsible

- Recognize inter-municipal transit is a public service funded through property taxes, grants, and partial cost recovery through user-fees;
- Balance financial costs with potential ridership and benefits;
- Build on past transit investments by enhancing, not duplicating, existing services; and,
- Explore alternative modes of delivery, particularly in small communities and rural areas.

## 5 Fair

- Respect existing investments made by communities with public transit and existing service levels;
- Provide a basic level of services that can be accessed by as many Niagara residents as possible;
- Balance respect for taxpayers with the ability of transit riders to pay fares; and,
- Respect existing transit collective agreements.

# Reaching a Preferred Governance Model

To determine a preferred governance model for Niagara's integrated transit system, Optimus SBR and LTRT followed a systematic approach that followed five main steps. This report contains a summary of the key information and insights from each of these steps.

## Current State and Leading Practices

### Understanding the Current Situation

Developed a mutual understanding of the current state of operations of the various transit entities in Niagara, and to understand how other jurisdictions approached the integration of their systems

## Future State Transit Service Plan

### Modelling the Future

Forecasted different growth scenarios for transit ridership in Niagara and outlined the costs/revenues associated with those forecasts

## Model Options Development

### Developing Options

Outlined three different Governance models that could potentially be created to oversee integrated transit services in Niagara, and key evaluation criteria that would be used to choose a preferred model

## Model Analysis

### Recommending a Model

The evaluation criteria was used to complete a detailed assessment of each model, and ultimately led to a recommendation

## Transition Planning

### Planning for Change

Detailed phasing for how Niagara should move from the current state of transit services to a successful integrated system

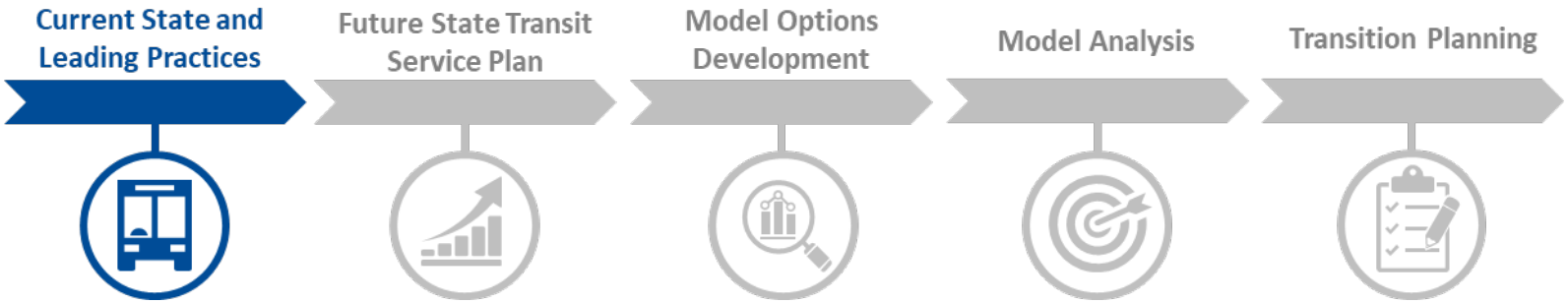
This report represents the culmination of research, analysis, and input from key stakeholders across Niagara Region to establish a way forward for transit integration.

Niagara Transit Governance Study

# Current State & Leading Practices

# Introduction

The first phase of this project involved a thorough review of the current state of transit in Niagara to identify what was working well and what challenges exist, hear different stakeholder perspectives, and better understand the benefits that an integrated system could bring to the region.




## Understanding the Current Situation

Before work on evaluating and selecting different models for an integrated transit system could begin, it was critical to undertake a thorough review of what transit looks like in the Niagara Region today. A clear picture of the current state allowed us to understand what was feasible and not feasible with respect to transit integration in Niagara. Through this understanding, it was possible to devise different options for moving forward, assess which option had the most potential, and develop a realistic transition plan for getting there.

This was accomplished through a review of key data, engaging with representatives from transit system and external organization (e.g. Amalgamated Transit Union, Brock University), and also included a review of other jurisdictions that have undergone similar transit system integrations in the past.

The findings from this phase of the project not only provided a sense of the transit-specific strengths/gaps in the current system and the potential size of an integrated one, but also enabled us to understand what was particularly important to different stakeholder groups with respect to transit in Niagara and what their initial impressions of an integrated system were. The data collected during this phase was also a key first step in forecasting future transit demand, and the information gained from researching how other jurisdictions structured and implemented their integration provided important insights and lessons learned that were applied to all subsequent phases of work.

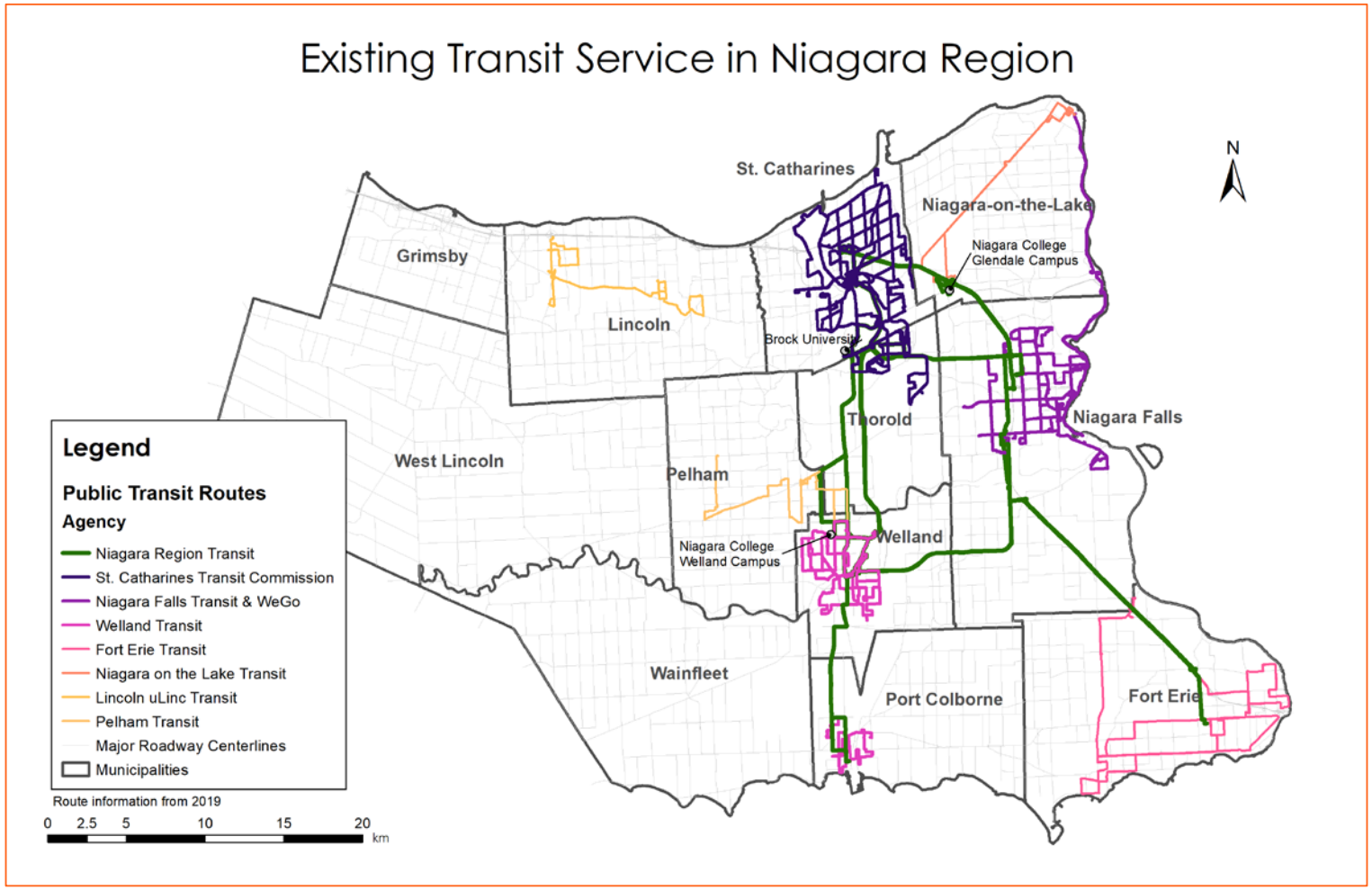
In the following slides, please find a summary of the Current State and Leading Practices Report, which includes an overview and key statistics about transit in the region, a financial summary, a snapshot of themes identified during engagement with key stakeholders, and a summary of insights gained from the review of other jurisdictions.

Current State & Leading Practices

# System Assessment

# Niagara Transit 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.



# Niagara Transit System Overview

The region experiences diverse levels of transit services. Higher-quality transit services are generally correlated with higher levels of urbanization.

## Overview

Niagara Falls, St. Catharines and Welland are the largest local transit services and provide contracted service throughout the region.

- Niagara Region contracts service on all intermunicipal routes to Niagara Falls, St. Catharines and Welland
- Thorold contracts service from St. Catharines Transit
- Port Colborne contracts service from Welland Transit

Niagara Region, in partnership with several municipalities in western Niagara, launched NRT OnDemand, an alternative transit service on August 17, 2020.

- The service was initially designed as a regional transit alternative connecting the communities of Grimsby, Wainfleet, Lincoln and West Lincoln with the larger urban centres in Niagara Region
- Grimsby opted to introduce a new local transit service as part of NRT OnDemand to provide transit access within the community and connectivity to the planned GO Station.
- Additionally, Lincoln and Pelham have completely replaced their local fixed-route transit services with NRT OnDemand.

Fort Erie and Niagara-on-the-Lake operate their own local fixed-route transit services through third-party private contractors

- The contractors are responsible for all service as well as supply and maintenance of vehicles, equipment and other assets
- Only Niagara-on-the-Lake reports into the Canadian Urban Transit Association

Wainfleet and West Lincoln Townships have no existing local transit service, but expansion of NRT OnDemand remains a future consideration.

# Niagara Transit System Overview

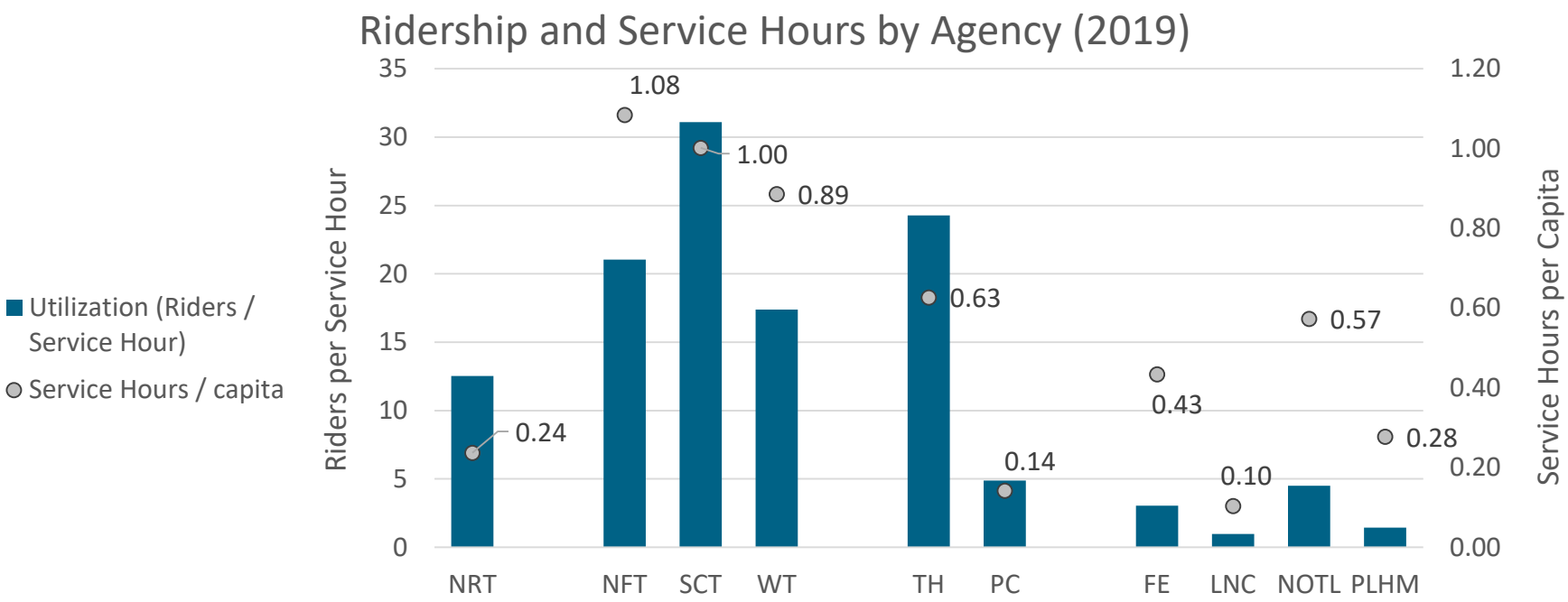
The following is a summary of 2019 key characteristics for transit in the region for the different systems:

| Municipality | Ridership | Service Hours | Routes | Revenue Vehicles | Operating Expenses | Operating Revenue | Specialized Ridership |
|---|---|---|---|---|---|---|---|
| Niagara Region Transit | 1,065,933 | 85,070 | 18 | 21 | $ 12,228,435 | $ 4,878,503 | 29,995 |
| Niagara Falls Transit | 2,009,784 | 95,538 | 31 | 45 | $ 12,521,213 | $ 3,842,111 | 24,722 |
| St. Catharines Transit Commission | 4,731,453 | 152,181 | 24 | 73<br>14 Specialized | $ 21,643,836 | $ 8,704,665 | 28,166 |
| Thorold (Provided by St. Catharines Transit) | 286,037 | 11,779 | 3 | N/A | $ 1,347,798 | $ 460,034 | 3,722 |
| Welland Transit | 738,998 | 42,509 | 9 | 18<br>4 Specialized | $ 3,128,392 | $ 1,359,467 | 12,802 |
| Port Colborne (Provided by Welland Transit) | 12,700* | 2,600 | 2 | N/A | $ 278,684 | $ 18,838 | N/A |
| Fort Erie (Provided by 3rd Party) | 40,467 | 13,313 | 4 | 3 | $ 972,740 | $ 35,076 | 9,880 |
| Lincoln (Provided by 3rd Party) | 2,000 | 2,064 | 3 | 1 | $ 317,680 | $ 51,851 | N/A |
| Niagara-on-the-Lake (Provided by 3rd Party) | 29,510* | 6,545* | 2 | 2 | $ 667,416 | $ 22,357 | N/A* |
| Pelham (Provided by 3rd Party) | 7,895 | 5,458 | 2 | 2 | $ 445,090 | $ 32,600 | 910 |

**Note that at the time of collection some data remains approximate since reporting may not yet have been complete*

# Access to Services

Conventional transit services are accessible to over 390,000 people or approximately 85% of the region's residents.




- There is a stark discrepancy in the amount of service and the utilization of that service in large 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; and,
- Note that service in Thorold is provided by St. Catharines Transit Commission and is considerably better performing than other smaller municipalities on the basis of riders per service hour.

Current State & Leading Practices

# Financial Analysis

# Financial Performance

A financial performance summary was compiled based on CUTA statistics and information from each of the transit operators in Niagara for the year 2018.

## Key findings from the financial performance summary

The three largest systems provide the most service per capita and ultimately have a lower cost per trip and the highest revenue recovery since increased service frequency results in more ridership and revenue.

Previous U-Pass contracts at Brock University and Niagara College generate significant revenue and service obligations. However, as a result of COVID-19, the viability of these contracts is unknown.

The Capital Asset profiles and future capital needs are primarily for transit buses and their replacement.

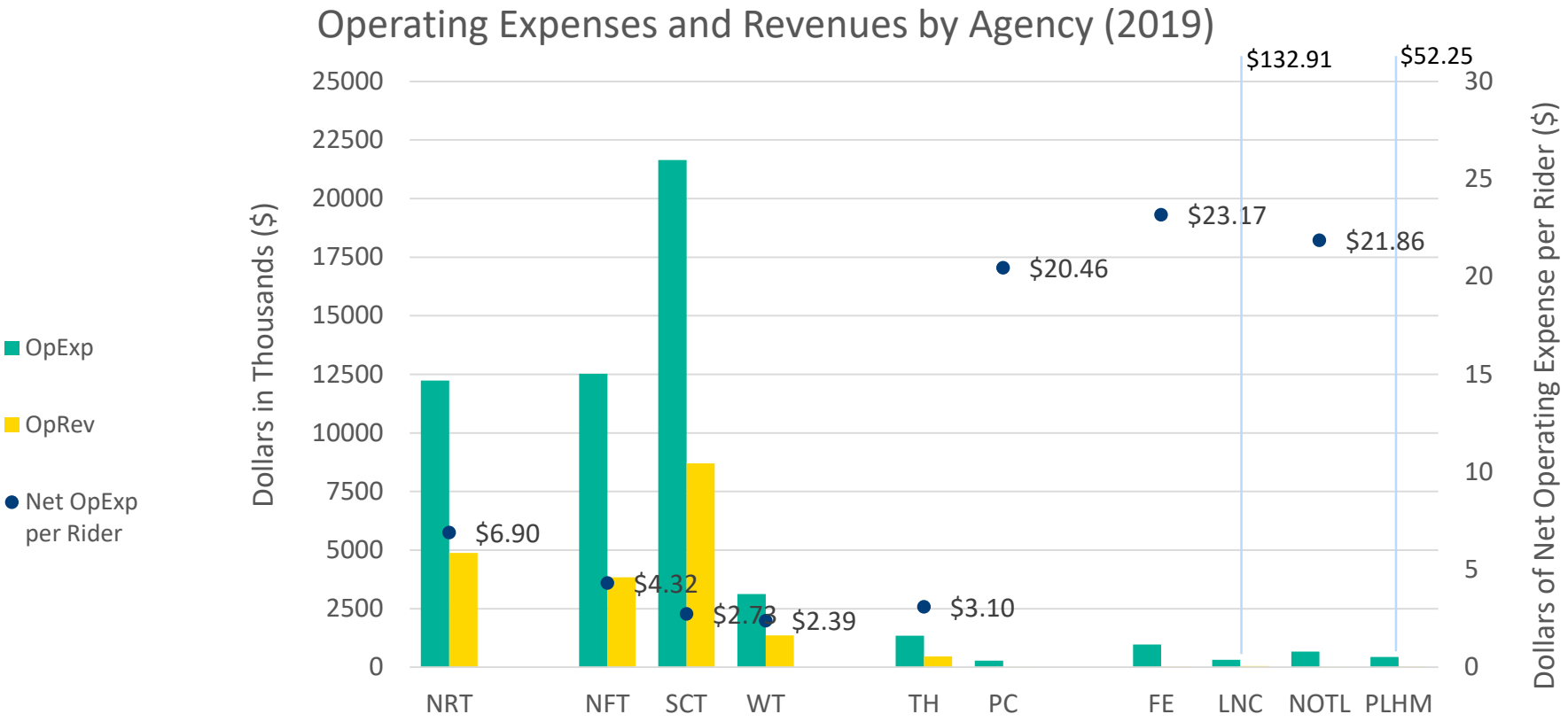
The three largest systems use a different lifespan for buses so 12 years was used for comparative purposes, aligning with the standard warranty period on most transit vehicles.

Financing of transit comes from a mix of fares, budgets, tax levies and Provincial and Federal funding.

A Regional Development Charge for transit investment can be used to fund infrastructure and growth.

# Operating Expenses and Revenues

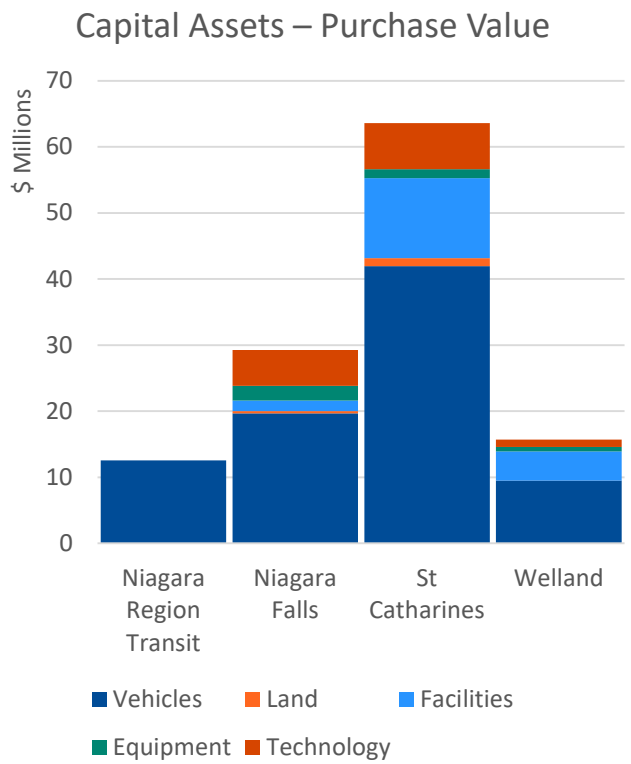
This chart reflects the considerably large disparity in the investment in service and the service area that these agencies are responsible for.

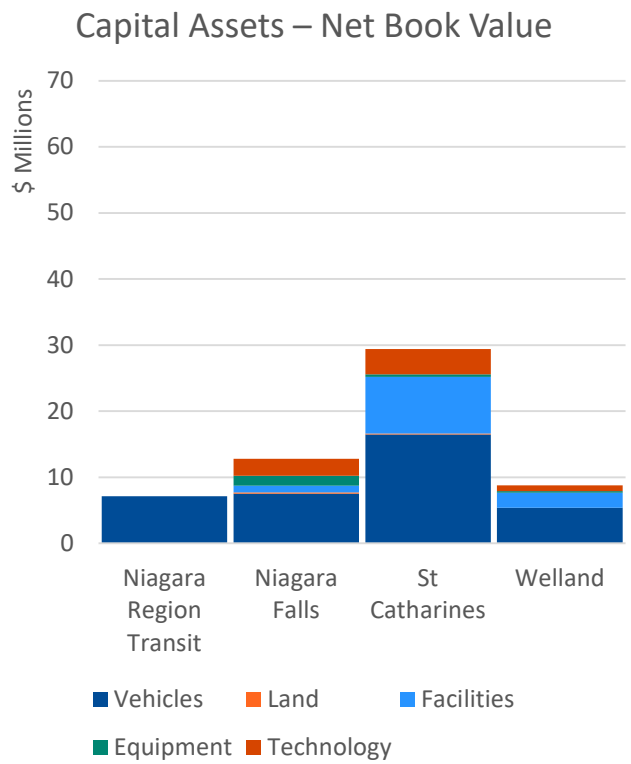



- St. Catharines, Niagara Falls and the Region have a considerably larger operating budget than any of the other agencies;
- Fixed route services require discrete capital investments to provide base services and are often under utilized in smaller rural communities resulting in higher net operating costs per rider; and,
- Note that for these purposes, operating revenue does not include grants and funding from external sources, such as gas tax funding applied to operating costs.

# Capital Asset Summary by Agency

This slide provides an overview of the purchase and book value of different agency's capital assets



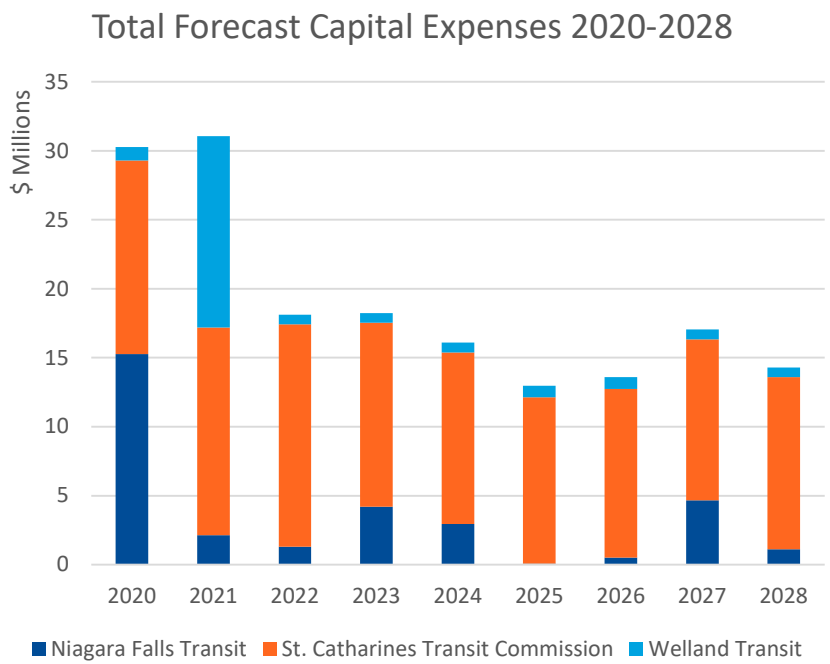




- Niagara Region Transit owns 21 vehicles that are designed to the standards by the local agency that operates the vehicle on behalf of the Region. Otherwise, the Region has no other major capital assets;
- Niagara Falls, St. Catharines and Welland have the largest capital asset inventory of the municipalities;
- The smaller agencies and municipalities contract out service, and do not own the assets for service; and,
- The exception is Fort Erie, which owns the smart card fare system technology onboard their vehicles.

*Note that all agencies use a different amortization period for their vehicles. For the purposes of this comparison, a 12-year amortization period (useful life) was used for conventional transit vehicles, cutaway minibuses were given a 7-year useful life and paratransit vans a 5-year useful life.*

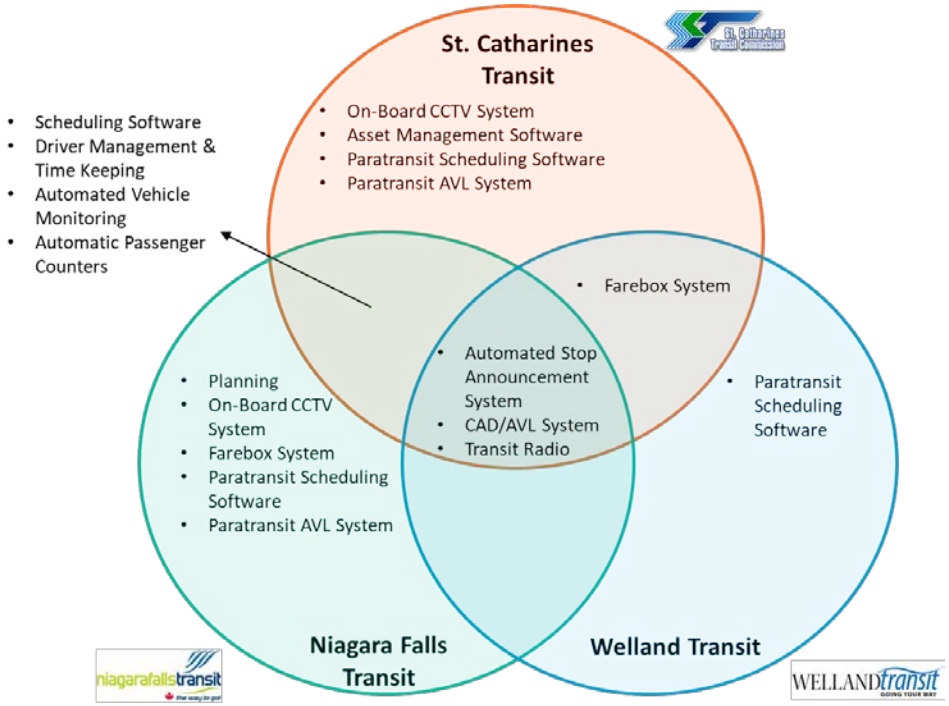
# Total Forecast Capital Expenses

## Local transit agencies are planning for large investments over the coming years.




In addition to fleet renewal and minor infrastructure improvements, the three properties have plans for major facility improvements. Many of these initiatives already have committed funding as part of ICIP, including matching municipal funds:

- Niagara Falls Transit had earmarked $ 7M for transit terminal and storage facility expansion in 2020
- Welland Transit had earmarked $ 13M for a new operations facility in 2021
- St. Catharines Transit had earmarked funds annually for major garage improvements totalling $15M




While core operating technologies (such as the CAD/AVL system and related components) are shared and integrated across all three local transit agencies, ancillary technologies such as fareboxes, paratransit scheduling and AVL, and asset management systems are not presently integrated.

**Note that vehicles procured for Niagara Region Transit are configured based on the specifications of the local agency that will be providing the service and maintenance on the vehicle*

**Note that Niagara Region Transit intermunicipal service fleet requirements are included in the capital projections*

# Funding and Financing Service and Investment

## Operating Subsidies and Tax Levies

- Most municipalities contribute to funding transit agencies within their cities and towns through either through their annual budgeting process, or by dedicated tax levies that are specifically allocated to transit;
- In Niagara Region, most transit agencies operate as a division of the local municipality they reside in, and are funded directly through the annual municipal budget process; and,
- St. Catharines Transit Commission, which operates on a commission model, has secured a dedicated transit property tax levy approximately 0.07% or roughly $210 per year on a $300,000 home.

## Provincial Funding

- Niagara Region Transit, as well as the local municipalities receive Gas Tax disbursements that are allocated to operating and capital transit investment. The 2018/19 allocations are listed below:

| | Total | NRT | NFT | SCT | TH | WEL | PC | FE | LNC | NOTL | PEL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Operating** | $1,649,400 | $267,309 | $ 532,000 | - | $250,993 | - | $112,754 | $287,173 | - | $147,837 | $ 51,334 |
| **Capital** | $4,806,134 | $493,722 | $ 914,000 | $2,633,000 | - | $765,129 | - | - | - | - | - |
| **Total** | $6,455,534 | $761,031 | $1,446,374 | $2,633,000 | $250,993 | $765,129 | $112,754 | $287,173 | - | $ 47,837 | $ 51,334 |

- Lincoln will begin collecting Gas Tax disbursements in 2019/20.
- Funding from the Safe Restart Agreement is beginning to flow to municipalities and transit agencies as part of the COVID-19 response, with eligible projects including service improvements and governance restructuring

# Funding and Financing Service and Investment cont.

## Federal Funding

- Niagara Region Transit as well as Niagara Falls, St. Catharines and Welland applied for Public Transit Infrastructure Fund (PTIF) funding with the federal government for capital improvements and funding has been made available;
- PTIF funding, which was made available to transit agencies across Canada, is a limited pool of $3.4 Billion that is allocated to transit agencies based on reported CUTA ridership figures;
- Active applications for PTIF funding will be ongoing until the funds expire; and,
- Investing in Canada Infrastructure Program (ICIP) funding has been approved, and provincial and federal funds have been committed for over $ 74M worth of capital investments through the first round of funding

Current State & Leading Practices

# Stakeholder Perspectives

# Stakeholder Engagement Findings

A number of stakeholders were engaged to gather insights and perspectives about the current state of transit services and key considerations for an integrated system. Some key considerations raised by stakeholders with regards to service and system planning included:

## Findings

**Connecting to Hubs**: Integrated system should focus on connecting residents to important community hubs and landmarks in an efficient manner (e.g. hospitals, malls, schools, etc.). No trip to the hospital should take 2-3 hours.

**Seamless Rider Experience**: Prioritize aligning service schedules and stops so that riders can move from point A to point B – with integrated fares.

**Collaboration with Regional and Municipal Staff**: A coordinated effort will need to be undertaken to look at routes and determine the need that current construction projects will have for future transit service.

**Connecting with other Transit Entities**: Integrating and/or connecting with other transit systems in the area, including GO, HSR, or coach bus.

**Building for Niagara's Current and Future Needs**: Ensuring that appropriate services are built to accommodate future residential and business developments and creating inter-municipal corridors will be important.

**Accessibility**: Consider an automated booking service that allows users to book in advance given consistent medical needs.

**Community Engagement**: Importance of ongoing and regular public communication and engagement in transit planning to ensure the voice of the rider is understood.

Current State & Leading Practices

# Leading Practices

optimus sbr

LNTC-C 4-2020
Appendix 2

# Leading Practice Overview

The following is a summary of the findings from the jurisdictional scan of four municipalities, including the regions of Durham, Waterloo and York, and the Edmonton Metropolitan Region.

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

## 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

# Summary of Findings: Leading Practices

The following is a summary of the findings from the jurisdictional scan of four municipalities, including the regions of Durham, Waterloo and York, and the Edmonton Metropolitan Region.

| | |
|---|---|
| **Governance** | • A governance body was set up for both the study for amalgamation, and the transition period. Membership often continued into the transition planning period.<br>• With the exception of Waterloo Region, which was a staff-only led Committee (and reported directly to Regional Council), the remaining amalgamations had an operationally focused oversight body that reported to a politically appointed oversight body.<br>• York and Waterloo Regions both selected a governance model where transit resided as a department within the Regional Corporation, and reports to Regional Council through the Chief Administrative Officer. Edmonton and Durham selected a Commission model. |
| **Transit Service Planning & Operations** | • Due to the difference in transit services across the amalgamated municipalities, often considerable service enhancements were identified. These were prioritized and completed in a phased approach over 5 to 7 years.<br>• Significant planning and resourcing is required for the transfer of human resources related matters, including contract negotiation, and placing staff within a revised organizational structure.<br>• Fares were integrated across the amalgamated regions.<br>• Collection of service metrics continued to be a challenge well after the transition period as amalgamated bodies reconciled legacy systems across local transit providers. |
| **Financial Considerations** | • There was a varied approach to the fee levy: Durham and York Regions instituted a unified levy, Waterloo implemented a differentiated fee levy (with the goal of a unified levy), and Edmonton will receive funding from municipalities based on budgeted operating revenues and expenses.<br>• Municipalities typically started with applying area rated tax levies to apportion the cost of the transit services being provided to each community, then moved to introduce single urban tax levy and maintain area rates for rural areas. |

# Summary of Findings: Leading Practices

The following is a summary of the findings from the jurisdictional scan of four municipalities, including the regions of Durham, Waterloo and York, and the Edmonton Metropolitan Region.

| | |
|---|---|
| **Financial Considerations** | • The Cumming Principle was utilized in most cases for transfer of assets.<br>• Transit related development charges were transferred to the regions of Durham and Waterloo. |
| **Transition Planning** | • All municipalities documented the transition plan in a joint agreement between transit providers and established a transition period between 1 to 2 years.<br>• Most Plans focused that transition period on bringing the transit systems together, not on significant changes to services and service levels.<br>• Significant communication resources required to inform and engage both impacted staff and unions, and members of the public. |
| **Lessons Learned** | • Consideration needs to be taken on how and why resources are transferred to the amalgamated organizational structure.<br>• A single tax levy being implemented from the beginning, through a phased approach had been made successful through a concurring commitment to provide service in areas that had no transit services.<br>• Do not underestimate the magnitude of cultural change and legacy systems involved in transition planning.<br>• Ongoing communication to the public, province, and municipal governments is an important factor in bringing key stakeholders onboard. |

Current State & Leading Practices

# Summary

# Summary

The current state has broad implications for the future of transit in Niagara, and the long-term design and development of an integrated transit agency. Key findings that a future integrated system will need to consider include:

## Implications for Integration

with respect to availability and frequency of service, and ensuring basic levels of equity for accessing services.

Manage the differences in transit service expectations from residents of different municipalities. The relative lack of population density in a large part of the region and the pockets of density located in the major municipalities – including the fact that 85% of the region's population still lives within a 15-minute walk of transit services, and over half of the population within a 5-minute walk.

The large swathes of rural and undeveloped land within the region and how these will be served.

The differences in financial contribution of the three largest municipalities in terms of operating dollars per capita compared to the smaller transit agencies.

That the larger municipalities have substantial planned investments that will need to be maintained toward fleet and facility renewal.

That agencies have already begun to integrate technologies across the region.

The financial and legal impact of transferring existing contracts municipalities to the future integrated system.

How the three CBAs with the ATU are to be consolidated into a single agreement.

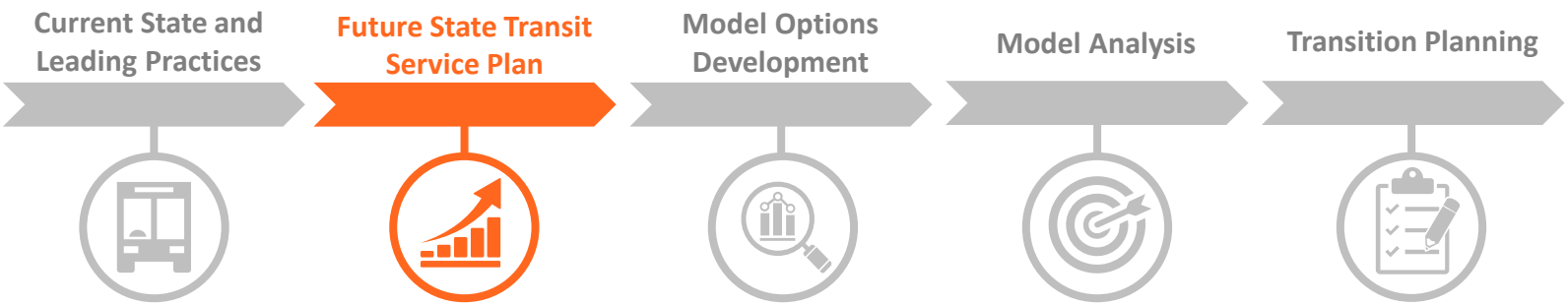
The means and degree to which the new integrated agency will take on the current staff complements of the different transit agencies, and the method by which leadership positions will be filled.

Niagara Transit Governance Study

# Future State Transit Service Plan

# Introduction

The second phase of work in this project, the Future State Transit Service Plan, was a critical milestone as it provided insight into the potential growth of transit in Niagara Region and its implications for an integrated transit system.




## Modelling the Future

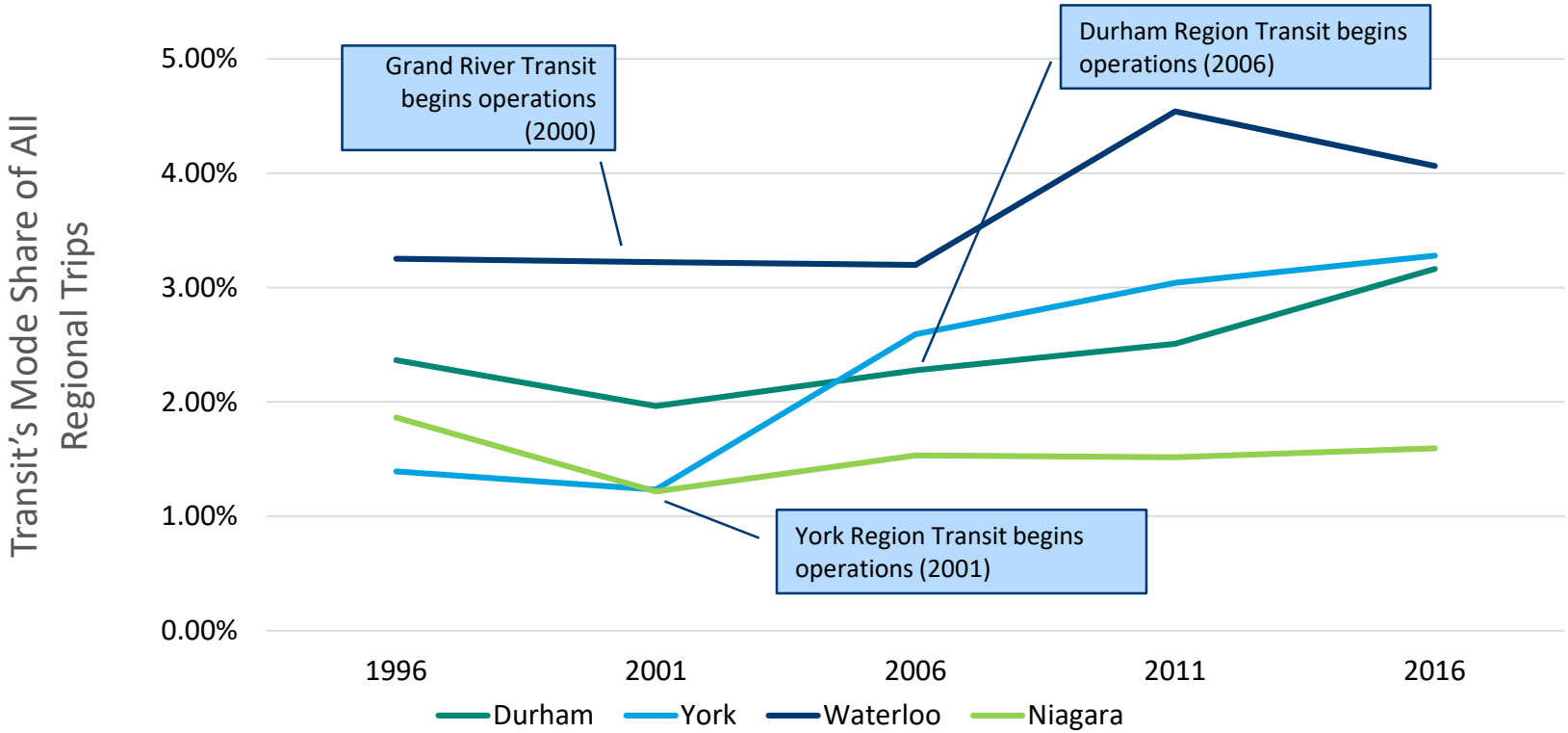
Understanding the future demand on the Region's transit network is an important consideration in planning for it. By forecasting ridership growth, and capital and operating costs, one can gain a clearer picture of the benefits that an integrated transit system could bring to Niagara, and also better understand the environment that this integrated system will be operating in. While not a direct input into the governance structure recommendations, the results of the Future State Transit Service Plan provide critical context of how residents and workers in Niagara Region will utilize the services provided by this new entity.

As part of this study, an in-depth analysis of the Transportation Tomorrow Survey and the Ontario Growth Plan was undertaken, as well as observed transit data to identify a set of changing trends and important considerations for the 2031 horizon. In addition to this, a forecast of future demand estimates for the preferred network was undertaken, which was achieved by adjusting information related to routes, headways, fare policy, and more.

The following slides contain a summary of this Future State Plan that outlines the potential growth in transit ridership in Niagara. The assessment has identified a latent demand for transit that the current status quo system is unable to accommodate because of its inability to effectively support inter-municipal trips with first- and last-mile connections. Through integration, however, Niagara has the opportunity to spur this latent demand and accommodate ridership growth throughout the Region. This new entity will have the capacity, scale, and flexibility to build a system that reacts to not only the demand within a particular municipality, but that drives transit ridership growth across the Region.

# Within 10-years of amalgamation, transit mode share could increase between 0.9% – 1.8%

This is consistent with peer jurisdictions, who experienced between 30% and 130% mode share increases post amalgamation, independent of population growth.




After amalgamation of local transit services, Durham, Waterloo and York Regions all experienced a substantial increase in transit utilization.

In contrast, the local transit mode share in Niagara Region has remained largely constant over the past twenty years.

*Note: this chart excludes all "GO Transit Only" trips, and focuses entirely on transit trips that utilize some form of local transit*

# Transit Demand in the 2031 Horizon

## In all tested scenarios with fully integrated transit services, the total number of transit trips greatly outpaces the status quo

The consultants worked in collaboration with IBI Group to produce a set of comparable 2031 AM Peak Period transit forecasts using the Region's Transportation Model. The future network in the model was updated to the preferred network, including the express service options, and a preliminary fare-policy was recommended.

The high growth scenario considers the results of the advanced modelling analysis and includes recent trends in growth and demand and identifies an apparent latent demand for improved regional transit integration. This scenario employs the increasing trends in modal share observed at peer transit agencies after amalgamation of local transit services. While this represents a considerably greater demand for transit in the 2031 horizon, the approach employed to consolidate these results ensures that the most current transit ridership trends are adequately captured.

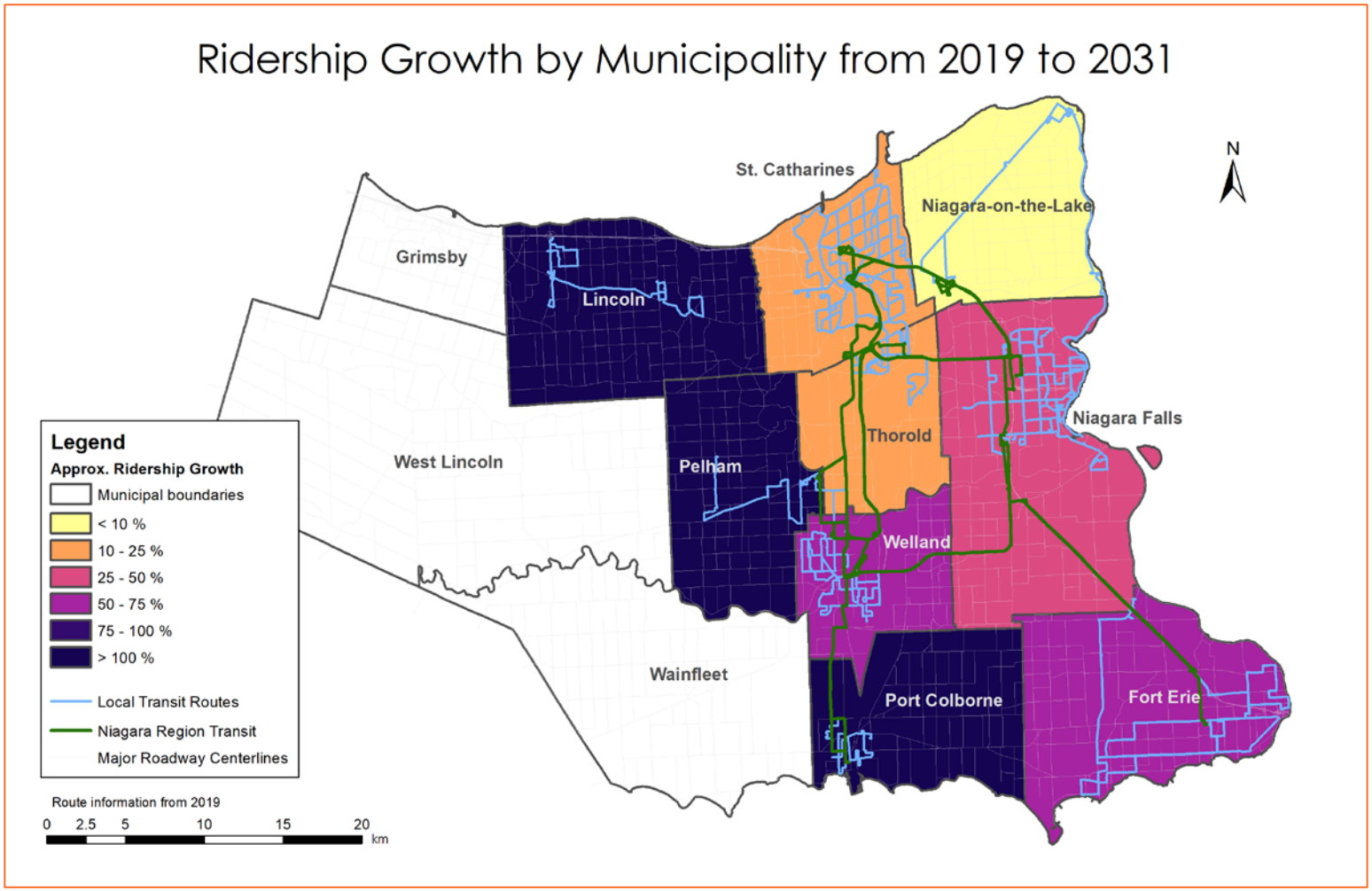
| Total Trips Originating from and/or Destined within Niagara Region | | | |
|---|---|---|---|
| | **Status Quo** | **Low Growth** | **High Growth** |
| AM Peak Period Transit Demand | 4,770 | 6,990 | 15,180 |

*Note that this assessment does not represent a rigorous modelling exercise and should only be leveraged for the purposes of providing broader context to the overall transit governance strategy.*

*The Status Quo scenario assumes 2% annual growth.*

# After service integration, transit ridership is expected to grow by up to 80% region-wide by 2031 in the High-Growth Scenario

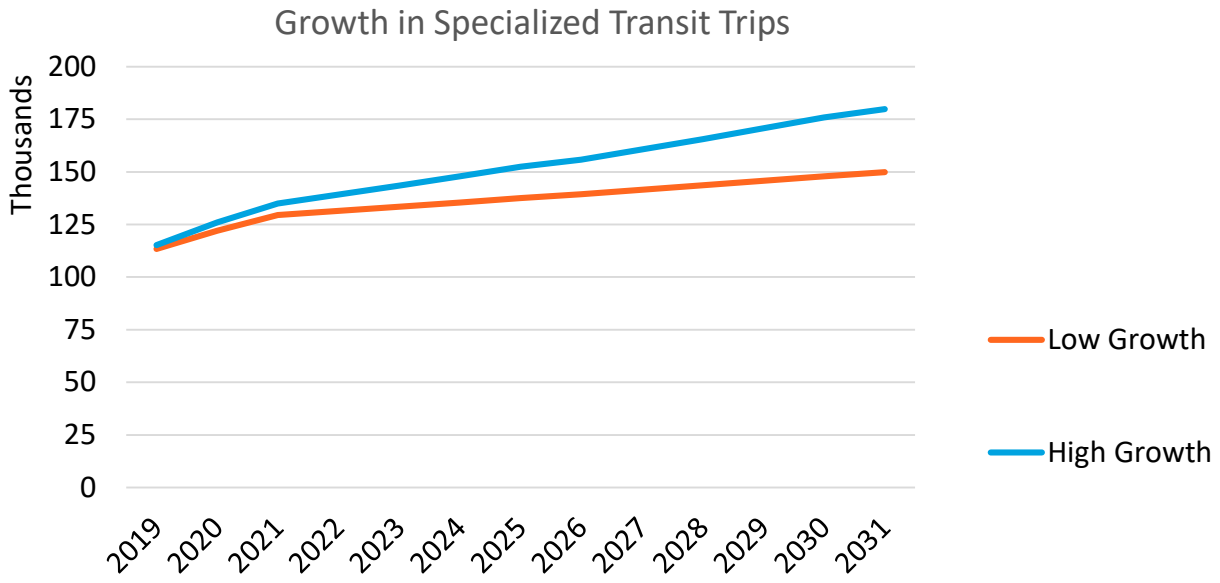
Service integration will allow for more seamless travel region-wide. With appropriate service enhancements, every local municipality will have substantial growth in transit ridership




*Note that growth rates for Grimsby, Wainfleet and West Lincoln are excluded since there was no transit service in 2019*

# Demand for specialized transit service is expected to grow between 20% and 40%

| | 2018 Observed | 2021 Forecast | 2031 Forecast |
|---|---|---|---|
| Total Clients | 4,390 | 4,580 – 4,780 | 5,300 – 6,360 |
| Total Trips | 124,087 | 129,460 – 135,025 | 149,865 – 179,840 |
| *Ambulatory / Non-ambulatory Patient Trips* | 30,684 / 93,403 | 32,015 – 33,390 / 97,445 – 101,635 | 37,058 – 44,470 / 112,810 – 135,370 |
| *Trips with / without a support person* | 22,725 / 101,362 | 23,710 – 24,730 / 105,750 – 110,295 | 27,445 – 32,935 122,420 – 146,905 |




*Data and growth rates extracted from the January 2020 Niagara Specialized Transit report (IBI Group, 2020)*

# Expected Service Growth

Transit service must increase dramatically over the first ten years to meet ridership demand after amalgamation. Region-wide, capacity must increase by over 300,000 service-hours (approximately 95% increase over 2019) in the high-growth scenario.

| Municipality | Ridership (2019) | Anticipated Annual Trips (2031) | Service Hours (2019) | Estimated Service Hours Required (2031) |
|---|---|---|---|---|
| Intermunicipal Services | 1,065,933 | 2,080,000 – 3,420,000 | 85,070 | 105,000 – 198,000 |
| Niagara Falls | 2,009,784 | 2,085,000 – 3,430,000 | 95,538 | 99,000 – 165,000 |
| St. Catharines | 4,731,453 | 4,600,000 – 7,100,000 | 152,181 | 148,000 – 230,000 |
| Welland | 738,998 | 870,000 – 1,440,000 | 42,509 | 50,000 – 83,000 |
| Port Colborne | 12,700 | 20,000 – 40,000* | 2,600 | 8,500+ |
| Thorold | 286,037 | 255,000 – 450,000 | 11,779 | 12,000 – 19,000* |
| Fort Erie | 40,467 | 49,000 – 81,000* | 13,313 | 16,000 – 27,000 |
| Niagara-On-The-Lake | 29,510 | 22,000 – 37,000* | 6,545 | 8,500+ |
| Grimsby (On-Demand)~ | N/A | 5,000 – 9,000* | N/A | 3,500+ |
| Lincoln (On-Demand)~ | 2,000 | 6,000 – 10,000* | 2,064 | 3,500+ |
| Pelham (On-Demand)~ | 7,895 | 15,000 – 26,000* | 5,458 | 5,500+ |
| West Niagara (On-Demand)~ | N/A | 290,000 – 475,000* | N/A | 42,000 – 56,000 |
| **Summary** | **8,924,777** | **10,030,000 – 16,200,000** | **417,057** | **502,000 – 803,000** |

- **Note: the demand models employed are less effective at predicting ridership precisely in smaller municipalities and areas with now existing transit service; these values should be considered carefully in this context.*
- *+Note: service hour growth for Port Colborne and Niagara-on-the-Lake is required for ensuring customers have equal access to transit throughout the region by providing equivalent service levels and span-of-service to other local municipalities*
- *~Note: West Niagara Intermunicipal On-Demand is separate from local on-demand service in Grimsby, Lincoln or Pelham*

optimus sbr

LNTC-C 4-2020
Appendix 2

# Service Improvement Increments

## Initialization Phase
2021 – 2022

- Initialization of the new integrated service
- Harmonize costs and hourly rates for operators and staff
- Initial phases of harmonized fares are implemented
- Implement an integrated fare system and associated technology to support region-wide travel
- Improve services in Port Colborne, Fort Erie and Niagara-on-the-Lake to ensure consistency across the region

## Growth Phase
2023 - 2026

- Considerable investment in service hours across the region
- Expansion of fleet and facilities to accommodate growth
- Potential demand for incremental investment in transit priority measures such as queue jump lanes, transit signal priority and dedicated right-of-way

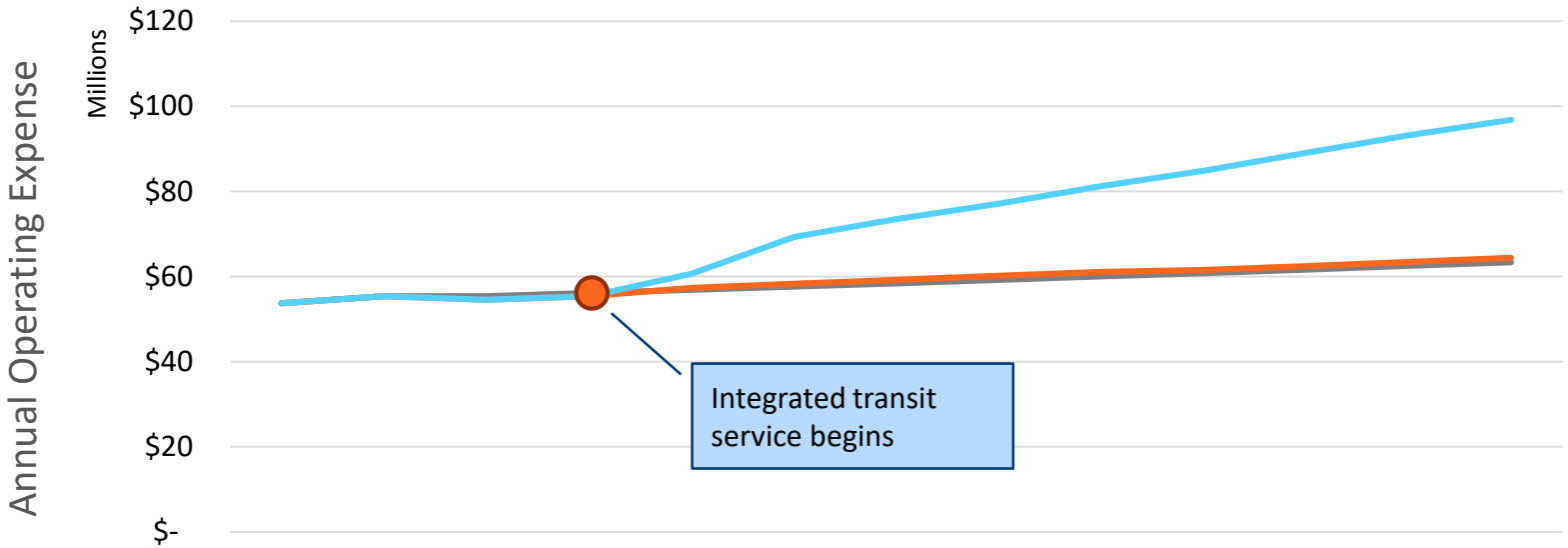
## Future Outlook
2026 - 2031

- Incremental transition to an integrated fare for region-wide travel to drive ridership growth and ensure seamless and fair access to opportunities by transit
- New services and infrastructure investment into higher-order transit such as Bus Rapid Transit
- Implementation of fixed-route services into West-Niagara to satisfy growing transit demand

# Operating Cost Comparison Across Scenarios

## Assuming a "Go-Live" date in the fiscal year of 2022, the new entity will need to make considerable investments in order to satisfy the demand for transit services in the region.

Service investment in order to achieve high growth is approximately 55% greater than the Status Quo scenario. Savings in the low-growth scenario are driven by lower more strategic investment in services and a reduced administrative burden over the status quo. Notice that the average cost-per-trip is lower in both the low growth and high growth scenarios.




| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 | Avg Annual Change | Avg Cost per Trip |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Status Quo | $ 53.8 | $ 55.4 | $ 55.4 | $ 56.1 | $ 56.9 | $ 57.6 | $ 58.4 | $ 59.2 | $ 60.0 | $ 60.8 | $ 61.7 | $ 62.5 | $ 63.4 | 1.44% | $ 9.16 |
| Low Growth | $ 53.8 | $ 55.4 | $ 54.6 | $ 55.4 | $ 57.3 | $ 58.3 | $ 59.2 | $ 60.2 | $ 61.1 | $ 61.5 | $ 62.5 | $ 63.4 | $ 64.4 | 1.79% | $ 8.78 |
| High Growth | $ 53.8 | $ 55.4 | $ 54.6 | $ 55.4 | $ 60.7 | $ 69.3 | $ 73.5 | $ 77.1 | $ 81.3 | $ 84.9 | $ 89.1 | $ 93.2 | $ 96.8 | 7.74% | $ 8.39 |

*Note that costs and revenues represent real dollars ($2019) and are not adjusted for inflation*

Operating Costs in Millions

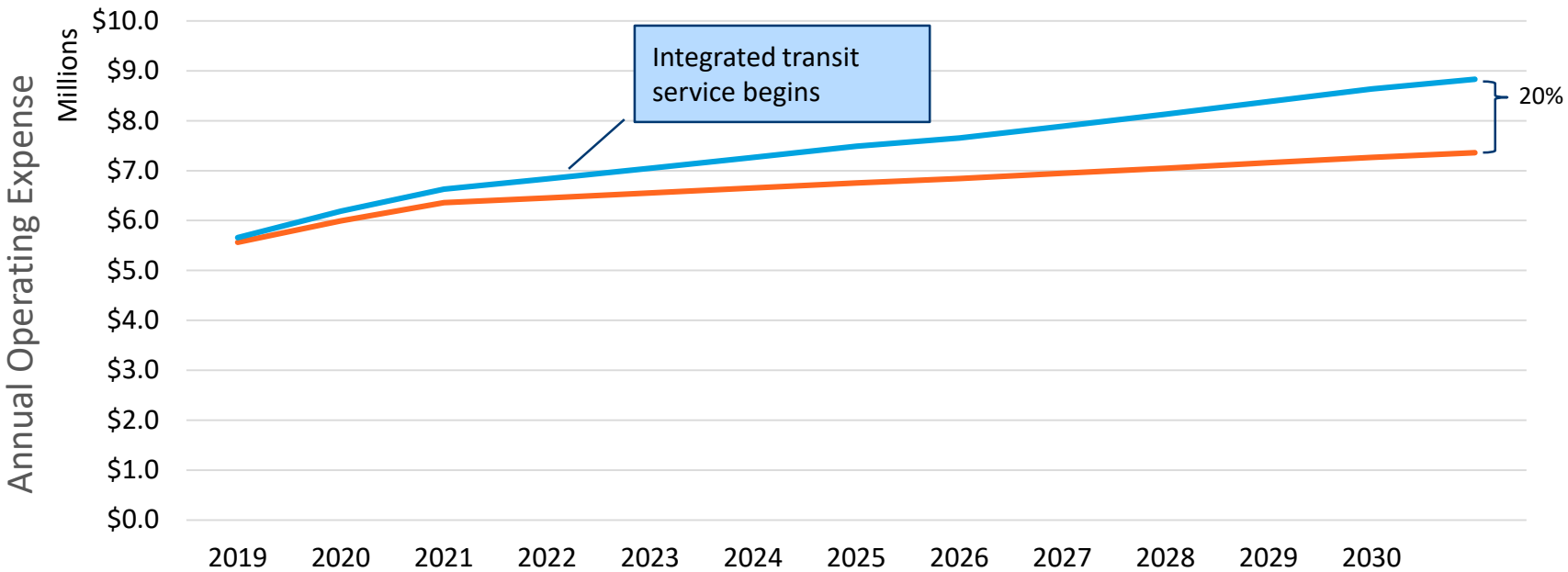
# Implementing an integrated fare structure is critical to achieving ridership growth targets

Additional consideration should be made for the impact on changing fare policy on the post-secondary student pass programs at Brock University and Niagara College. Note that for this analysis it is assumed that the Post-Secondary UPass Program is tied to enrollment, not student ridership, and thus remains constant under all future scenarios.

| | 2022 | 2031 | |
|---|---|---|---|
| | **Start-of-Service** | **Status-Quo** | **Integrated Transit Fares** |
| Regional Cash Fare | $ 6.00 | $ 6.00 | $ 3.00 - $ 3.50 |
| Local Cash Fare | $ 3.00 | $ 3.00 | $ 3.00 - $ 3.50 |
| **Total Customer Journeys** | **6.2M – 6.5M** | **6.8M** | **7.3M – 10.8M** |
| Student Customers | 3.6M | 3.7M | 4.0M – 5.4M |
| Non-student Customers | 2.7M – 2.9M | 3.0M | 3.3M – 5.4M |
| **Total Revenue** | **$ 18.2M - $ 18.5M** | **$ 20.1M** | **$ 20.3 – $ 29.2M** |
| Post-Secondary Pass Program Revenue | $ 10.5M | $ 11.6M | $ 11.6M |
| General Fare Revenue | $ 7.7M - $ 8.0M | $ 8.5M | $ 8.7M – $ 17.6M |
| **Average Revenue per Trip** | $ 2.84 – $ 2.91 | $ 2.91 | $ 2.53 – $ 2.77 |

*Note that costs and revenues represent real dollars ($2019) and are not adjusted for inflation*

# Specialized Transit Operating Cost Comparison




| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Low Growth | $ 5.6 | $ 6.0 | $ 6.4 | $ 6.5 | $ 6.6 | $ 6.7 | $ 6.8 | $ 6.8 | $ 6.9 | $ 7.1 | $ 7.2 | $ 7.3 |
| High Growth | $ 5.7 | $ 6.2 | $ 6.6 | $ 6.8 | $ 7.0 | $ 7.3 | $ 7.5 | $ 7.7 | $ 7.9 | $ 8.1 | $ 8.4 | $ 8.6 |

Operating Costs in Millions

*Note that costs and revenues represent real dollars ($2019) and are not adjusted for inflation*

# Major Capital Investments

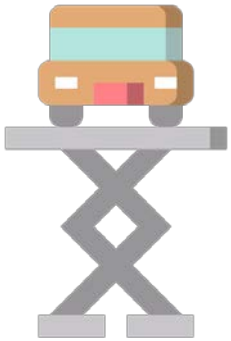
While several key investments in technology and infrastructure will be required to address service growth throughout the region, over $ 74M-worth of projects have committed funding from the federal and provincial governments through ICIP and are anticipated to advance within the next few years.

- Up to 82, 40' transit vehicles and 38, 60' articulated transit vehicles by 2031 (in the High Growth scenario)
- Further consideration for facilities may be required as alternative propulsion methods (e.g. hydrogen, battery-electric, etc.) are considered

$ 95,000,000 between 2021 and 2031 ($ 9.5M/year on average)

- Niagara Falls Transit indicated that they intend to commit capital funding to improve existing terminal facilities within the City.

$ 4,500,000 in 2020/2021



- A new facility will replace the existing Welland Transit Garage, and is particularly useful for the high growth scenario
- The site is ideally situated in close proximity to most endpoints of inter-municipal services, making it preferable for servicing and overnight storage of those vehicles, in addition to vehicles assigned to Welland, Port Colborne and Fort Erie

$ 13,000,000 to $ 16,000,000 in 2022 to 2025

- St. Catharines Transit has indicated that garage facility upgrades will be required within the next ten years
- Services in St. Catharines will also experience the largest growth requirements for fleet, which will further strain existing garage facilities

$ 15,000,000 to $ 20,000,000 in 2025 to 2027

- Integrated electronic fare collection system is required at launch
- It is anticipated that the existing ITS systems will require replacement towards the end of the ten-year horizon.
- With a larger fleet and an expectation of changing technologies, this investment will be substantial

Up to $ 7,500,000 for fare system depending on technology

$ 20,000,000 to $ 30,000,000 in 2028 to 2030

*Note that these are intended for consideration and high-level estimation of capital cost requirements and not intended to replace a more fulsome business case or investment study.*

Future State Transit Service Plan

# Summary

# Integration Will Drive Ridership Growth

By way of investments and harmonization of services and fares, transit under an amalgamated system is anticipated to become a more frequently used means of transportation in the region, with ridership outpacing the status quo.

## Key Highlights

Transit ridership forecasts indicate a **latent demand for inter-municipal transit** travel that the existing disconnected transit providers are unable to accommodate. As a result, transit ridership growth across the region is driven by improved inter-municipal transit trips and improved connections to GO Transit rail services.

By investing in targeted projects and services to grow the transit mode share throughout the region, **transit ridership region-wide could grow by over 80% by 2031 under an amalgamated transit service.**

It is anticipated that Niagara Region, like its peer jurisdictions will experience a **transit mode share growth of 30% to 130% within ten years of amalgamation.**

**Capital investment of between $70M and $155M** between 2021 and 2031 may be required to address service and demand growth. Provincial Gas Tax revenue could result in up to $50M - $80M in revenue over the same ten years. Over $ 70M-worth of near- and mid-term projects have committed funds from the federal and provincial governments through ICIP.

**An integrated single fare is critical to driving ridership growth** and could be achieved in a way that is revenue-neutral if implemented progressively as ridership grows. While an integrated payment system and harmonized fare structure will be required at the start of service, a single fare region-wide can be implemented over time.

## Key Considerations

**Operating costs could be impacted by governance decisions** around harmonization of salaries and hourly rates for staff and operators

**Subsidy and alternative revenue generation will have to be considered**, particularly the allocation of gas tax funds to capital and operating expenses.

**The new entity will be responsible for delivering and investing in service** to drive aspirational ridership growth, no matter what governance structure is implemented.

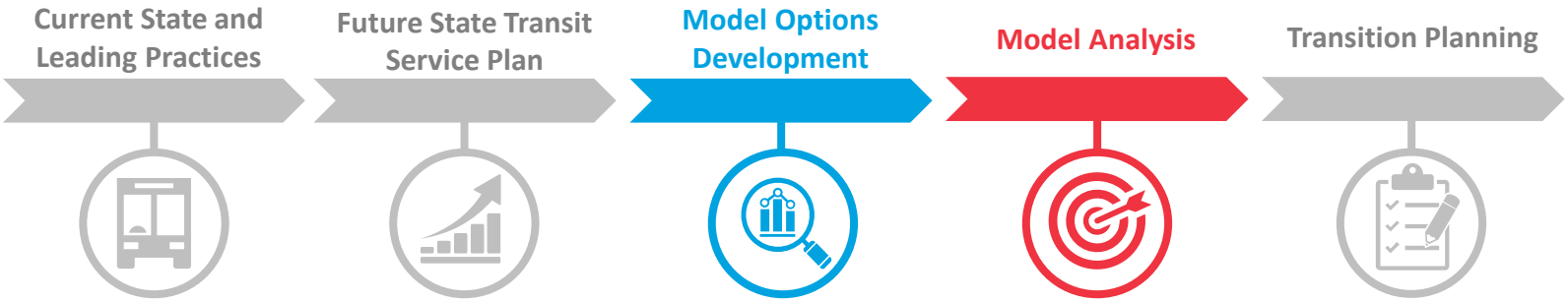
**The new organization will be responsible for establishing transit service standards region-wide**, which must balance cost effectiveness of various transit modes with the necessary levels of service to increase ridership and improve the public perception of transit's effectiveness in Niagara Region.

Niagara Transit Governance Study

# Model Options, Analysis, and Recommendation

# Introduction

The third and fourth phases of work involved developing potential model options, evaluating their potential, and ultimately recommending a preferred model for Niagara's integrated transit system.




## Developing and Evaluating Potential Options

Once a thorough understanding of the current state of transit and the potential future growth in Niagara was complete, the information gained was used to develop three potential governance models that would be capable of delivering transit services in the region and meeting service expectations now, and in the future.

All three of these options were considered to be capable of meeting Niagara's transit needs, but in order to determine which model would be best suited for the region, a thorough analysis was undertaken during which each option was evaluated against a series of criteria that spanned the domains of operations, finance, stakeholder equity and input, and ease of implementation. Once that analysis was completed, the preferred model was identified.

This section contains an overview of each of the proposed transit system models, a description of the evaluation criteria used to evaluate them against each other, and a summary of the results of this analysis. Moreover, the closing slides of this section contain a summary of the rationale for the recommended model, a brief overview of some key risks and considerations that will need to be addressed as the integration moves forward, and additional information around organizational and governance structure that has been recommended.

Model Options, Analysis, and Recommendation

# Model Options Overview

optimus sbr

LNTC-C 4-2020
Appendix 2

# Model Options Overview

Following the completion of the current state review, the jurisdictional scan, and the development of the future state plan, three potential governance models were developed:

## Limited Commission

- Transit Service is governed by a regional commission with representation from local elected officials.
- Commission reports to Regional Council
- Strategic decision making for Transit Service is directed by Regional Council
- Relies on corporate services but retains transit-related services in-house

## Full Commission

- Distinct entity independent from Regional Council
- Governed by a board of appointed members, equitably selected by Regional Council
- Responsible for all transit planning and delivery
- Budget allotment approved by Regional Council
- Makes limited use of Regional services except where service sharing does not impede agility or independence

## Regional Division

- Division within Niagara Region's Public Works department
- Regional Council remains the governing body of the transit division
- Strategic decision making for Transit Service is directed by Regional Council
- Integrated into the Regional administration similar to other service delivery departments

## Transit System Examples

| Limited Commission | Full Commission | Regional Division |
|---|---|---|
| • Durham Region | • Edmonton<br>• TTC<br>• St. Catharines | • York Region<br>• Waterloo Region |

optimus sbr

LNTC-C 4-2020
Appendix 2

# Model: Limited Commission

The governance models highlighted in the previous slide have many similarities and differences. The following slides contain a comparison of them by reviewing a few key characteristics:

| | |
|---|---|
| **Governance Structure & Decision Making** | • Commission membership is a combination of Local and Regionally elected representatives and would have representation from all local area municipalities in the Region, selected by their respective Council and appointed by Regional Council. There is also opportunity for non-elected members of the public to be members of Commission.<br>• Commission acts as an Advisory group to Council where strategic decisions for service standards, service levels, budgets, and fares are made by Regional Council.<br>• Commission decision making is focused on operating policies to implement and deliver transit services and collect fares. |
| **Organizational Structure and Shared Services** | • Will take advantage of Regional corporate services and therefore can expect a reduction in FTE. Shared corporate support services can be purchased from Niagara Region for areas such as Finance, HR, Legal, Service Planning, etc.<br>• To ensure adaptability, the Commission will retain such transit-related services as procurement, fleet maintenance, and communications to ensure transit-specific autonomy is provided but also allows leveraging of corporate supports. |
| **Funding Sources** | • Regional Council will make the funding decisions based on recommendations from the Commission regarding annual service levels and fare strategy.<br>• Funding sources include transit fares, Provincial and Federal funds, with the Municipality subsidizing net operating costs and funding the capital program. |

optimus sbr

LNTC-C 4-2020
Appendix 2

# Model: Full Commission

| | |
|---|---|
| **Governance Structure & Decision Making** | • Commission would be a distinct entity incorporated through the Municipal Act and independent from Regional Council. The Commission would be an agency of the Region of Niagara through the *Municipal Act*.<br>• Governed by a Commission of appointed members, who are composed of a combination of elected and non-elected individuals, nominated and appointed by Regional Council.<br>• Commission is single point of responsibility for transit service planning and delivery and is empowered to make strategic and operational decisions regarding transit service planning and delivery based on the funding approval from Regional Council. |
| **Organizational Structure and Shared Services** | • Commission is a 'purpose-built' transit planning and delivery agency.<br>• Financial reporting for Transit Commission is independent of Regional Council and has agency specific methods and systems in place.<br>• Transit agency-specific methods and systems in place for IT, HR, legal, service planning. |
| **Funding Sources** | • Commission will set fare policy and deliver service within the budget allotment approved by Regional Council.<br>• Funding sources include transit fares, Provincial and Federal funds, with the member municipalities subsidizing net operating costs and funding the capital program. |

optimus sbr

LNTC-C 4-2020
Appendix 2

# Model: Regional Division

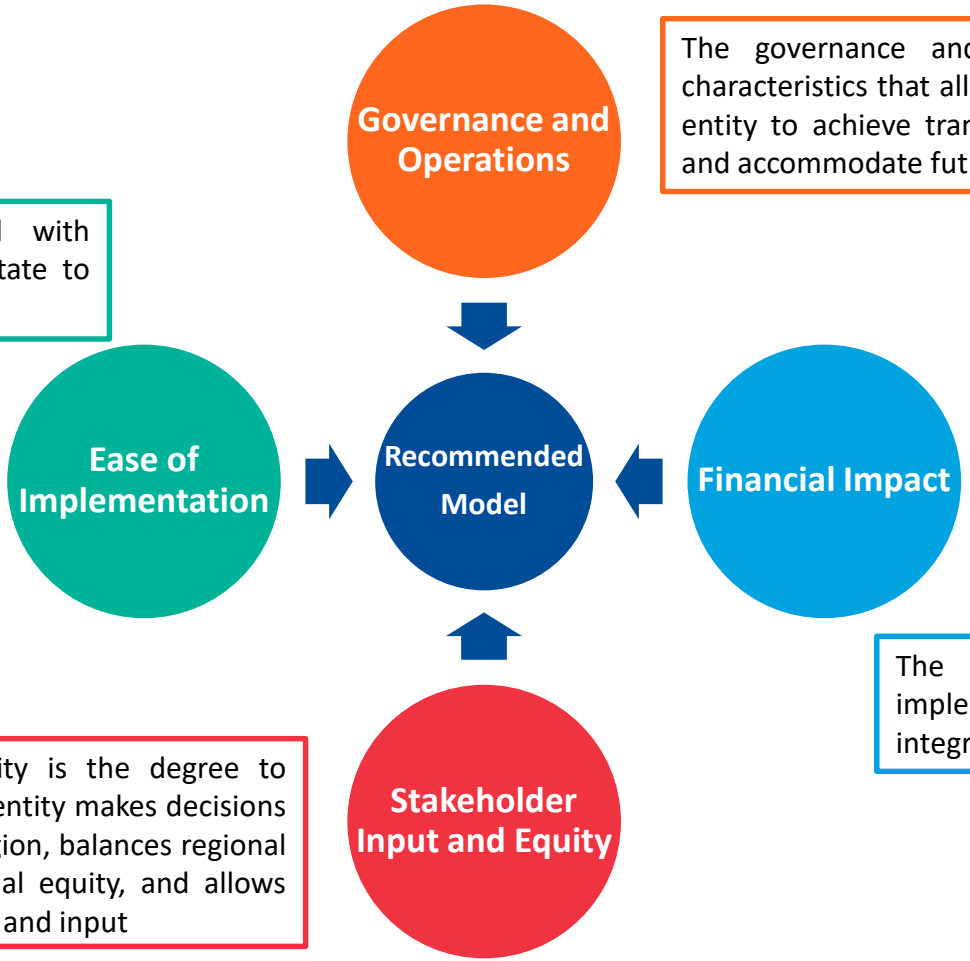
| | |
|---|---|
| **Governance Structure & Decision Making** | • The Regional Council remains the governing body of the transit division (much like Niagara Region Transit currently).<br>• A Transit Committee of Council should be created to provide oversight during transition and early years of operation. Regional Council makes decisions for service standards, service levels, budgets and fares.<br>• Staff administers the Transit program as approved by Regional Council to deliver transit services and collect fares.<br>• Decision making for Transit Service is directed by Regional Council which has locally elected representation. |
| **Organizational Structure and Shared Services** | • Transit Services are integrated into the Regional administration similar to other service delivery departments.<br>• Corporate support services will be provided and charged to transit services as determined by internal Regional policy. |
| **Funding Sources** | • Regional Council will make the funding decisions based on recommendations from Staff regarding annual service levels and fare strategy.<br>• Funding sources include transit fares, Provincial and Federal funds, from the Municipality subsidizing net operating costs and funding the capital program.<br>• Regional Council will determine tax levy and capital program needs and financing through debentures, capital reserves and development charges. |

Model Options, Analysis, and Recommendation

# Evaluating the Different Model Options

# Overview of Criteria

Four separate evaluation categories were used to evaluate and compare the different model options. Within each category are more detailed criteria upon which models were evaluated. The results of this evaluation will then enable the selection of a recommended model.




The governance and operational characteristics that allow the transit entity to achieve transit objectives and accommodate future growth

The complexity associated with transitioning from current state to the integrated transit entity

The financial implications of implementing and operating the integrated transit entity

Stakeholder Input and Equity is the degree to which the integrated transit entity makes decisions in the best interest of the region, balances regional transit priorities with regional equity, and allows for local municipal autonomy and input

# Overview of Analysis

The following points provide additional context for the development of evaluation criteria and how evaluation was conducted:

## Perspective Taken for Analysis

- The objective of the model analysis is to determine which governance model would best deliver on the ambitions outlined in the Future State Transit Service Plan.
- The Future State Transit Service Plan was not a direct input into the governance structure recommendation, however it provided critical context of how residents and workers in Niagara region will utilize the services. Evaluation criteria may be perceived differently by different stakeholders. With regards to the evaluation, models were assessed by looking at which best serves the interest of the region and its aspirations to make transit a more viable alternative for commuters, students, residents, and tourists alike.

## Structure of this Section

- The Summary of Analysis section in the following slides provides the scores within the four evaluation categories with a high-level rationale. The Harvey Ball Method was used, which depicts a visual representation of the model comparison. This method was chosen at they are useful in demonstrating the results of relative analysis, particularly for more qualitative measures. In the full 'Model Analysis Report', greater detail is provided on the rationale for the ratings of each criteria.

## Evaluation Category and Criteria Weighting

- To further analyze the results of the model options analysis, several different weighting scenarios were applied to understand the impact that placing different levels of importance of particular categories or criteria would have on the final recommendation. It was found that there was no impact and therefore no weighting was applied.

# Assumptions

To compare these different model options, some key assumptions were made to ensure a thorough and fair evaluation:

**1. Initial transit services will be based on transfer of existing services**

Meaning that service levels and commitments will remain largely the same for all municipalities at launch of the integrated transit entity for a defined period of time (likely 2-3 years, in agreement with Local Area Municipalities), with some expansion of service over the few years to ensure consistency across the region.

**2. Cummings Principle will be used to transfer assets**

The premise of the Cumming 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 has been applied for over four decades in the municipal setting throughout Ontario, and in the vast majority of transit consolidations reviewed as leading practices. The use of the Cummings Principle is also well aligned to the guiding principle of fairness, which respects the existing investments made by communities on behalf of taxpayers.

**3. Investments in service will meet the transit demands across the network**

This includes ensuring that the span of service across the Region is consistent and that all parts of the region have access to some form of transit service on a prioritized basis over time, and that as demand grows, service levels will increase to meet the demand.

Model Options, Analysis, and Recommendation

# Summary of Analysis: Governance and Operations

# Summary

The governance and operational characteristics that allow the transit entity to achieve transit objectives and accommodate future growth.

| Criteria | Description | Limited Commission | Full Commission | Regional Division |
|---|---|---|---|---|
| **Authority and Accountability in Driving Change** | Speaks to the accountability and decision making power held by the transit entity. | | | |
| **Agility and Flexibility** | Ability for the entity to move from decision to action, and to react quickly to environmental changes, new legislation, advancing technology, and changing user demands. | | | |
| **Accommodates Future Growth** | Ability of the future transit entity to respond to projected ridership and service growth forecasted in the Future State Transit Service Plan. | | | |
| **Public Perception** | Public perception refers to the brand and image of the transit entity in the eyes of the citizens it is designed to serve. | | | |

No alignment | Little alignment | Somewhat aligned | Well aligned | Strongly aligned

# Authority and Accountability in Driving Change

A transit entity with greater authority to drive change is one that can make decisions to build the desired transit network in Niagara while demonstrating accountability to the public in order to maintain ongoing support for continued transit investment and growth.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | The Limited Commission drives operational decision making and makes recommendations to Council on strategic matters, but may be viewed as less regionally accountable where recommendations are more locally focused resulting in lost support for transit growth. |
| **Full Commission** | | The Full Commission is a separate body that operates independently of Regional Council apart from regular reporting and budgetary approvals, and are accountable for their own decisions, to maintain public and political support for ongoing transit investment. |
| **Regional Division** | | The Regional Division model would rely on Regional Council for decision making and is expected to make more regionally-focused recommendations, although their accountability and support will be based on the broader perception of other Regional services delivery. |

While Regional Council maintains control over annual funding approvals, the Full Commission is still more empowered to drive change and influence transit in Niagara Region than the other two models and will be directly accountable for their decisions to maintain public and political support for ongoing transit investment.

# Agility and Flexibility

The agility and flexibility of the transit entity refers to its ability to move from decision to action, and to react quickly to environmental changes, new legislation, advancing technology, and changing user demands.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | The challenges associated with the Limited Commission being an external organization but still relying on Council for key decisions and approvals will reduce its agility significantly. |
| **Full Commission** | | The Full Commission's ability to make decisions and quickly reprioritize as needed makes it more agile and flexible than the other models. |
| **Regional Division** | | The Regional Division benefits from its location within the Regional structure to make best use of shared services and understand competing priorities, but must still seek Council approval and coordinate with other Departments before taking action on strategic matters. |

Full Commissions is more capable of reacting to environmental change, moving from idea to action, and mobilizing their workforce to pivot and respond to external pressure and needs.

**Category:** Governance and Operations

# Accommodates Future Growth

Accommodation of future growth speaks to the ability of the future transit entity to respond to projected ridership and service growth forecasted in the Future State Transit Service Plan.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | Though exclusively focused on transit and able to leverage economies of scale, the Limited Commission may be less apt to making growth decisions with a regional lens. |
| **Full Commission** | | The Full Commission's ability to make regionally-focused decisions and be flexible to growing and changing needs make it more able to accommodate it. |
| **Regional Division** | | A Division's ability to secure ongoing funding, make regionally-focused decisions, and better coordinate with other regional services position it well to accommodate future growth. |

The ability to accommodate future growth will be largely based on funding and ability to make regionally-focused decisions, thus making the Full Commission and Regional Division the strongest options.

**Category:** Governance and Operations

# Public Perception

Public perception refers to the brand and image of the transit entity in the eyes of the citizens it is designed to serve.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | At launch, a regionally-focused transit entity delivering integrated and equitable service to Niagara residents can be expected to receive favorable feedback from the public. However, neither a Commission or Regional Division governance model will hold an advantage in the long-term, as these systems have each received a share of scrutiny and critical attention from the public and media in the past. Ultimately, the new entity's perception will be built around its service consistency and quality, communication, branding initiatives, and accountability. |
| **Full Commission** | | |
| **Regional Division** | | |

Either Commission or Regional Division model options are equally susceptible to scrutiny given historical controversies, and risk mitigation strategies and proper accountability measures will need to be incorporated into any chosen model.

Model Options, Analysis, and Recommendation

# Summary of Analysis: Financial Impact

optimus sbr

LNTC-C 4-2020
Appendix 2

# Summary

## The financial implications of implementing and operating the integrated transit entity.

| Criteria | Description | Limited Commission | Full Commission | Regional Division |
|---|---|---|---|---|
| **Lower Cost of Implementation*** | The costs of implementing each model are associated with the complexity and the size of the organizations proposed. | | | |
| **Operating Cost Efficiency*** | Operating costs and efficiencies relate to how much a transit agency will spend, but more importantly how effectively those dollars are allocated to services throughout the region. | | | |
| **Financial Decision Making** | Financial decision making refers to decisions leading to transit operating and capital costs, and decisions regarding how to generate the necessary funding, and ability to secure budget approvals. | | | |
| **Potential for Ongoing Financial Support** | The potential for ongoing financial support to fund the necessary investment to build and maintain a transit network which offers seamless travel within Niagara, while also supporting connections with GO Transit services. | | | |

No alignment | Little alignment | Somewhat aligned | Well aligned | Strongly aligned

**With regards to Costs of Implementation and Operating Cost Efficiency, a full circle represents lower relative costs*

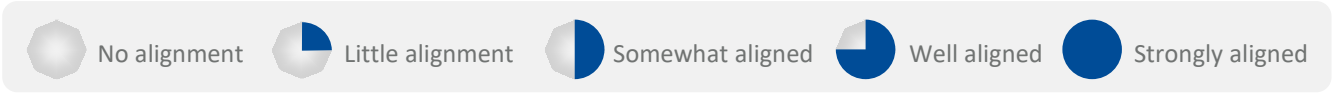
**Category:** Financial Impact

# Lower Cost of Implementation*

The costs of implementing each model are associated with the complexity and the size of the organizations proposed.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | Both the Limited and Full Commission models will require an investment in start-up costs. These costs would include the legal costs associated with establishing the Commission in the Municipal Act and associated local bylaws as well as selecting and moving staff and physical resources to a consolidated office location. |
| **Full Commission** | | |
| **Regional Division** | | Implementing a Regional Division in municipal bylaw will likely require less effort. However the costs are not anticipated to be substantially lower than the Commission models. |

The governance model options are anticipated to have similar order of magnitude' implementation costs

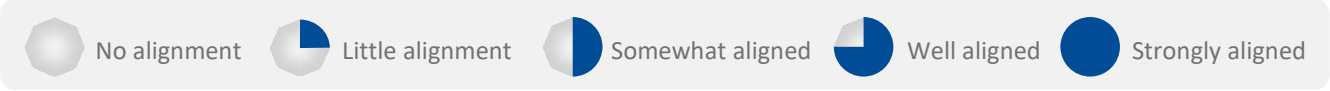


# Operating Cost Efficiency*

Operating cost efficiency relates to how effectively those operating expenses are at providing highly efficient transit services.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | The Limited Commission will have budgetary restrictions and be required to provide the desired service levels within their approved annual budget. However, a Limited Commission may receive greater local area municipality input on day-to-day service-related decisions which may result in changes to service that require sacrifices to service efficiency to address other priorities. |
| **Full Commission** | | The Full Commission will likely have the greatest budgetary restrictions and will have to ensure that all operations and unanticipated changes to the service are accommodated within their approved annual budget. As such, they will likely be required to provide the most effective service within their financial means. |
| **Regional Division** | | Regional Division will have greater budgetary flexibility, being able to capitalize on budget savings in other regional departments to make unanticipated changes to service. Additionally, a Regional Division may receive greater local area municipality input in day-to-day service-related decisions which may then be supported by budgetary amendments at council rather than identifying internal efficiencies. |

A Full Commission could provide the greatest value for operating expenses invested in service by ensuring that services are allocated as efficiently as possible within budgetary constraints. This trend seems to be supported by peer agency review.




**With regards to Costs of Implementation and Operating Cost Efficiency, a full circle represents lower relative costs*

**Category:** Financial Impact

# Financial Decision Making

Financial decision making refers to decisions leading to transit operating and capital costs, along with decisions regarding how to generate the necessary funding, and the ability to secure budget approvals.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | The Limited Commission defers to Council for all strategic decisions, which are informed by recommendations from the Commission. |
| **Full Commission** | | Apart from annual operating and capital budget approvals, all financial decisions are made by the Commission. |
| **Regional Division** | | The Regional Division must take a broader look at regional priorities when recommending action to Council. |

Regional Council holds the ultimate financial decision-making responsibility through the approval of the annual budget for all models, but the Full Commission Model has the most independence to make strategic decisions which drive financial outcomes for transit services.

Little alignment | Somewhat aligned | Well aligned | Strongly aligned

# Potential for Ongoing Financial Support

The potential for ongoing financial support to fund the necessary investment over several years, to build and maintain a transit network which offers seamless travel within Niagara, while also supporting connections with GO Transit services

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | Financial recommendations to Council may not be supported if they are deemed to be too locally focused or not viewed as forwarding regional priorities. The budget request would be separate from the Region's internal budgetary process. |
| **Full Commission** | | While exclusively focused on transit, the Full Commission may be less aligned with other regional priorities and achieve less Council support. The budget request would be separate from the Region's internal budgetary process. |
| **Regional Division** | | This model offers the closest integration with other regional priorities and thus increases the potential for ongoing financial support. |

Regional Council holds the ultimate financial decision-making responsibility, and the Regional Division offers an advantage by being integrated and aligned with other internal Regional priorities and can leverage this to obtain ongoing financial support.

Little alignment | Somewhat aligned | Well aligned | Strongly aligned

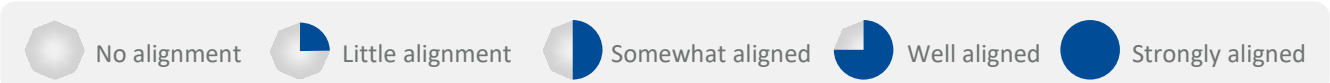
Model Options, Analysis, and Recommendation

# Summary of Analysis: Stakeholder Input and Equity

# Summary

Stakeholder Input and Equity is the degree to which the integrated transit entity makes decisions in the best interest of the region, balances regional transit priorities with regional equity, and allows for local municipal autonomy and input.

| Criteria | Description | Limited Commission | Full Commission | Regional Division |
|---|---|---|---|---|
| **Equity** | Ability to balance the needs and perspectives of larger and smaller municipalities. | | | |
| **Serves the Public Interest** | The degree to which the integrated transit agency can make decisions that contribute to the broader public good and the region's aspirations overall, and informed by public engagement and input. | | | |
| **Municipal Input** | The degree to which local area municipalities will be able to provide input into service planning and delivery decisions, while also maintaining local autonomy. | | | |



# Equity

A transit entity with greater consideration of equity will be able to balance the various needs and interests across Niagara Region, and can implement decisions that may not always be the most popular, cost-effective, or well received by a particular community.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | Due to the Limited Commissions more diverse and LAM-representative composition it is better suited to take on broader municipal input into the design of standards and strive to make them more equitable. |
| **Full Commission** | | The Full Commission's independence allows it more flexibility to effectively apply the standards, however it is less effective at incorporating a regional focus. |
| **Regional Division** | | This model can more effectively design standards through a broader approach to equity, but is less suited to apply the standards without influence. |

The Limited Commission holds a slight advantage in terms of ability to promote equitable transit service delivery through more diverse and transit-focused decision making, and less impacted by external influence and political considerations.

Little alignment | Somewhat aligned | Well aligned | Strongly aligned

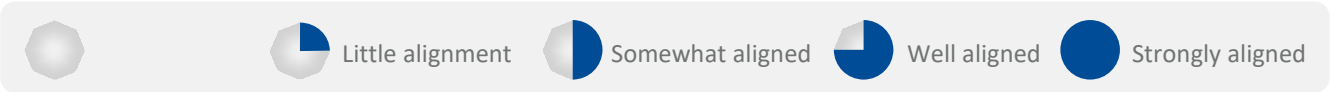
**Category:** Stakeholder Input and Equity

# Serves the Public Interest

The degree to which the integrated transit agency can make decisions that contribute to the broader public good and the region's aspirations overall, and informed by public engagement and input.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | A Commission model, whether Limited or Full, is similarly able to gather public input on transit services, in a more focused manner through an emphasis on transit users to inform decision making and long-term plans. It is recommended that an advisory committee be considered to ensure that stakeholder input is heard and reflected within the Commission model. |
| **Full Commission** | | |
| **Regional Division** | | Long term planning for transit should not only consider community, and the built environment but can influence future decisions made for the region to align transit and broader community needs. |

A Regional Division holds an advantage, as the Region already provides a multitude of services that are connected to transit planning. Leading practices demonstrate that transit cannot be viewed as an isolated service, rather it is integrated with other disciplines.



# Municipal Input

The degree to which local area municipalities will be able to provide input into service planning and delivery decisions, while also maintaining local autonomy to influence tax policy related to municipal transit to enhance or increase local service.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | This model provides LAMs with the greatest degree of input and influence over transit decision making through Regional Council and the representative Commission. |
| **Full Commission** | | The Full Commission model is more independent and provides flexibility for LAMs to exert local autonomy and increase local services, but decreases their direct influence on overall decision making. |
| **Regional Division** | | A Regional Division leverages existing decision-making structure and representation within Regional Council to make decisions regarding transit operations. |

Overall, both Commission models allow for comparable degrees of municipal input into transit-related decisions and autonomy to influence local service, though the Limited Commission allows for more direct LAM input.

Little alignment | Somewhat aligned | Well aligned | Strongly aligned

Model Options, Analysis, and Recommendation

# Summary of Analysis: Ease of Implementation

# Summary

The complexity associated with transitioning from current state to the integrated transit entity.

| Criteria | Description | Limited Commission | Full Commission | Regional Division |
|---|---|---|---|---|
| **Staffing Resources Impacts** | Degree of suitability of the model with regards to transferring human resources to new entity, including the impact on FTE count. | | | |
| **Labour Relations** | Degree of suitability of the model with regards to conducting negotiations and harmonizing collective agreements. | | | |
| **Legal Implications** | Degree of suitability of the model with regards to the legal formation of the new transit entity. | | | |
| **Asset Transfer Implications** | Degree of suitability of the model with regards to implementing the Cummings Principle to the required transfer of assets from the local municipalities to the new entity. | | | |

No alignment | Little alignment | Somewhat aligned | Well aligned | Strongly aligned

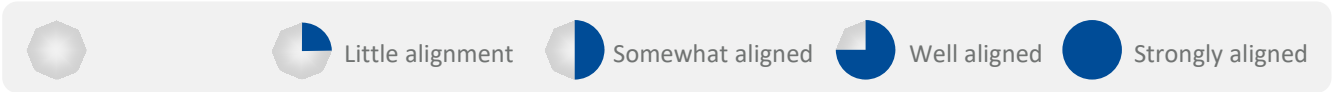
**Category:** Ease of Implementation

# Staffing Resources Impacts

Degree of suitability of the model with regards to transferring human resources to new entity, including the impact on FTE count.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | A Limited Commission may require the same or greater investment in staff resources than a Full Commission in order to handle the more frequent interactions with Regional Council despite the natural opportunities for increased utilization of shared services over a Full Commission. |
| **Full Commission** | | A Full Commission will require greater investment in in-house staff resources since it will likely duplicate the majority of services that could otherwise be shared in a Regional Division. |
| **Regional Division** | | A regional division will benefit from shared services in lowering their dedicated headcount. However, it is unclear what the FTE impact would be on the divisions responsible for providing the shared services. |

The Regional Division will benefit from shared services opportunities to lower the headcount over either commission models. However, consideration must be made for the staffing required in partner divisions that will provide those shared services.



**Category:** Ease of Implementation

# Labour Relations

Degree of suitability of the model with regards to conducting negotiations and harmonizing collective agreements.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | While a Limited Commission would be a separate entity and engage in its own bargaining practices, it is likely that decisions will be guided by CBA's already negotiated at other Regional entities. |
| **Full Commission** | | A Full Commission would have full autonomy over its bargaining agreements with the transit unions across the region, and the shared understanding of transit operations will benefit negotiations to a greater degree than other models. |
| **Regional Division** | | A Regional Division will be beholden to negotiations and other agreements already in place in other Regional entities. Additionally it is possible that with other bargaining priorities the Region may not be able to negotiate. |

Since a full commission will have the greatest autonomy over its own labour relations, it is likely that it will be easiest to transition these resources and agreements of the three proposed models.

Little alignment | Somewhat aligned | Well aligned | Strongly aligned

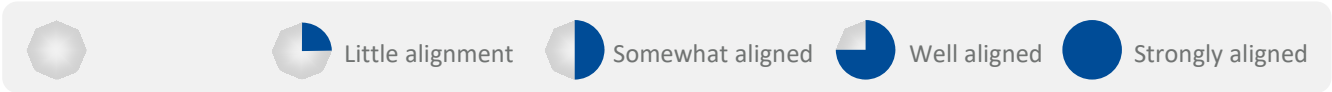
## Category: Ease of Implementation

# Legal Implications

Degree of suitability of the model with regards to the legal formation of the new transit entity.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | Both commission models will require an extensive municipal engagement process in order to change the Municipal Act to form the Transit Commission. This will likely involve obtaining the Triple-Majority from local city councils prior to passage at Regional Council. Only then will the amendment be submitted to the Province for approval. Establishing an appropriate mechanism for local municipalities to exercise their autonomy would be critical in the establishing amendments and how their representation on the commission is structured. |
| **Full Commission** | | |
| **Regional Division** | | A regional division can be established directly by Regional Council through a bylaw amendment that allows the Region to assume responsibility of transit services. Negotiating the transfer of transit assets, liabilities and operating agreements may be met with some resistance from the local municipalities and establishing appropriate mechanisms to maintain local autonomy could be challenging. |

While the Regional Division will be the most straightforward governance model to implement, owing to the fact that it should not require amendments to the *Municipal Act*, its acceptance by the local municipalities may be contingent on an appropriate mechanism to ensure their local autonomy over decision-making, particularly as it relates to their continued inclusion within this entity and the negotiation of asset transfer.

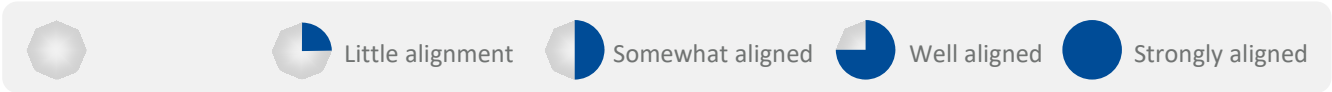


# Asset Transfer Implications

Degree of suitability of the model with regards to implementing the Cummings Principle to the required transfer of assets from the local municipalities to the new entity.

| Model | Assessment | Rationale |
|---|---|---|
| **Limited Commission** | | With the Limited Commission reporting directly to Regional Council on an ongoing basis for decision-making, there may be some concerns with respect to turning over local control of assets to a commission with less independence. |
| **Full Commission** | | A Full Commission will likely be best positioned to negotiate the transfer of assets, particularly if sufficient independence is established from Regional Council, and appropriate local municipal representation is provided. |
| **Regional Division** | | Since a Regional Division will be managed directly by Regional Council without ongoing decision-making input from local municipalities, it is possible that there could be concerns regarding asset transfer from the local municipalities. |

The Full Commission is best suited to accomplish the asset transfer through the implementation of the Cummings Principle so long as it is established as sufficiently independent from Regional Council.



Model Options, Analysis, and Recommendation

# Recommended Model

optimus sbr

LNTC-C 4-2020
Appendix 2

# Summary of Analysis

A side-by-side comparison showing where each model performed best within each evaluation criteria. Based on the in-depth analysis conducted, the Full Commission ranked higher in most categories.

| | 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 | | | ✓ | |

optimus sbr

LNTC-C 4-2020
Appendix 2

# Recommendation: Full Commission

As the analysis demonstrates, the preferred model and recommendation is the Full Commission.

## Limited Commission

- Transit Service is governed by a regional commission with representation from local elected officials.
- Commission reports to Regional Council
- Strategic decision making for Transit Service is directed by Regional Council
- Relies on corporate services but retains transit-related services in-house

## Full Commission

- Distinct entity independent from Regional Council
- Governed by a board of appointed members, equitably selected by Regional Council
- Responsible for all transit planning and delivery
- Budget allotment approved by Regional Council
- Makes limited use of Regional services except where service sharing does not impede agility or independence

## Regional Division

- Division within Niagara Region's Public Works department
- Regional Council remains the governing body of the transit division
- Strategic decision making for Transit Service is directed by Regional Council
- Integrated into the Regional administration similar to other service delivery departments

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

# Benefits of the Full Commission

Ultimately, the analysis 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 chief benefits that made the Full Commission more attractive than other models were:

## The 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 focused solely 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.
- The autonomy of the Full Commission provides it advantages with respect to negotiating important elements such as collective bargaining agreements and the transfer of assets.

## The Financial Benefits

- The Full Commission will likely have 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 the means previously defined in the 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.
- This is particularly important when looking to the future and considering what ridership growth may be, 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 Full Commission is best suited to grow transit in the region while delivering the high quality, innovative, and seamless transit services that the citizens of Niagara deserve

# Risks and Considerations

Identifying risks and developing mitigation strategies will be an important consideration for the implementation of the Commission model. While a more detailed exploration of risks is contained in the Transition Plan, some important elements to consider include:

| | |
|---|---|
| **Public Perception** | While the launch of an independent entity designed to make regional transit easy and affordable for residents is likely to be viewed positively in the eyes of the public, the independence of a Full Commission could be a drawback as well, given that Regional Commissions in Niagara have previously faced accusations related to transparency and accountability.<br><br>It will be particularly important moving forward that the Full Commission build and maintain open communication and engagement with the public, LAMs, and Regional Council, and continually instill confidence with these stakeholders through strong service and accountable governance and operations. |
| **Misalignment with Regional Priorities** | With its separation from the Regional structure, there is a risk that a Full Commission will not be aligned with other Regional priorities and services. This could include initiatives related to poverty reduction, economic development, environment, accessibility, and more.<br><br>Developing strong communication channels and a culture of inter-municipal collaboration, providing regular updates to Regional and Municipal Councils, and viewing transit as a service to be integrated with other priorities, rather than isolated, will be critical to ensuring the integrated entity contributes to overall development of the region. |
| **Complexity of Integration** | Creating a new entity is a complex and challenging undertaking that will require the coordination and support of many different stakeholders. The implementation of this entity, from preliminary engagement of LAMs, to passage at a Council level, to the official launch will require significant and dedicated financial and human resources.<br><br>Failure to commit what is needed for implementation could result in delays and overruns. Having the proper resources in place to launch this entity will be critical for navigating the complex early stages of transition. |

Model Options, Analysis, and Recommendation

# Organizational and Governance Structure Recommendations

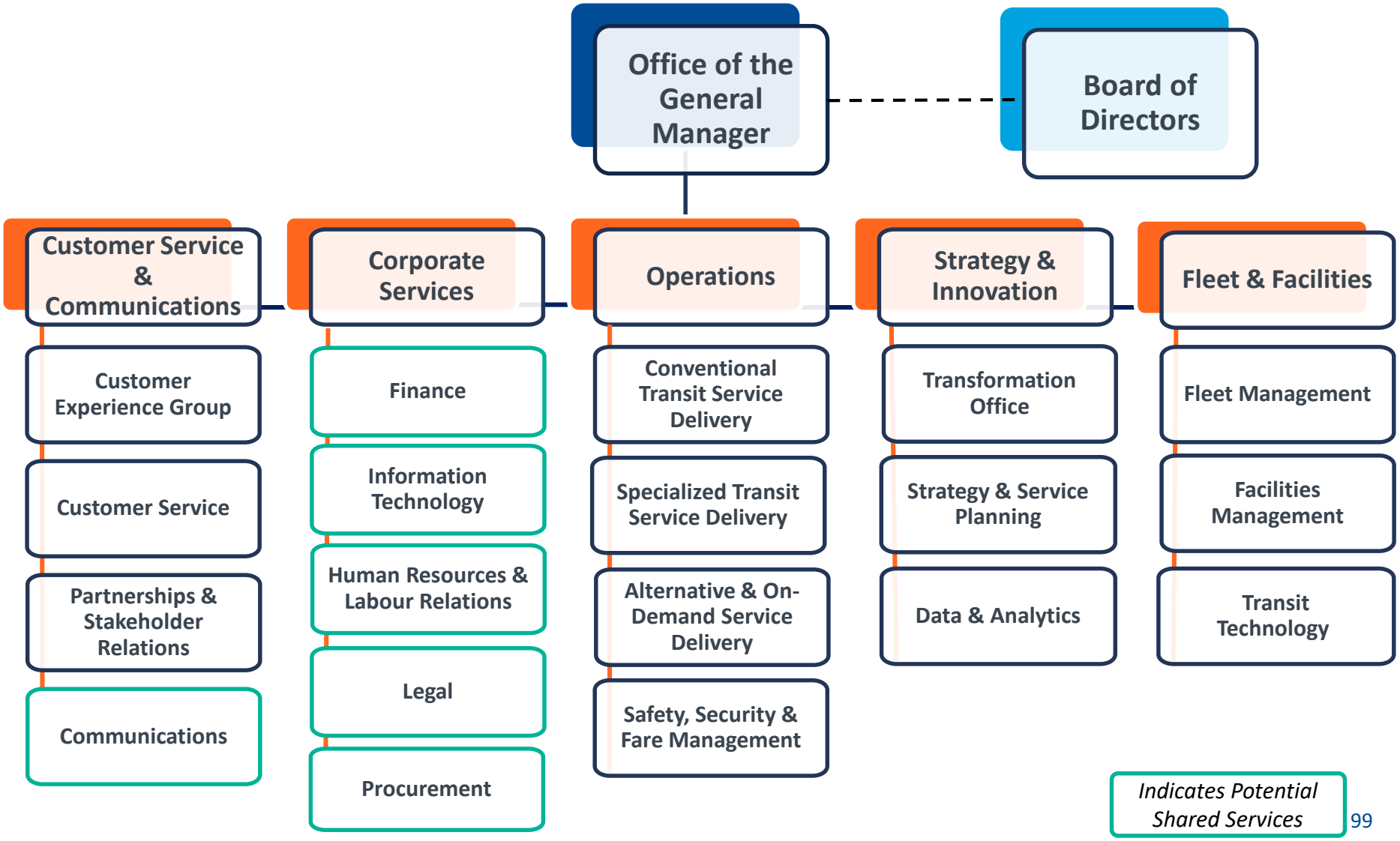
# Overview

An organizational and governance structure for the new Commission model must be determined. Listed in this section are recommendations regarding key functional areas to include in the organizational structure, as well as considerations and a recommended composition for the Commission governance structure.

- As it relates to the organizational structure, a series of functional areas have been recommended for the consideration of the Commission. These can be amalgamated or divided as the Commission sees fit, however it is important to note that the span of control (the number of pillars across the organization) should complement the size of the organization and preferred leadership structure and encourage cross-functional collaboration.
- The organizational structure and positions within it (*titles and positions shall be determined by the Commission*) should be continually reassessed to ensure that it fits the strategic objectives of the Commission.
- The proposed composition of the Commission took into consideration different models, and best practices for good governance, and should be reviewed after 2 to 3 years of operation, by an independent third party to ensure that the board's size, composition and skills ensure it is an effective governing body and achieving the strategic objectives of the Commission.
- Both the organizational and governance structures of the Commission are preliminary and would be confirmed through the transition and implementation activities, by the Commission.

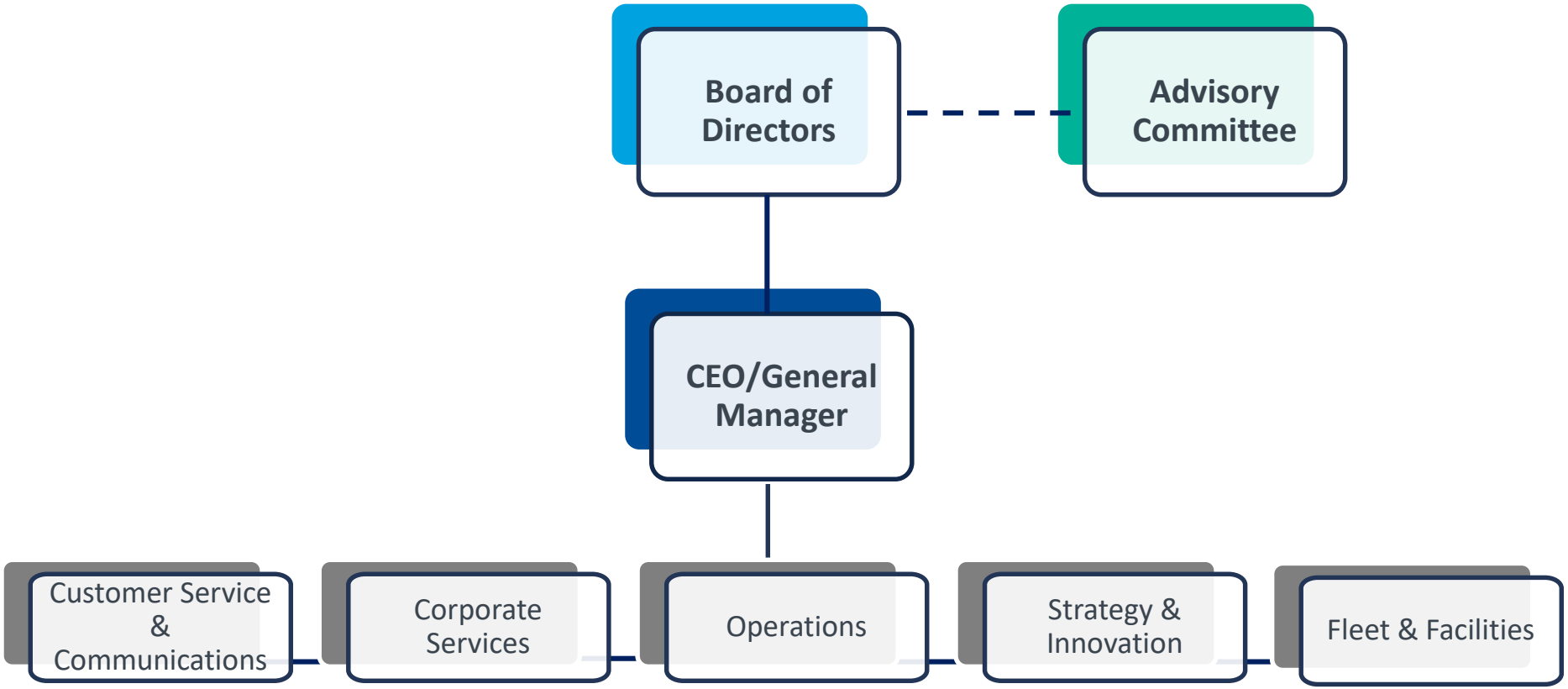
# Proposed Organizational Structure

Outlined below is the proposed organizational structure for the Commission:



# Proposed Governance Structure

Outlined below is the overall reporting structure for the proposed governance structure of the Commission. The CEO or General Manager would report to the board whereas the Advisory Committee provides non-binding advice to the Commission.



# 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. Whereas elected officials are accountable to the public and represent local municipal interests, skills-based members bring a diverse set of skills and are less restrained by municipal interests.

| | Elected | Hybrid | Skills |
|---|---|---|---|
| ***Definition*** | **Elected members of Regional Council appointed to the Commission.** | | **Non-elected representatives, with skills in public transportation, finance, strategy, business operations, legal, etc.** |
| ***Examples*** | Durham Transit<br>Edmonton (*pending approval*) | Toronto Transit Commission<br>London Transit Commission<br>St. Catharines Transit Commission<br>Niagara Parks Commission | Metrolinx |

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

# Membership Recommendations

## The recommended structure is a hybrid, including elected officials and skill-based members for effective and balanced governance of the Commission.

- A hybrid board governance structure is recommended for Niagara, as it provides a combination of elected officials and skills-based members. This allows member municipalities to represent local interests and for elected officials to have stewardship over the resources allocated to the Commission. In addition, skilled members can fill any gaps in skills or experience particular to the Commission through those who have experience in the industry or more broadly.

- The proposed governance structure should be reviewed after 2 to 3 years of operation, by an independent third party to ensure that the board's size, composition and skills ensure it is an effective governing body and achieving the strategic objectives of the Commission.

- In recommending the proposed governance body, the size of the body as well as the breakdown of elected and skilled members was considered. In line with leading practices, a board between 7 and 12 members is recommended for effective and efficient decision making. The proposed composition also took into consideration the dynamics between elected and skilled members and ensured that there was an almost even split between the two constituencies of the board for balanced oversight.

- It is recommended that a Nominating Committee of the Regional Council should select the Chair from among elected officials and the Vice-Chair be selected from among the skilled members for balanced leadership.

- Alternatively, a larger number of elected representatives of the local area municipalities was considered, however due to the reporting relationship to Regional Council, it was determined that the voice of elected members would be well represented.

*Note: Any previous relationships and governance bodies for transit reporting would cease to exist once the Commission has been established (i.e. the Linking Niagara Transit Committee, NGTS CAO Working Group and the Inter-Municipal Working Group (IMTWG))*

# 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

(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)

***9 voting members***

# Membership Criteria

## Skills based or Elected Public members of the board would be appointed based on their qualifications, and their ability to contribute to strategic decision making.

Skills based or Elected Public members of the board shall have executive-level and governance experience with a range of skills, knowledge, and experience with one or more large organizations. These members may provide knowledge on several different perspectives including finance, human resources, legal, public transit, etc. Some criteria that is considered for public members includes, but is not limited to:

- strategic business management;
- financial management, accounting, law, and engineering;
- customer service or marketing management;
- management or planning with a rail or public transit organization, or understanding and/or experience with transit operations;
- transformative change management;
- formulation and/or management of public-private partnerships;
- capital project/construction management or capital procurement/supply chain management;
- operations and information technology;
- labour relations/industrial safety management; or,
- professional knowledge and working experience of urban sustainability, intersectionality, and inclusive governance.

# Proposed Advisory Committee

In order to incorporate the local and public interests within the region into the decision-making structure of the Commission, 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**

- The composition of the Advisory Committee should balance the membership structure of the Commission and can have input into the policies, procedures and operational concerns
- The Advisory Committee would be supported by Commission, and it is recommended they meet 1 to 2 times annually, as needed.
- By establishing an advisory body, the Commission will gain insights into current and upcoming challenges or opportunities and explore these in a thorough way
- It is recommended that a blended approach of broad public consultation and soliciting input of the advisory committee be employed

Model Options, Analysis, and Recommendation

# Summary

# Summary

The development and analysis of model options, along with the recommendation of the Full Commission, represent one of the most significant undertakings of this study.

## Key Takeaways

Following the completion of the current state review, the jurisdictional scan, and the development of the future state plan, three potential governance models were developed.

An analysis of each model option was performed against a range of evaluation criteria to determine which model was the preferred option for Niagara.

While all models have the potential to successfully integrate and lead transit services in Niagara, the Full Commission Model was recommended as it brings the right balance of autonomy and flexibility to innovate, drive growth, and meet the diverse and changing needs of the region.

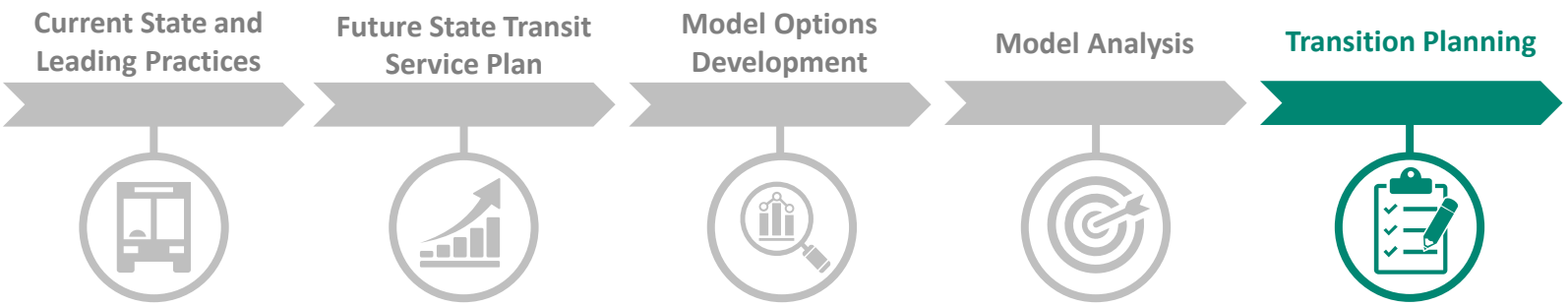
A nine member hybrid governance structure has been recommended as it allows a combination of elected officials and skills-based members to provide guidance and oversight of the Commission.

Niagara Transit Governance Study

# Transition Planning

# Introduction

The fifth and final phase of this study involved plotting out the key steps and timelines required to amalgamate all of the transit systems in the region into the recommended Full Commission Model.




## Planning for Change

Once an integrated transit governance model was identified and recommended for Niagara, the final phase of this project involved outlining implementation activities* needed to move existing transit services and their supporting resources into this integrated model. In order to ensure a thorough and feasible transition from the current to future state, a five-phase transition plan was developed that identified the key milestones and the expected timelines for their completion.

The transition to this integrated system, from preliminary approval all the way through to the new organization taking charge of transit services in Niagara, is expected to take approximately two years, with additional time then required before new services can be launched. In fact, a principle in the development of the Transition Plan was to limit service enhancement and growth activities in the first years of operation. A key learning from the jurisdictional scan was to avoid taking on too many new initiatives early in the life of the Commission and focus rather on integrating existing services and stabilizing operations over a few years before beginning major projects.

In the following slides, please find a high-level summary of the Transition Plan, which provides an overview of key steps and timelines for each phase of implementation. This section also ends with a summary of forecasted costs of the transition to the integrated transit system.

**It should be noted that while this Transition Plan recommends activities that need to be carried out, along with their sequencing, the group tasked with leading the transition will need to validate and refine this, and build-out further levels of detail to guide day-to-day activities.*

optimus sbr

LNTC-C 4-2020
Appendix 2

# Implementation Phases

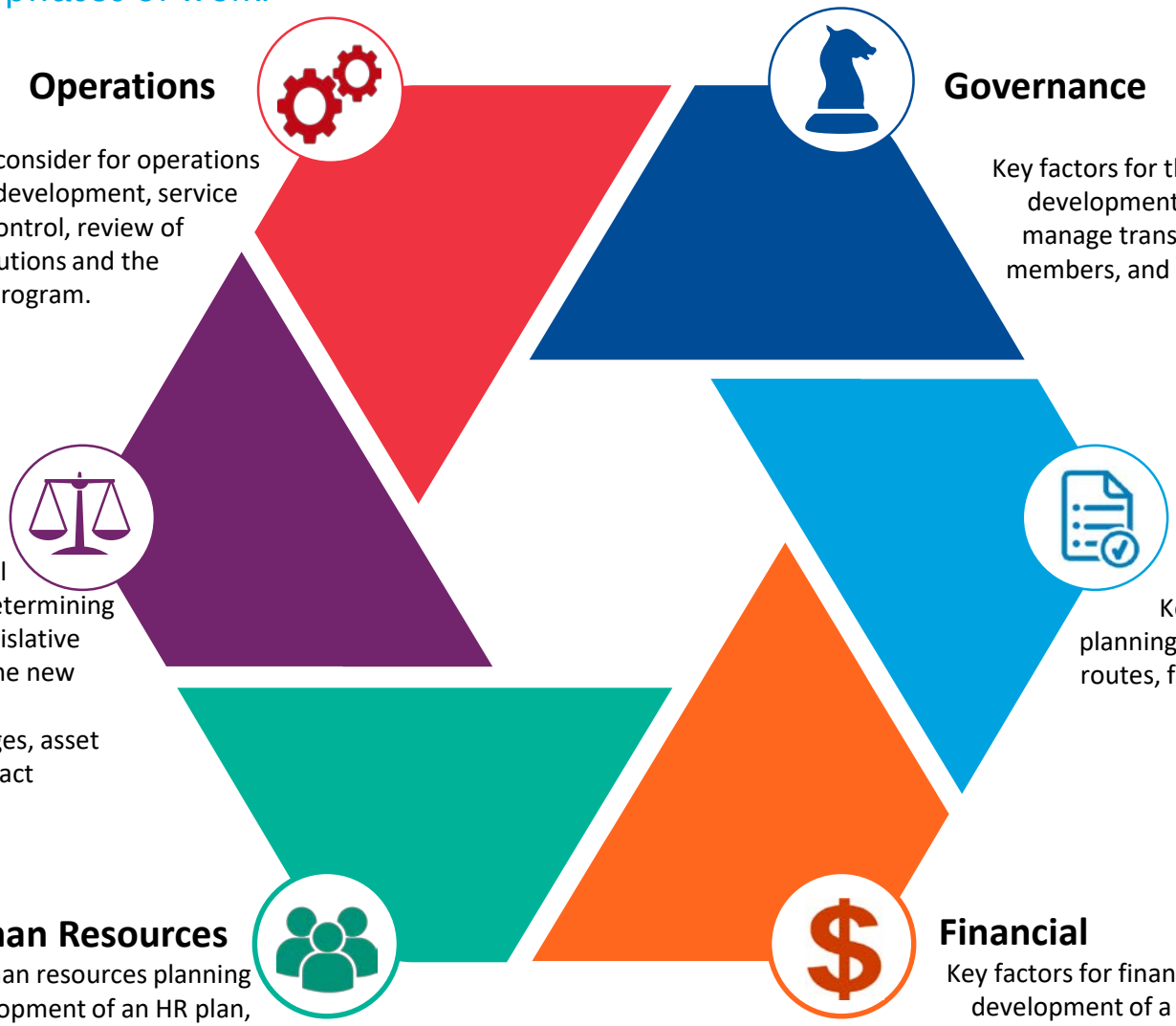
Transition activities are divided across five distinct phases of work:

| 1 Integration Approval Process | 2 | 3 Commission Setup | 4 Service Launch | 5 Enhancement Growth |
|---|---|---|---|---|
| Includes activities leading up to, and including, a phased political approval process that concludes with the submission of recommendations to LAM and Regional Councils to seek triple-majority approval to create the Commission | This phase of work encompasses activities related to the legal establishment of the Commission as a municipal service board and concludes with the appointment of members to the Commission | This phase includes work associated with getting the Commission ready to take on responsibility for transit services in the region, including establishing policies and processes, filling key roles, and negotiating and executing transfer agreements | 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 | This phase includes longer-term activities that the Commission will undertake to continue developing its organization and planning for the future |
| Approx. 9 Months | Approx. 2 months | Approx. 1 Year | Years 1-2 of Operation | Year 3+ of Operation |

**Ongoing Project and Change Management Activities**

# Considerations for Transition Planning

Considerations for future-state planning encompassed six primary categories of activities within the phases of work:



## Operations

Key factors to consider for operations include policy development, service dispatch and control, review of technology solutions and the maintenance program.

## Governance

Key factors for the initial planning include the development of a governance structure to manage transition, appointing Commission members, and providing oversight for major integration activities.

## Legal

Key factors for legal planning include determining the appropriate legislative requirements for the new integrated agency, development charges, asset transfers and contract management.

## Service Delivery

Key factors for service delivery planning include determining transfer routes, fare structures, and standards development.

## Human Resources

Key factors for human resources planning include the development of an HR plan, organizational structure design, and union negotiations.

## Financial

Key factors for financial planning include the development of a tax levy plan, insurance, development charges and budgetary planning.

Transition Plan

# Implementation Activities

optimus sbr



# Integration Approval Process Overview

**(Approx. 9 months)**

This phase of work includes all activities leading up to, and including, a two-phased political approval process that includes receiving an in-principle endorsement on recommendations, followed by the refinement of recommendations and their submission to LAM and Regional Councils to seek triple-majority approval to create the Commission

**1**

## Seek In-Principle Endorsement

Recommendations will be presented to the LNTC and PW Committees, and to the LAMs to seek feedback and a preliminary in-principle endorsement on the creation of the transit Commission

**2**

## Staff Report and Public Engagement

Conduct public consultations and incorporate feedback received on the transit governance recommendations and financial model into a staff report to be submitted to support the decision-making process to establish the Commission

**3**

## Municipal Transfer Agreements

Draft agreements with LAMs who currently operate transit to outline the steps for transferring assets to the Commission from existing systems, and puts parameters around what transit-related decisions can be made by the LAMs so as not to impact transit integration or unfairly impact the residents

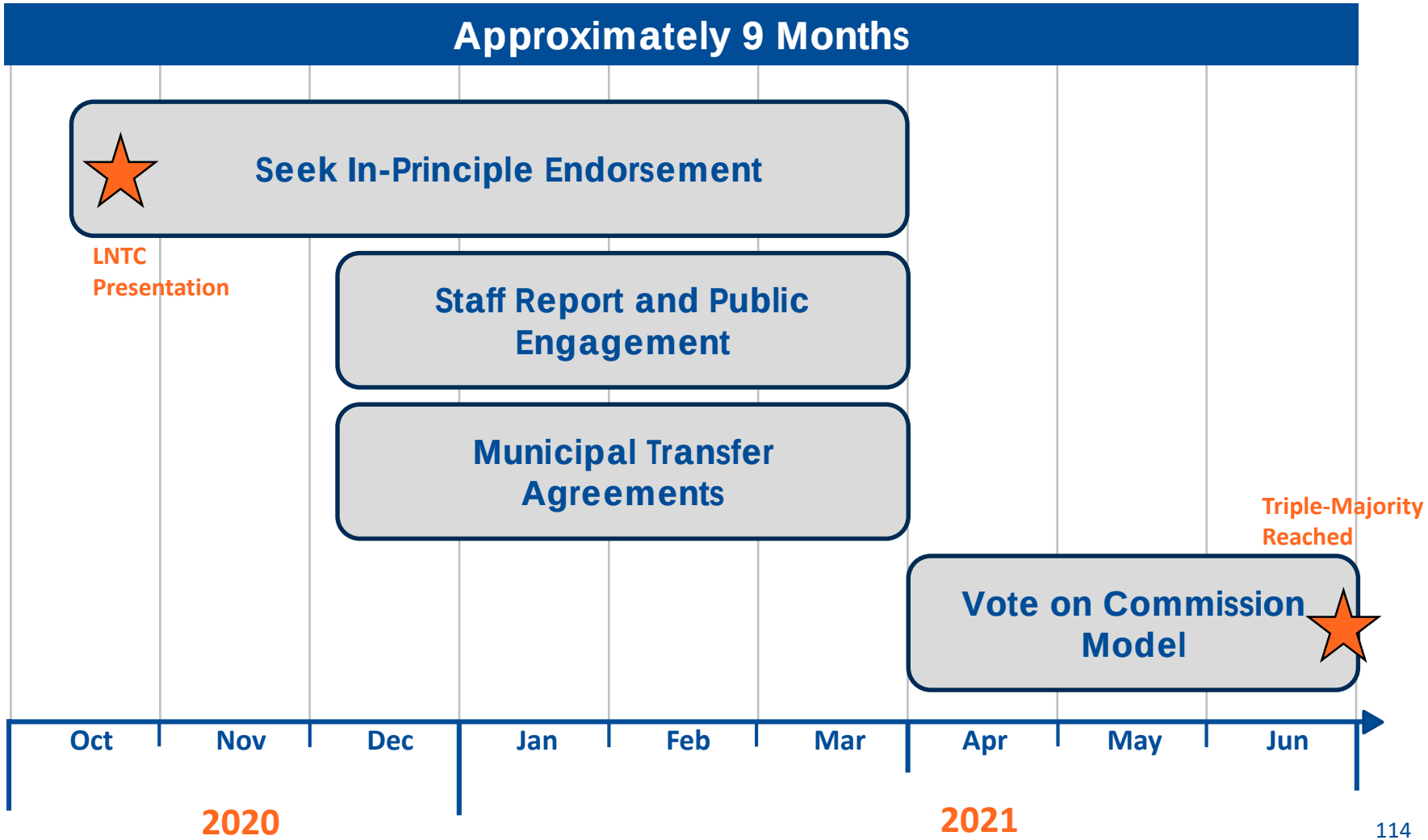
**4**

## Vote to Move Forward with Commission Model

The first step in the legal process involves receiving a triple-majority vote to create a by-law that grants power for transit services to the Region so that the Region may then establish the Commission

# 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.



optimus sbr



# Commission Establishment Overview

**(Approx. 2 months)**

This phase of work encompasses activities related to the legal establishment of the Commission as a municipal service board and concludes with the appointment of members to the Commission

**1**

## Legal Establishment of Commission

Pass a Regional by-law to create a Municipal Service Board (the Commission) and delegate control and management of transit services to this board

**2**

## Setup Governance Infrastructure

Establish policies, procedures, committees, and reporting mechanisms for the Commission and formalize their oversight responsibilities during the transition period

**3**

## Appointment of Commission Members

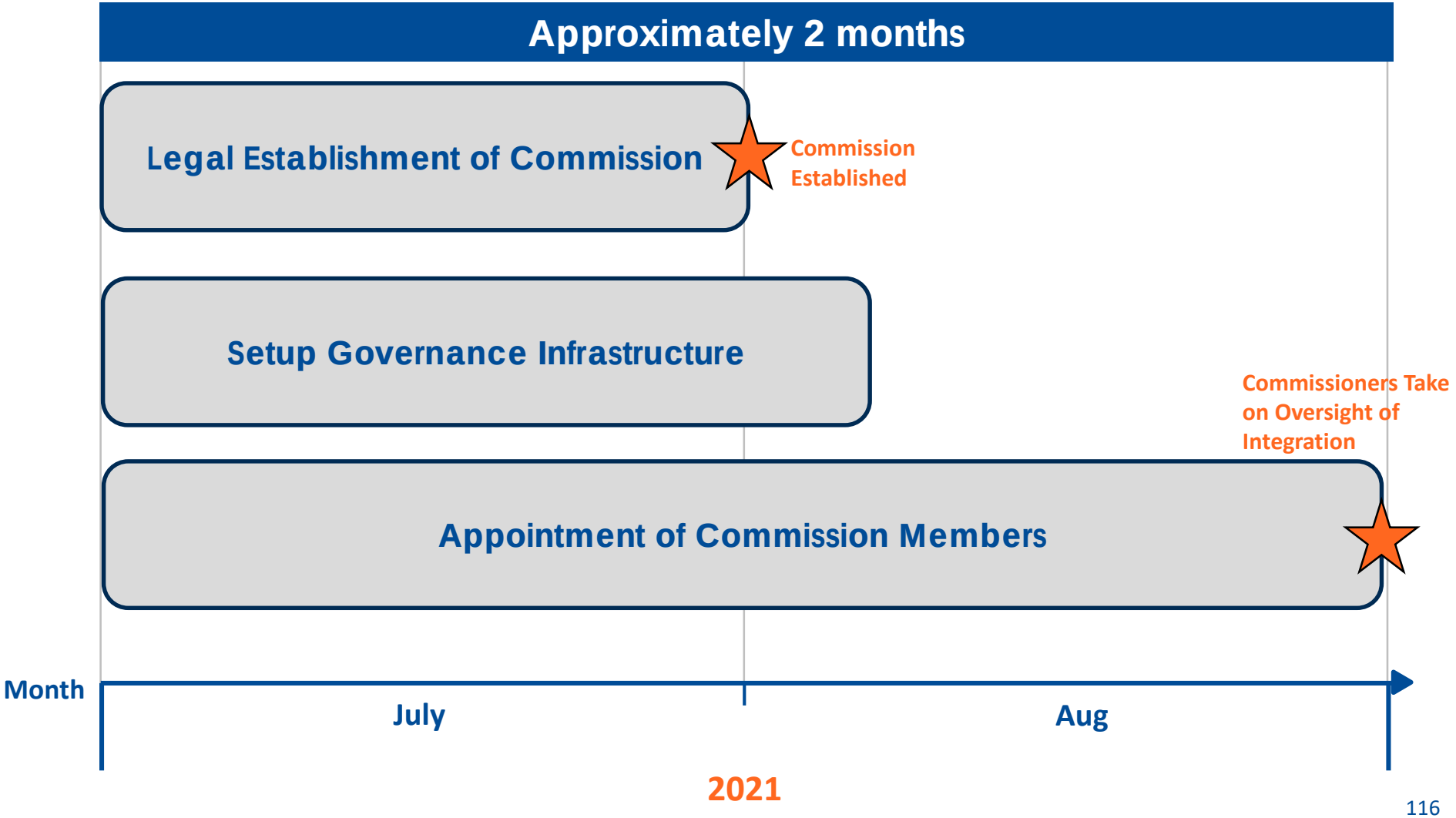
Appoint individuals who will compose the members of the Commission based on agreed-upon Commission governance structure

optimus sbr

LNTC-C 4-2020
Appendix 2

# 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.



optimus sbr

LNTC-C 4-2020
Appendix 2

# Commission Setup Overview

**(Approx. 1 Year)**

This phase includes work associated with getting the Commission ready to take on responsibility for transit services in the region, including establishing policies and processes, filling key roles, negotiating and executing transfer agreements

**1 Appoint Leadership Team**

Identify the Commission's GM and SLT and confirm the structure of the organization to begin filling roles

**2 Develop Human Resources Plan and Negotiate with Bargaining Units**

Develop a Human Resources and Change Management plan to guide all staff-related activities to setup Commission and begin negotiations with bargaining units

**3 Fill Functional Roles**

Develop job descriptions/postings for functional positions and fill roles

**4 Establish Organizational Infrastructure and Policies**

Develop key business infrastructure, policies, processes, and more required for day-one of service operations

**5 Inaugural Strategic and Branding Plans**

Undertake strategic and branding plan exercises to guide the work of all staff and leadership and begin building a unified image for transit in the region

**6 Formalize Working Relationships with Partners**

Begin development of formal working relationships with key partner organizations, including LAMs and Regional departments

**7 Development of Transfer Agreements**

Formalize agreements between the Commission and existing transit entities detailing how assets, liabilities, and contracts will be transferred over to the Commission

**8 Transfer Assets, Contracts, and Personnel to Commission**

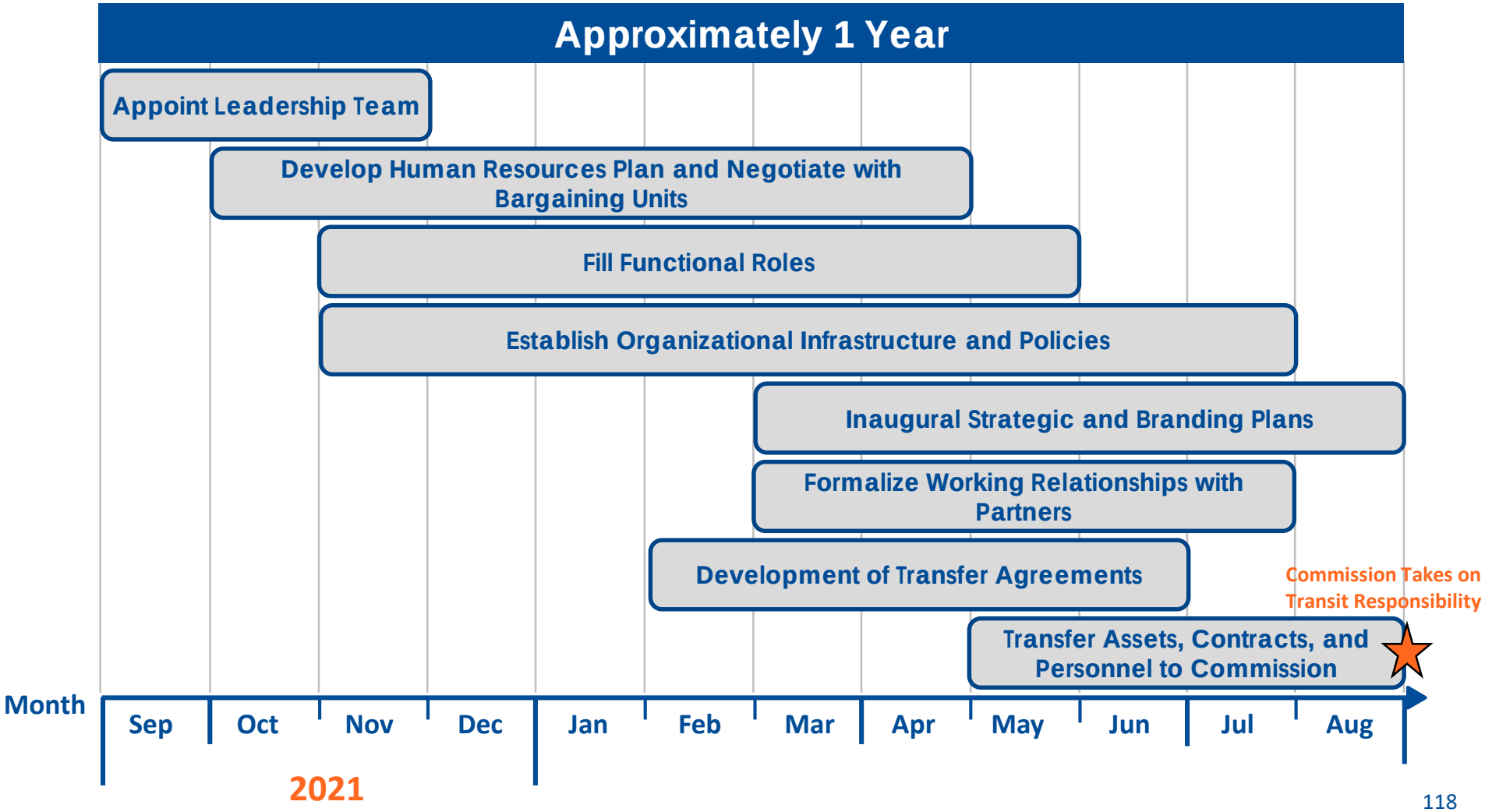
Transfer of transit related assets and liabilities, and personnel, to the Commission from LAMs and Region to officially take over responsibility for transit in Niagara

optimus sbr

LNTC-C 4-2020
Appendix 2

# Commission Setup Timelines

This work begins with the appointment of a senior leadership team, involves all work associated with getting the Commission setup to take on responsibility for transit services in the region, and ends with the transferring of assets and resources to the Commission.



optimus sbr

LNTC-C 4-2020
Appendix 2

# Service Launch Overview

**(Years 1 and 2 of Operation)**

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

1

## Launch of Transit Services

The responsibility for transit services across Niagara is transferred to the new Commission, with service levels being maintained while the existing systems cease operations

2

## Performance Monitoring and Improvement

As the Commission takes on responsibility for transit services, performance monitoring is undertaken to ensure no interruption to service occurs. As the Commission stabilizes and the status quo starts to form, public engagement activities along with minor process and service enhancements are identified and implemented

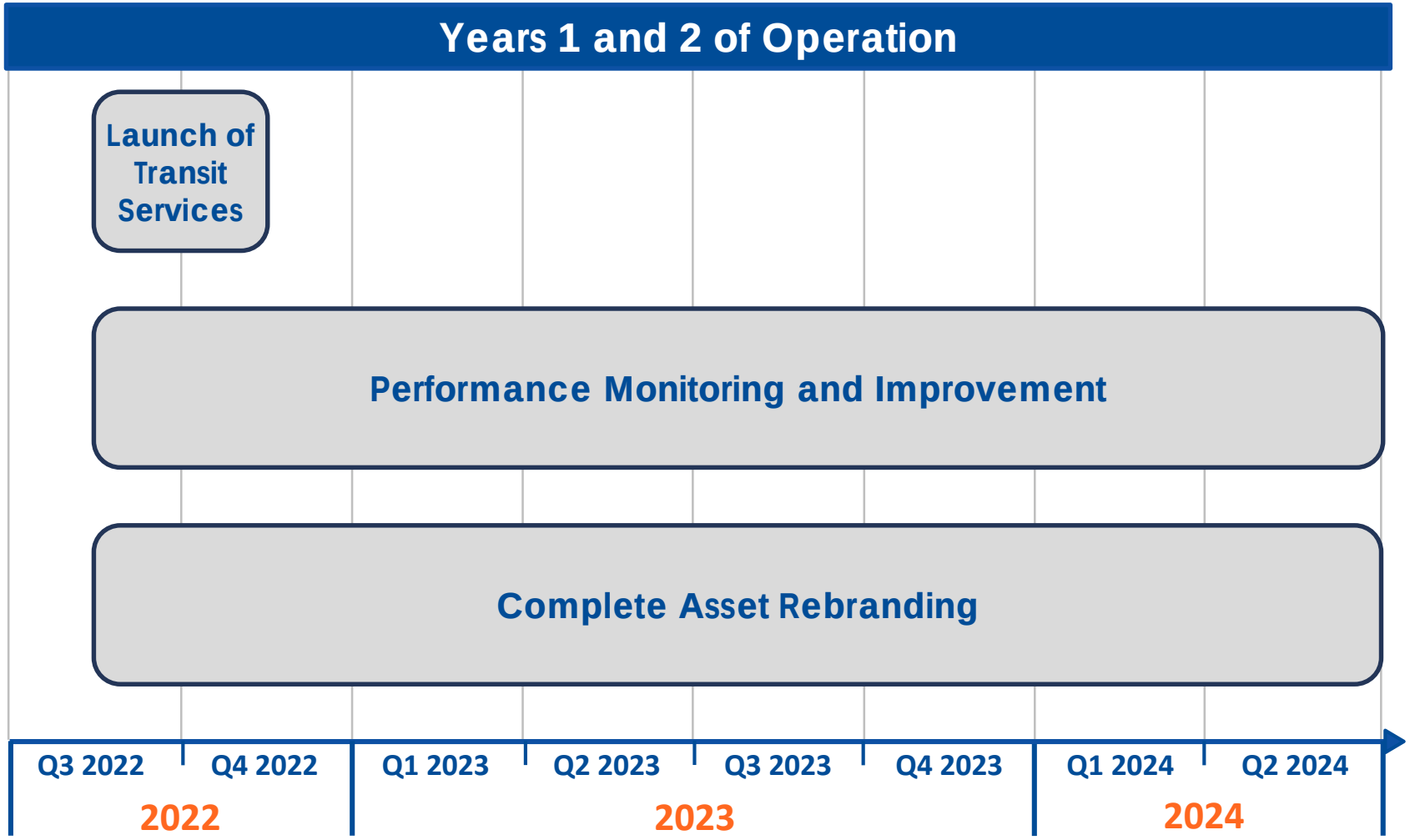
3

## Complete Asset Rebranding

Remaining assets will be modified to align with the Commission's brand

# 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 Overview

**(Year 3+ of Operations)**

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

1

## Ongoing Monitoring, Reporting, and Enhancement

The Commission will continue to monitor and report on its successes and challenges, while continually building ties with the Region and LAMs to ensure alignment of priorities

2

## Transit Service Planning

A long-term Transit Service Plan will be developed to guide the improvement and expansion of transit services in the Niagara Region

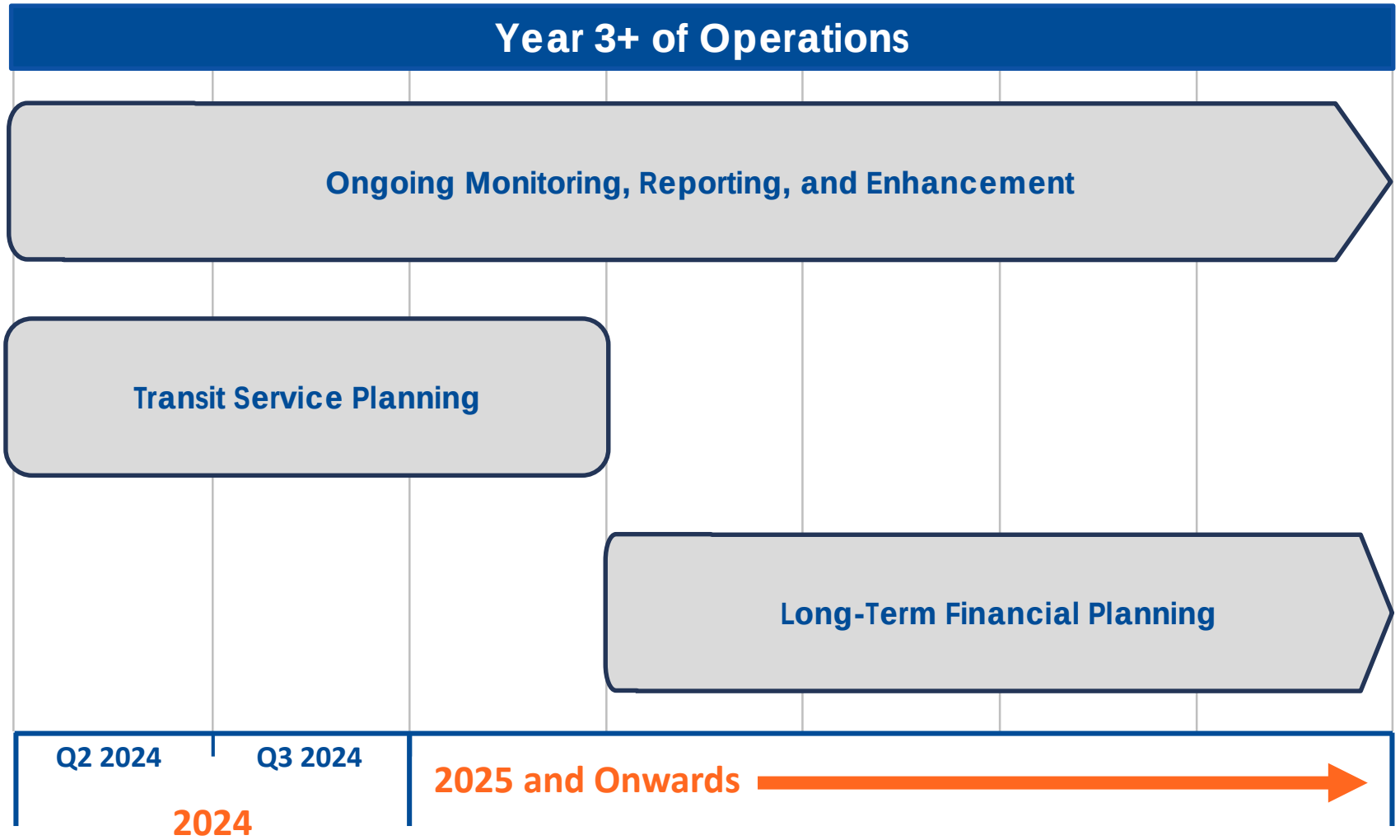
3

## Long-Term Financial Planning

To support the expansion of services, the Commission will develop a long-term financial plan to maintain and increase funding to support priorities

# 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.



Transition Plan

# Transition Costs

# Funding the Transition

Critical to the successful transition to the integrated transit model, and of particular relevance given the potentially long-term financial implications of COVID-19, is a clear understanding of the one-time costs of implementation and clarity on the sources of this funding.

Although not developed as part of this study, Regional staff are currently developing an initial funding model for the start-up budget of the Commission, that will strive for a fair and equitable funding baseline commensurate with the existing baseline services within each municipality. Following the initial start-up funding, subsequent transit investments are assumed to be funded through a single regional tax levy.

Upon its completion, this funding model will be provided alongside the recommendations contained in this report and all subsequent staff reports, so that decision makers have a comprehensive view of all considerations and implications of integrating transit in Niagara.

The following slides provide an overview of forecasted operating and capital transition costs.

**Note:** The provincial government recognizes that municipalities have sustained significant financial pressures as a result of the global pandemic, and in July 2020, announced it has secured one-time emergency assistance for Ontario's municipalities, the Safe Restart Agreement. Niagara Region has been able to secure funding through Phase 1, which is targeted at relieving immediate transit pressures, with potential for securing ongoing funding support in a second phase.

# Cost Overview

The setup of the Commission includes one-time transition costs, such as branding, communications, stakeholder engagement, and program management. The types of costs associated with the transition and operation of the Commission are summarized by phase.

| | Integration Approval Process | Commission Establishment | Commission Setup | Service Launch | Enhancement Growth |
|---|---|---|---|---|---|
| **Transition Team & Planning** | ✓ | ✓ | ✓ | | |
| **One time start up costs** | | ✓ | ✓ | ✓ | |
| **Operational costs before delivery** | ✓ | | ✓ | | |
| **Steady State of Operations*** | | | | ✓ | ✓ |

The cost estimates provided are preliminary estimates provided for planning consideration. Given the complexity and unknown impact of the global pandemic, there could be fluctuations in these costs. The estimated total cost of transition is between **$3,845,000 - $4,955,000**. This includes:

- **Capital costs** are between $1,670,000 to $2,225,000;
  - Capital costs specific to the fare collection system are between $5,000,000 and $7,500,000, but will be borne regardless of integration
- **Operational costs** are between $2,175,000 - $2,730,000.

**Note: Steady state operational costs have not been outlined within the transition plan as they will be determined by the Commission*

# Estimated Cost Summary: Capital

Transition costs include those one-time capital costs incurred to establish the Commission and its regular operations. A summary is provided below:

| Item Category | Integration Approval Process | Commission Establish-ment | Commission Setup | Service Launch | Enhancement & Growth | Estimated Total Item Category Cost |
|---|---|---|---|---|---|---|
| **Transit System Branding** | n/a | n/a | $400,000 to $800,000 | $200,000 | n/a | **$600,000 to $1,000,000** |
| **Facility and Office Improvements** | n/a | n/a | $50,000 to $100,000 | n/a | n/a | **$50,000 to $100,000** |
| **Transit Service Design** | n/a | n/a | $700,000 | n/a | n/a | **$700,000** |
| **Technology & Equipment** | n/a | $275,000 to $325,000 | $45,000 to $100,000 | n/a | n/a | **$320,000 to $425,000** |
| **Estimated Total Phase Cost** | **$0** | **$275,000 to $325,000** | **$1,195,000 to $1,700,000** | **$200,000** | **$0** | **$1,670,000 to $2,225,000** |

# Fare Collection System

The Inter-Municipal Transit Working Group (IMTWG) has requested funding for the fare collection system through ICIP, the procurement of this system is proceeding in parallel and required for the success of the new governance structure.

| Item Category | Integration Approval Process | Commission Establish-ment | Commission Setup | Service Launch | Enhancement & Growth | Estimated Total Item Category Cost |
|---|---|---|---|---|---|---|
| **Fare Collection System** | n/a | n/a | n/a | $5,000,000 to $7,500,000 | n/a | **$5,000,000 to $7,500,000** |
| **Estimated Total Phase Cost** | **$0** | **$0** | **$0** | **$5,000,000 to $7,500,000** | **$0** | **$5,000,000 to $7,500,000** |

# Estimated Cost Summary: Operating

Operational costs related to the transition have been summarized in the relevant categories below:

| Item Category | Integration Approval Process | Commission Establish-ment | Commission Setup | Service Launch | Enhancement & Growth | Estimated Total Item Category Cost |
|---|---|---|---|---|---|---|
| **Transit Integration Team** | $250,000 - $370,000 | $40,000 - $105,000 | $650,000 - $900,000 | n/a | n/a | **$940,000 - $1,375,000** |
| **Legal Fees** | $80,000 - $120,000 | $60,000 - $100,000 | n/a | n/a | n/a | **$140,000 - $220,000** |
| **Public Consultation** | $10,000 | $10,000 | $15,000 | $150,000 | n/a | **$185,000** |
| **Human Resources** | n/a | n/a | $510,000 - $550,000 | $200,000 | $200,000 | **$910,000 - $950,000** |
| **Estimated Total Phase Cost** | **$340,000 - $500,000** | **$110,000 - $215,000** | **$1,175,000 to $1,465,000** | **$350,000** | **$200,000** | **$2,175,000 - $2,730,000** |

# Transition Costs: Year over Year

The transition costs for both capital and operating budgets have been provided for the period 2021 - 2024:

| Year | Cost | Integration Approval Process | Commission Establish-ment | Commission Setup | Service Launch | Enhance-ment & Growth | Estimated Total Cost | Estimated Total Annual Cost |
|---|---|---|---|---|---|---|---|---|
| 2021 | Operating | $340,000 - $500,000 | $110,000 - $215,000 | $195,000 - $245,000 | n/a | n/a | *$645,000 - $960,000* | **$1,185,000 - $1,585,000** |
| | Capital | n/a | $275,000 - $325,000 | $265,000 - $300,000 | n/a | n/a | *$540,000 - $625,000* | |
| 2022 | Operating | n/a | n/a | $980,000 - $1,220,000 | $90,000 | n/a | *$1,070,000 - $1,310,000* | **$2,150,000 - $2,860,000** |
| | Capital | n/a | n/a | $930,000 - $1,400,000 | $150,000 | n/a | *$1,080,000 - $1,550,000* | |
| 2023/ 24 | Operating | n/a | n/a | n/a | $260,000 | $200,000 | *$460,000* | **$510,000** |
| | Capital | n/a | n/a | n/a | $50,000 | n/a | *$50,000* | |
| **Estimated Total Phase Cost** | | **$340,000 - $500,000** | **$385,000 - $540,000** | **$2,370,000 - $3,165,000** | **$550,000** | **$200,000** | *$3,845,000 - $4,955,000* | |

Niagara Transit Governance Study

# In Summary

# Report Wrap-Up

## Key Highlights

Research into the benefits and feasibility of an integrated transit system in Niagara Region has been considered for several years, and has culminated in **this Niagara Transit Governance Study.**

A review of the current state of transit in Niagara and a forecast of demand for transit services over the coming 10 years has shown that there is a **significant opportunity to increase transit usage in Niagara.**

To determine how Niagara could best accommodate this future growth, **three potential transit governance model options were developed**, each one reflecting a different approach to integrating transit in the region.

Each potential model was assessed against key evaluation criteria, and ultimately, an **independent Full Commission Model was recommended** as it provides the greatest opportunity for success by bringing the right degree of autonomy and flexibility to innovate, drive growth, and meet the diverse and changing needs of Niagara.

In order to create this new Commission, a five-phased Transition Plan has been developed to guide implementation activities. It is expected that **this Commission will be operational by the end of 2022**, and there is opportunity to take advantage of government funding to support the cost of transition to the Commission model.

# There is a Significant Opportunity to Increase Transit Usage in Niagara Region

By way of investments and harmonization of services and fares, transit under an amalgamated system is anticipated to become a more frequently used means of transportation in the region, with ridership outpacing the status quo.

## How?

Transit ridership forecasts indicate a **latent demand for inter-municipal transit** travel, which can be capitalized on through improved inter-municipal and connections to GO Transit rail services.

By investing in targeted projects and services to grow the transit mode share throughout the region, **transit ridership region-wide could grow by over 80% by 2031 under an amalgamated transit service.**

It is anticipated that Niagara Region, like its peer jurisdictions will experience a **transit mode share growth of 30% to 130% within ten years of amalgamation.**

By 2031, **operating costs in the high growth scenario will increase by approximately 55% over the status quo.**

**Capital investment of between $70M and $155M** between 2021 and 2031 may be required to address service and demand growth. Provincial Gas Tax revenue could result in up to $50M - $80M in revenue over the same ten years. Over $ 70M-worth of near- and mid-term projects have committed funds from the federal and provincial governments through ICIP.

**An integrated single fare is critical to driving ridership growth** and could be achieved in a way that is revenue-neutral if implemented progressively as ridership grows. While an integrated payment system and harmonized fare structure will be required at the start of service, a single fare region-wide can be implemented over time.

**The COVID-19 pandemic presents an opportunity** to look beyond the status quo, bring the transit systems in Niagara together, and build a new and improved service that takes capitalizes on current funding programs to see this forecasted ridership growth become a reality.

# A Full Commission Model is Recommended

Analysis shows that a Full Commission model would be most effective:

## A. Limited Commission

- Transit Service is governed by a regional commission with representation from local elected officials.
- Commission reports to Regional Council
- Strategic decision making for Transit Service is directed by Regional Council
- Relies on corporate services but retains transit-related services in-house

## B. Full Commission

- Distinct entity independent from Regional Council
- Governed by a board of appointed members, equitably selected by Regional Council
- Responsible for all transit planning and delivery
- Budget allotment approved by Regional Council
- Makes limited use of Regional services except where service sharing does not impede agility or independence

## C. Regional Division

- Division within Niagara Region's Public Works department
- Regional Council remains the governing body of the transit division
- Strategic decision making for Transit Service is directed by Regional Council
- Integrated into the Regional administration similar to other service delivery departments

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

optimus sbr

LNTC-C 4-2020
Appendix 2

# Follow a Sequenced Transition Plan

Creating a new entity is a complex and challenging undertaking that will require the coordination and support of many different stakeholders and will suffer should it lack the required resources.

| 1 Integration Approval Process | 2 | 3 Commission Setup | 4 Service Launch | 5 Enhancement Growth |
|---|---|---|---|---|
| Includes activities leading up to, and including, a phased political approval process that concludes with the submission of recommendations to LAM and Regional Councils to seek triple-majority approval to create the Commission | This phase of work encompasses activities related to the legal establishment of the Commission as a municipal service board and concludes with the appointment of members to the Commission | This phase includes work associated with getting with getting the Commission ready to take on responsibility for transit services in the region, including establishing policies and processes, filling key roles, and negotiating and initiation of transfer agreements | 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 | This phase includes longer-term activities that the Commission will undertake to continue developing its organization and planning for the future |
| Approx. 9 Months | Approx. 2 months | Approx. 1 Year | Years 1-2 of Operation | Year 3+ of Operation |

The creation of a Regional Transit 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.

# Guiding Principles for Transit

To achieve success, the new entity will need to make regionally focused decisions, aligned to the guiding principles, in order to ensure that growth in ridership, efficiency of operations, and improved service delivery are realised.

**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 for the benefit of all.

optimus sbr

SULLIVAN | MAHONEY LLP
LAWYERS

October 2, 2020

Reply to St. Catharines office
**THOMAS A. RICHARDSON, C.S.**
905.688.2207 – Direct line
tarichardson@sullivanmahoney.com

*Certified Specialist (Municipal Law – Local Government/Land Use Planning & Development)*

Optimus SBR
33 Yonge Street, Suite 900
Toronto, ON M5E 1G4

Left Turn Right Turn
2080 Danforth Avenue
Toronto, ON M4C 1J9

Dear Sirs:

We have been requested to provide our opinion on matters related to the possibility of creating a Niagara Region Transit Commission to provide inter- and intra-municipal transit throughout the Regional Municipality of Niagara. The letter below addresses a brief history of ongoing developments in the creation of a Regional transit system, the need for a triple-majority in the uploading of lower-tier municipal powers and the creation of a Regional Transit Commission.

**Facts**

The Regional Municipality of Niagara is a Municipal Corporation pursuant to the provisions of the *Municipal Act, 2001*. Within the area of the Regional Municipality, there exists twelve (12) local area municipalities. The Region is termed an "upper-tier" municipality while the local area municipalities are captioned "lower-tier" municipalities.

The *Municipal Act, 2001*, Section 11, refers to "Spheres of Jurisdiction". It then assigns those spheres of jurisdiction which are exclusive to the upper-tier municipality or some of them throughout Ontario. Subsection 11(3) provides, in part, that a lower-tier municipality and an upper-tier municipality may pass by-laws respecting matters within the listed spheres of jurisdiction, one of which is "transportation systems, other than highways". Consequently, both

the lower-tier municipalities and the Regional Municipality of Niagara as an upper-tier municipality may pass by-laws for transportation systems.

The City of St. Catharines has a Transit Commission which was established pursuant to special Provincial legislation. The City of Niagara Falls formerly had a Transit Commission which was also established pursuant to special Provincial legislation; however, the Commission has been disbanded and Niagara Falls Transit operates now as a division of the Transportation department. The City of Welland Transit also operates as a municipal department. So far as we have been able to determine, it was created by the passage of a by-law or by-laws. The City of Thorold contracts transit service from the St. Catharines Transit Commission. Port Colborne contracts transit service from Welland Transit. Lincoln, Fort Erie, Pelham and Niagara-on-the-Lake operate their own local transit services through third-party private contractors authorized by by-law. Grimsby, Township of Wainfleet and Township of West Lincoln have no existing conventional transit service.

The Regional Municipality of Niagara has established inter-municipal specialized transit services for persons with disabilities pursuant to By-law No. 64-2004, being "A By-law to assume inter-municipal specialized transit services within the Regional Municipality of Niagara". The Regional Municipality of Niagara has established an inter-urban transit system pursuant to By-law No. 2017-21, being "A By-law to establish an inter-municipal passenger transportation system in the Region of Niagara". Those by-laws were passed pursuant to the provisions of the *Municipal Act, 2001* and were each subject to the condition that a triple-majority, described below, was achieved. It is our understanding that those conditions have been met, in both instances and consequently the Region has established a Niagara Region inter-municipal transit system serving several municipalities, and inter-municipal specialized transit services. In addition, the Region has recently established an inter- and intra-municipal transit service in the lower-tier municipalities of Grimsby, Lincoln and Pelham, by contract with those municipalities.

The Region is now considering the establishment of a Regional Transit Commission to provide inter-and intra-municipal transit services throughout the Regional Municipality of Niagara.

**Transfer of Powers Between Lower and Upper Tiers**

The provisions of the *Municipal Act, 2001* provide for the "transfer of powers between tiers". Specifically, subsection 188(1) defines "Lower-Tier Power" and "Upper-Tier Power". Public transportation systems, other than highways, are defined as both a "Lower-Tier Power" and an "Upper-Tier Power".

Subsection 189(1) provides that "an Upper-Tier Municipality may pass a by-law to provide for:

(a) The transfer of all or part of a Lower-Tier Power to the Upper-Tier Municipality from one or more of its lower-tier municipalities which are specified in the by-law; and

(b) Transitional matters to facilitate the assumption of the Lower-Tier Power."

Subsection 189(2) imposes conditions which are required to be met before a by-law to provide for the transfer of a Lower-Tier Power to an Upper-Tier Municipality may come into force. Those conditions are as follows:

(a) "A majority of all votes on the Council of the upper-tier municipality are cast in its favour;

(b) A majority of the Councils of all the lower-tier municipalities forming part of the upper-tier municipality for municipal purposes have passed resolutions giving their consent to the bylaw; and

(c) The total number of electors in the lower-tier municipalities that have passed resolutions under clause (b) form a majority of all the electors in the upper-tier municipality."

Consequently, in order to transfer the Lower-Tier Power of public transportation systems to the upper-tier municipality, it will require a by-law passed by the Regional Municipality of Niagara subject to the conditions listed above.

The by-law to transfer the power from the lower-tier municipalities to the upper-tier municipality may come into effect upon receipt of the Triple-Majority or, it may come into effect, after obtaining the Triple-Majority, at a date specified in the by-law.

**Legal Process for Establishing a Regional Transit Commission**

We have been asked for confirmation on the proposed process for establishing the Commission and how consent is to be achieved from the local area municipalities (Lower-Tier).

We have described above the manner in which the transfer of the Lower-Tier Power of public transportation systems, other than highways, to the upper-tier municipality must occur. Once the power to establish a transit system has been effected pursuant to the provisions of subsections 189(1) and (2), the Region is then in a position to determine the manner in which it will operate the transit system. Section 196 of the *Municipal Act, 2001*, provides to a municipality to establish a "Municipal Service Board". Section 197 of the *Municipal Act, 2001*, provides, in part, that a Municipal Service Board is a body corporate unless the municipality provides otherwise when establishing the board. It also provides a Municipal Service Board is an agent of the municipality and is a local board of the municipality for all purposes.

Section 198 of the *Municipal Act, 2001* describes the functions of Municipal Service Boards and provides that a municipality may give a Municipal Service Board the control and management of such services and activities of the municipality as the municipality considers appropriate and shall do so by delegating the powers and duties of the municipality to the board in accordance with the *Municipal Act, 2001*.

The *Municipal Act, 2001*, subsection 203(1) authorizes a municipality to establish a corporation.

In our opinion, the appropriate methodology to create a Transit Commission for the operation of the Regional transit system is pursuant to the provisions of Sections 195, 196 and 197, which

permits the creation of a Municipal Service Board. Having transferred the Lower-Tier Power to operate a public transportation system other than highways, through the obtaining of the "Triple-Majority" described above, it is not necessary to obtain a Triple-Majority with respect to the creation of the Commission. No additional consent is required from the lower-tier municipalities to operate intra-municipal transit routes. No further approvals should be required.

As noted above, the Region has, through the "Triple-Majority" process, already transferred the power to operate inter-municipal specialized transit services within the Regional Municipality of Niagara for persons with disabilities.

**Securing the Exclusive Right to Operate Public Transit in Niagara**

The intent of the proposed by-law is to transfer power relating to public transportation systems from the lower-tier municipalities to the Region with the exception of GO Transit and WEGO, which will continue to operate independently of the Regional Commission.

The *Municipal Act, 2001* addresses the process by which the Region may secure exclusive rights to operate public transit in Niagara, with the exception of GO Transit and the WEGO system. The ability to secure exclusive rights is provided in subsection 190(1) and 69(2).

Subsection 190(1) provides as follows:

> "When a by-law passed under Section 189 comes into force,
>
> (a) the upper-tier municipality may exercise the transferred lower-tier power of the lower-tier municipalities specified in the by-law;
>
> (b) The lower-tier municipality specified in the by-law and its local boards are bound by the by-law and no longer have the power to exercise the transferred Lower-Tier Power; (emphasis added)
>
> (c) An existing by-law or resolution of the lower-tier municipality and its local boards that relate to the transferred lower-tier power shall to the extent it applies in any part of lower-tier municipality, be deemed to be a by-law or resolution of the upper-tier municipality; and
>
> (d) The existing by-law or resolution referred to in clause (c) shall remain in force in that part of the lower-tier municipality until the earlier of two (2) years after the transfer by-law comes into force and the day the existing by-law or resolution is repealed by the upper-tier municipality."

The effect of subsection 190(1)(b) is that, upon the passing of the by-law, the lower-tier municipalities will lose the ability to exercise any power related to public transportation systems. By-laws and resolutions of the lower-tier municipality regulating the transit service then become by-laws and resolutions of the upper-tier municipality. The upper-tier municipality then has a

period of two (2) years in which to replace the lower-tier by-laws and resolutions with its own by-laws.

The *Municipal Act, 2001* subsection 69(2) provides:

> "A municipality that has authority to establish, operate and maintain a type of passenger transportation system may,
>
> (a) By by-law provide that no person except the municipality shall establish, operate and maintain all or any part of a passenger transportation system of that type within all of the municipality or that area of the municipality designated in the by-law; and
>
> (b) Despite section 106 and any by-law under clause (a) enter into an Agreement granting a person the exclusive or non-exclusive right to establish, operate or maintain all or any part of a passenger transportation system of that type within all of the municipality or that area of the municipality designated in the Agreement under such conditions as the municipality provides, including a condition that the municipality pay any deficit incurred by the person in establishing, operating and maintaining the system."

Subsection 69(2)(a) provides authority for the municipality to prohibit anyone, other than the municipality, whether public or private, from establishing, operating or maintaining all or any part of a passenger transportation system of the same type within the municipality.

In order that a by-law passed under subsection 69(2)(a) not affect WEGO's ability to operate, the Region should enter into an Agreement with WEGO pursuant to subsection 69(2), to permit WEGO to continue to operate.

**Approval of a Financial Model to Fund the New Transit Commission**

In our opinion, there is no further requirement to obtain a Triple-Majority vote on the Commission's financial model once the power has been transferred.

As noted above, we have recommended the establishment of the Regional Transit Commission as a Municipal Service Board, pursuant to subsection 196(1). Subsection 196(1)(1) specifically authorizes a municipality to establish a Municipal Service Board and to provide for matters such as the name, composition, quorum and budgetary process of the Board.

**Implications for Existing Public Vehicle Licences**

We are informed that as Niagara Region Transit services are contracted to the transit systems of Niagara Falls, St. Catharines and Welland, the Region does not hold any public vehicle licences. We believe that the St. Catharines Transit Commission, the Niagara Falls Transit Commission and the Welland Transit Commission hold public vehicle licences as their buses service routes beyond the lower-tier municipality boundary.

The *Public Vehicles Act*, R.S.O. 1990, c.P.54, ("*Public Vehicles Act*") requires the operators of public vehicles to have an operating licence. The definition of "Public Vehicle" explicitly provides that it does not include "motor vehicles operated solely within the limits of one local municipality". The public vehicles act defines the term "Local Municipality" as not including a municipality that had the status of a Township on December 31, 2002 and, but for the enactment of the *Municipal Act, 2001*, would have had the status of a Township on January 1, 2003." Further, the *Municipal Act, 2001*, defines "Local Municipality" as "a single-tier municipality or a lower-tier municipality".

The above review leads us to conclude that those local municipalities which have public vehicle licences do so because some of their routes extend into other municipalities.

It is our opinion that upon the passage of the proposed by-law to transfer the power relating to public transportation systems to the Region, public vehicles licences will be required, as the public vehicles would be operated beyond the respective limits of the lower-tier municipalities. As noted above, we have been informed that Niagara Region Transit does not currently have any public vehicle licences. As a result, the Commission would need to obtain new public vehicle licences for the public vehicles which will be operated in inter-municipal routes. Moreover, the licences currently held by the lower-tier municipalities, or their Transit Commissions, will be required to be transferred to the Regional Commission.

The *Public Vehicles Act*, subsection 7(1) provides that a licence may only be transferred with the permission of the Ontario Highway Transfer Board. The process for the transfer of such licences is outlined in Section 7 and Ontario Regulation 982.

Yours very truly,

**SULLIVAN, MAHONEY LLP**
**Per:**

**Thomas A. Richardson, C.S.**
Thomas Richardson Legal
Professional Corporation

**Andrea M. Mannell**

TAR:sm