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**Subject:** Niagara Specialized Transit Service Agreement Amendment 2021

**Report to:** Public Works Committee

**Report date:** Tuesday, December 8, 2020

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## Recommendations

1. That the Chief Administrative Officer **BE AUTHORIZED** to execute the Niagara Specialized Transit (NST) Service Delivery Amending Agreement 2021 between the Regional Municipality of Niagara and The BTS Network Inc. such that the Agreement meets the approval of the Director of Niagara Region Legal and Court Services.
2. That the Chief Administrative Officer also **BE AUTHORIZED** to execute any necessary extensions such that those extensions support a potential transition to a single transit entity resulting from the ongoing Niagara Transit Governance Study.

## Key Facts

- The purpose of this report is to seek Council's approval to renew an extension to the NST Service Delivery Amending Agreement 2019-2020 for the year 2021.
- The 2019-2020 Service Delivery Agreement was compliant with the Region's Procurement By-law and was intended to ensure service continuity while a transit governance decision was sought in Q1/Q2 2020 (PW 4-2019).
- The onset of COVID-19 delayed the governance work with the new decision expected in Q2 2021.
- The 2019-2020 Service Delivery Agreement contained provisions to extend the contract four times for up to 12 months per extension.
- The terms and conditions of the current Agreement are favourable to Niagara Region as they place ceilings on maximum expenditures and permit the service to remain within budget and avoid any minimum spending thresholds.

## Financial Considerations

Prior to the 2019-2020 Service Agreement, the NST service had been running over budget by as much as 30%. This was due to the fact that the service provider was paid on a per trip basis combined with the terms and conditions not placing a ceiling on the maximum number of trips that could be delivered in a single year, resulting in annual budget deficits. The original contract did include a trip threshold provision to trigger a

renegotiation. This exposure to the Region under the previous terms provision was triggered in 2018 which led to an amending agreement to be signed for 2019 and 2020. This amending agreement contained terms and conditions which ensured that NST was delivered within budget and included some operational improvements for the service. Table 1 below illustrates how the terms of the current amending agreement changed the trajectory of this program.

**Table 1: 2018-2019 NST Budget to Actual**

Details	2019 Budget	2019 Actual	2018 Budget	2018 Actual
# of Trips	31,200	28,680	25,700	30,057
Operator Payments*	\$2,212,918	\$1,987,695	\$2,008,384	\$2,627,753
Fare Revenue	\$(132,600)	\$(120,670)	\$(101,336)	\$(151,123)
Net Expense	\$2,080,318	\$1,867,024	\$1,907,048	\$2,476,630

With COVID-19 reducing ridership significantly in 2020, the service is projecting a net savings of roughly \$750,000 (37%) due to the contract model currently employed. Transit agencies across Ontario are projecting extremely slow growth in the return to typical ridership, thus maintaining this agreement should allow NST to remain within budget for 2021 as well.

## Analysis

The NST Service Delivery Amending Agreement 2019-2020 was structured as an amendment to the original Service Delivery Agreement (2015) as a means of simplifying the process, the expectations of both parties, and ensuring compliance with Niagara Region's Procurement By-law as that original Agreement was placed through a competitive bid process.

The Region recently launched NRT OnDemand, a dynamically routed, shared-ride transit pilot program in the western municipalities of Niagara, namely Grimsby, Lincoln, Pelham, Wainfleet and West Lincoln. A number of the features of the current NRT OnDemand service align with the recommendations from the Specialized Transit

Service Review (2018/2019) which is a component of the larger ongoing Transit Governance Study. Some examples of these features are:

- Same day booking
- App/Digital booking
- App/Digital payment
- Elimination of the need for applications
- Co-mingling of specialized passengers and non-specialized passengers

The NRT OnDemand pilot was originally intended to launch in 2019, but staff were directed to re-engage with local municipalities to seek out partnership opportunities to deliver both intra and inter-municipal trips. The pilot was then further delayed from April 2020 to August 2020 due to COVID-19's impact on the vehicle manufacturing industry.

Based on the early, positive trends seen with NRT OnDemand and the co-mingling of specialized and non-specialized riders using the Wheelchair Accessible Vehicle (WAV) shared-ride service, there is a strong potential for alignment between the NRT OnDemand pilot and the existing separate NST system. Accessibility advocates have long called for a transit system which provides social and transit equity – enabling both specialized and non-specialized riders to simultaneously utilize the same system, thereby eliminating social barriers and creating significant improvements to transit mobility and social determinants of health.

If NRT OnDemand remains on its current trajectory for the duration of the pilot, this alignment would likely yield a significant opportunity to leverage future long-term value and service delivery efficiencies rather than providing two distinct, but similar systems. However, the NRT OnDemand pilot has only been operating since August 2020 (three months at the time of writing) which is insufficient time to confirm its successes nor to identify concerns or areas for improvement.

Moreover, the Niagara Transit Governance Study (NTGS) was originally seeking a decision in Q2 of 2020; but due to COVID-19, the new timeline is approximately Q2 2021. With these two issues combined, staff feels that service continuity should be prioritized by renewing with the current provider so as to not potentially need to change service providers multiple times between now and when/if a new transit entity is formed. This would also ensure that when the new combined service does go through a competitive process, that staff is able to adequately articulate the desired parameters of the service. This strategy of not entering into long term agreements during the governance review has been agreed to, recommended and employed by all of the

transit properties that make up the Inter-Municipal Transit Working Group (IMTWG), including things such as labour relations, service contracts, and operating agreements.

## **Alternatives Reviewed**

Only one alternative truly exists for the NST service delivery, and that would be to put out an RFP for the contract in a competitive bidding process. However, this option is fraught with significant challenges as outlined below, and thus not recommended by staff at this time.

Impacts of COVID-19 – The current contract with the service provider only requires payment for delivered trips, and thus is providing Niagara Region some much needed financial flexibility due to a significant drop in ridership since late March. In a scenario where an RFP is required, any potential bidders would almost certainly be seeking a minimum revenue to offset their operating costs, regardless of the amount of service delivered. It is also expected that due to the significant capital upstart costs for a new provider to bring new fleet and technology online, Niagara Region would likely need to front-load funds to a new provider. To offset this, private sector service providers typically seek a 5-10 year agreement in order to maximize asset lifecycle replacement and amortize their costs over a longer period of time. With transit consolidation under consideration, staff are not recommending any long-term agreements that would unnecessarily bind the new transit entity into any financially disadvantageous position.

Integration with NRT OnDemand – As outlined in the Analysis section of this report, the current NRT OnDemand pilot is testing a number of features which came as recommendations from the Specialized Transit Service Review. Ideally, staff would like to let the pilot run its course before attempting to integrate those features into specialized transit. Or as is more likely, integrate the two services together in order to leverage value and service delivery efficiencies rather than providing two distinct, but similar and overlapping systems. This value would be obtained through a competitive bidding process once a timeline is established through the governance work.

Transit Consolidation – When the terms of the current agreement with the service provider were negotiated, it was done so with the NTGS timeframe in mind. Staff was attempting to align the termination of the specialized transit contract with the governance decision. However, staff was mindful to include provisions which would allow that agreement to be extended so that the NST program would not have to undergo multiple changes in service providers prior to the governance decision should it be delayed. With COVID-19 impacting the work of the NTGS, and thus ultimately

delaying the decision from Q2 2020 to a projected Q2 2021, staff feels that renewing with the current provider using the terms set out in the current agreement is the appropriate choice.

In summary, the multi-year vision for the Region's specialized transit is to extend the current status quo NST program for another 12 months; enable the NRT OnDemand pilot to run its full 24 months; transit consolidation occurs in 2021 creating a single transit entity to govern and align all services – all three contracts/decisions intersecting at the same time to create an optimal situation whereby a new transit entity is able to create a combined on-demand and specialized service operating seamlessly either in-house or via a service provider under a multi-year long term contract.

### **Relationship to Council Strategic Priorities**

Provision and extension of NST directly aligns with the Council Strategic Priority: Responsible Growth and Infrastructure Planning (Objective 3.1) through advancing regional transit and GO rail services and facilitating the movement of people and goods.

### **Other Pertinent Reports**

- PW 40-2019 – NST Service Amending Agreement 2019-2020
- PW 39-2019 – NST Operations Review
- PW 23-2019 – NRT and NST 2018 Ridership and Revenue Summary
- LNTC 9-2018 – Niagara Specialized Transit Service Review Terms of Reference
- PW 40-2018 – NST Negotiations and Program Changes
- PW 51-2017 – NST Program Change Options
- CAO 8-2017 – Niagara Region's Transit Service Delivery and Governance Strategy

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**Appendices**

None.