
Subject: Niagara Transit Governance Study – Niagara Region Considerations

Report to: Public Works Committee

Report date: Tuesday, February 16, 2021

Recommendations

1. That the assessment of expected impacts to Regional services arising from the consolidation of transit services in Niagara **BE RECEIVED**; and
2. That staff **BE DIRECTED** to consider and incorporate these impacts as part of the updated transition plan to be returned in a final report to Regional Council for triple-majority consideration of transit consolidation.

Key Facts

- The purpose of this report is to provide Council an assessment of expected impacts to Regional services arising from the consolidation of transit services in Niagara, as previously directed by the Linking Niagara Transit Committee (LNTC) as recommended in *LNTC-C 4-2020 - Niagara Region Transit Governance Study (NTGS)*.
- The three transit services currently delivered by the Region (Niagara Region Transit, Niagara Specialized Transit, NRT On-Demand pilot) are anticipated to form important components of the future consolidated transit system. Recent extensions/renewal of these contracted services by Council have focused on the purposeful and strategic alignment of these services with the potential for a transition to a consolidated Commission.
- Support from a wide range of Regional services will be required to facilitate both the transition to the Commission as well as its future operation, with potential for future shared-services between Regional and Commission services, with the degree of this integration varying by the business function or division.
- Additional resources will be required to support some Region-provided shared services through the transition process as the scope of required activities increases; to be provided through a combination of external consulting services, as well as through additional internal staff dedicated to the transition.

- Subject to the adoption of the recommendations of this report, this assessment and any additional feedback provided will serve, along with any feedback similarly acquired from the Local Area Municipalities (LAMs), as Regional Council's inputs to the future report which will initiate the triple-majority process.

Financial Considerations

The initial financial strategy outlined in *LNTC-C 4-2020* estimates \$3.85 - \$4.96 million (\$1.67-\$2.25 million capital and \$2.17-\$2.73 million operating) in total operating and capital transition costs associated with the consolidation of transit in Niagara. All costs referenced in this report, including the referenced external legal retainer and HR strategy consultant, are incorporated within the transition costs originally estimated as part of the NTGS, and will be funded through a combination of funds identified in the 2021 Regional operating budget and through future separate transit levies identified in an agreed upon Commission financial model. Staff continue to seek support from senior levels of government to offset these costs through intergovernmental funding programs. The 2021 net Regional transit budget that will be transferred to the new Commission is \$16.1 million inclusive of debt servicing costs.

The initial funding strategy recommends that all existing and incremental transit spending will be transferred to the new Commission, funded through a single Regional tax levy. As directed by LNTC through *LNTC-C 4-2020*, feedback on this initial strategy is currently being sought from LAMs by the requested input date of February 28, 2021. Once received, this input will be joined with the ongoing review of alternative funding options directed by *LNTC-C 6-2020*, leading to a final recommended financial model with discussion of alternatives considered as part of the final triple-majority approval report.

Analysis

At its meeting of October 21, 2020, LNTC considered *LNTC-C 4-2020 - Niagara Transit Governance Study* which presented the preferred governance and financial models for the consolidation of transit in Niagara. LNTC adopted amended recommendations providing support for a Full Commission and recommending further engagement with each of the twelve (12) local area municipalities to seek their feedback on and support for the recommended governance and financial models.

In parallel, LNTC directed staff to undertake an assessment of the expected impacts to Regional services that may arise from the consolidation of transit services in Niagara.

The purpose of this report is to provide that assessment, examining the potential impacts of consolidation across both the transit services that are currently being delivered by the Region as well as the Regional corporate services that will support the transition and future operation of the Commission.

Transit Operational Assessment

Niagara Region currently operates three transit services: Niagara Region Transit (NRT), Niagara Specialized Transit (NST), and the recently launched NRT On-Demand (NRTOD) pilot. Each of these services fulfill a unique and important role in serving the mobility needs of Niagara residents and will form an important component of the future consolidated transit system.

Recent efforts have focused on the strategic alignment of each of these services with the potential for a transition to a consolidated Commission. This has included the planned intersection of agreements and future contractual decisions for all three services. This strategic alignment is purposefully intended to create an optimal situation whereby the Commission will be empowered to make decisions regarding the potential combination of on-demand and specialized services, in-house or contracted delivery models, and agreement terms. This alignment has been advanced through Council's recent approvals of *PW 52-2020*, *PW 53-2020*, and *PW 1-2021*.

The transition plan outlined as part of the NTGS anticipates that the Commission will assume operational responsibility for delivery of transit services in Q4 2022.

Niagara Region Transit

First initiated as a pilot project in 2010, the Region formally assumed jurisdiction for the delivery of conventional inter-municipal transit (IMT) services in 2017 through a triple-majority process.

This service is currently delivered on behalf of the Region by local transit providers through an agreement with the St. Catharines Transit Commission, the City of Welland, and the City of Niagara Falls. This agreement is in the process of being extended for a two-year period to 2022 through Council's adoption of *PW 52-2020*.

It is anticipated that the Commission will assume responsibility for the delivery of IMT services as part of the overall consolidation of transit services and through the transfer of the assets, personnel, and other resources currently used to deliver this service. The

two-year extension period of the current NRT operating agreement was selected to align with this assumption of service delivery in Q4 2022.

As outlined in the NTGS, there is significant latent demand for IMT services in Niagara. An early objective for the Commission will be completion of a strategic growth plan that will identify the IMT service enhancements and associated investments that will best realize this potential growth. Consistent with principles being applied to local transit services, a minimum of the existing service level hours will be maintained for a period of five years. The current scope of NRT operations is a fleet of 30 buses operating 163,000 service hours, with a \$17.3M gross transit expenditure before offsetting revenues.

Niagara Specialized Transit and Niagara Region Transit On-Demand

In addition to conventional IMT services, the Region also operates two additional transit services:

- **Niagara Specialized Transit** - provides inter-municipal specialized transit services across Niagara, delivered on behalf of the Region by a third-party service provider. The inter-municipal service operated by the Region is supplemented at the intra-municipal level by the para-transit and specialized services operated by the region's municipalities. These local services are currently delivered through a combination of both direct service delivery in parallel with conventional services and through additional third-party agreements.

It is anticipated that the Commission will assume responsibility for both the Region's inter-municipal specialized service and the local intra-municipal specialized services in Q4 2022. The Region's third-party agreement for NST has recently been extended to 2021 through Council's approval of *PW 53-2020*, and contains options for additional one-year extension periods subject to the approval of Council. Work is currently underway through the Inter-Municipal Transit Working Group (IMTWG) to understand the contractual arrangements between local municipalities and their third-party providers to ensure the overall strategic alignment of these agreements with the planned consolidation.

- **Niagara Region Transit On-Demand** – launched as a pilot project in Q3 2020, the NRTOD service provides on-demand transit services in areas of the region that have historically been underserved or unserved by conventional transit services (i.e. Grimsby, Lincoln, Pelham, Wainfleet, and West Lincoln). There has

been significant growth in the use of NRTOD since inception, with a 463% growth in average rides taken between Week 1 and Week 15 of the pilot representing a total of 5,408 riders. In November 2020, a secondary service area was launched in Niagara-on-the-Lake after the Town's Council made a formal request to Regional Council.

Based on the early positive trends associated with the launch of NRTOD, it is anticipated that the on-demand model will be an important component of the future Commission. The current pilot project has recently been extended for an additional one-year period (*PW 1-2021*) with a strategic focus on alignment with the timelines in the transition plan for the consolidation of transit.

As these services are transferred to the Commission, there is strong potential to combine the on-demand model and delivery of specialized transit services. 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. A combination of the two systems could also create economies of scale and reduce the overall costs of running two parallel systems covering similar geographic areas.

In-House Regional Support Services – Capacity Assessment

A number of Regional divisions currently support the delivery of NRT, NST, and NRTOD, as well as the work completed to date to advance future consolidation. The purpose of this section is to:

- outline the major activities that are applicable to each division during the transition to the Commission, including additional supports or resources that may be required; and
- provide an overview of the future-state relationship that may exist between some Regional divisions and the Commission, including the potential for shared-services and key considerations that will be taken into account in the development of those models.

It should be noted that in the analysis of each of these corporate divisions, senior staff in all cases have been engaged collaboratively to ensure each divisional representation is accurate and capacity thoroughly reviewed as to how existing support or further support is provided along the transition to the Commission.

Office of the Regional Clerk

The Regional Clerk's office currently supports the consolidation of transit service through its facilitation of LNTC and by providing advice to the transition team on matters of legislative procedure.

Through the transition to the new Commission, the Regional Clerk will assist the transition team in the establishment of the Commission's Board and Advisory Committee, including the development of new Terms of References for each body. The Regional Clerk could then support these bodies through agenda management, meeting facilitation and minutes, and provide guidance respecting Records Management and Privacy legislation requirements.

The Regional Clerk will also support the appointment of members to the Commission Board. Political members of the Board will be selected by Regional Council, based on the board composition criteria that will be outlined in the final triple-majority report. An application process will take place through the Region's website for persons wishing to express interest in becoming public members of the board. Staff, working through the CAO Working Group (CAO WG), will forward recommended candidates to Regional Council for consideration and approval.

The transition to the Commission is not expected to result in a net increase in required support from the Regional Clerk's office, as the level of support required for LNTC is anticipated to proportionally decrease as the Commission's Board is established and it assumes greater responsibility for guiding the integration of transit in Niagara.

Financial Management & Planning (FMP) - Corporate Services

Financial support is an integral part of advancing transit consolidation, responsible for providing strategic financial analysis and direction along with direct budgetary and financial reporting support to the Governance Project Team. The Finance Division also supports the delivery of the Region's three transit services through a similar provision of budgetary and financial analysis. Niagara Region's FMP division has led the development of the recommended financial strategy for consolidation, consulting regularly with the area Treasurers along the way, and guides the preparation of the annual operating and capital budgets for the GO Implementation Office which has oversight for all transit services.

Financial support is anticipated to expand through the approval and transition phases of consolidation. Niagara Region's FMP Division has established a position dedicated to supporting both the transition activities and future Commission support. Primary tasks of the role are anticipated to include:

- Support the final recommended financial model as part of the future "triple-majority" approval report incorporating feedback received from the LAMs through the first round of engagement, including consideration of any alternative funding models (*LNTC-C 6-2020*);
- Supporting the financial reporting implications of transfer of assets to the Region from the LAMs who currently operate transit services;
- Continuing to guide the capital and operating budgets of the GO Implementation Office which includes NST/NRT and GO; and
- Supporting the new Commission in the development of the budgetary and financial reporting structures/policies of the Commission, including determination of the shared services model with the Region;
- Prepares specific external reporting, liaising with Commission specific agencies as needed.

As a Municipal Services Board of the Region, it is critical to ensure financial alignment is consistent with Regional financial structures and reporting, to enable best practices for financial reporting and consolidation, cost effectiveness and taxpayer fiscal prudence, without limiting the Commission ability to develop their own strategic-level planning. The Region's FMP Division will directly support the Commission in its financial reporting and budgetary preparation to ensure alignment and integration with the Region's own reporting structures in a manner similar to that of Niagara Region Housing Corporation and the Joint Board of Management. The use of common platforms, systems, and processes has been identified as a critical element of this integration and consistent with other shared services being evaluated at the municipal CAO level.

GO Implementation Office

Under the direction of the CAO WG, the GO Implementation Office has had primary responsibility for advancing the consolidation of transit in Niagara. This responsibility includes providing day-to-day leadership of the initiative, consultation with partner divisions, outreach and engagement with local area municipalities and external stakeholders, and the oversight of supporting consulting assignments. This is in addition to providing leadership and secretariat support to the IMTWG since its inception in 2017. The GO Implementation Office has further management oversight and

responsibility for the three aforementioned transit services currently operated by Niagara Region.

The GO Implementation Office is expected to continue these roles through the transition to the new Commission. It will continue to coordinate all major deliverables pertaining to Transit Governance through 2021, including the future “triple-majority” approval process, supporting consulting assignments, and the steps necessary to establish and undertake the early transition to the Commission. It will also continue to oversee the delivery of the Region’s transit services until the all operational responsibility is assumed by the Commission, anticipated for Q4 2022, in addition to serving as liaison with the CAO WG and leadership on the IMTWG throughout the transition phase.

Responsibility for leading the later phases of the transition plan, including elements such as strategic planning and the transfer of assets, will shift to the Commission once the Board and Commission’s new senior leadership teams are in place.

Information Technology

The role of the Regional Information Technology division is anticipated to initially focus on supporting the establishment of the day-to-day functionality of the new Commission during the early phases of transition, including elements such as the provision of email and phone services, and supporting the integration or expansion of back-end systems for financial and human resources business requirements.

Subject to the final determination of the specific and/or extent of the shared-services models that could exist between the Commission and Region, it is anticipated that common platforms for back-end systems will be used. This may include either leveraging or expanding existing Regional contracts to meet the requirements of the Commission, or the Commission undertaking its own independent procurements with similar requirements to the Region’s.

A parallel exercise will also be required to integrate the in-field and transit-specific technologies to be used by the Commission such as fare payment technology, CAD/AVL systems, GPS formats and dispatch/scheduling software. The IMTWG has undertaken a significant effort in recent years to align many of these platforms and systems between the existing transit system providers in Niagara to accelerate this transition, including alignment of requirements for bus procurements and on-board systems. An update to LNTC by the IMTWG on the transition to a single integrated fare technology across Niagara is anticipated in 2021.

To understand the full scope of the required integration of both transit-specific systems and back-end systems, an inventory of the current systems employed by the LAMs and Region will be undertaken as the consolidation approval process proceeds.

Human Resources (HR)

The successful transition to a consolidated transit Commission will require the completion of a number of milestones with significant HR components, including:

- the development of a new organizational reporting structure, including the creation or consolidation of job descriptions and salary structures;
- the transfer of personnel from the local area municipalities currently operating transit services, and recruitment for those positions not filled through transfer;
- the potential transfer, consolidation, or creation of new benefit and pension programs;
- the negotiation and/or consolidation of collective bargaining agreements;
- development of new organizational policies and procedures;
- the appointment or selection of members to the Board and Advisory Committee; and
- the determination of a potential future shared-service model between the Commission and Regional HR division.

Consulting Assignment

Given the scope of these deliverables, additional resources will be required to supplement the Regional HR staff that have been supporting the consolidation exercise to date. In Q1 2021, a consulting assignment will be developed to create a comprehensive HR strategy that will outline in greater detail the steps required to facilitate the transfer of personnel to the new commission.

Key elements of this assignment will include outlining transition activities and confirming required resources, advancing the organizational structure and job descriptions, developing a change management process, and supporting the transition and onboarding of HR staff to Commission.

The HR strategy developed through this assignment will be used as an input to the future 'triple-majority' report, and inform ongoing discussion with LAMs and Transit Unions throughout the transition process.

This assignment will be coordinated through the GO Implementation Office, with support from Regional HR staff. In order to fully support this assignment, additional capacity within the Regional HR division may be required. A determination regarding this potential need will be made as the scope for the consulting assignment is finalized.

Future Shared Services Model

The HR Strategy developed through this assignment will also advance a preferred future shared-service model between the Commission and Regional HR division. There are a wide variety of potential models for this relationship, from establishment of a fully independent HR department within the Commission, to having some integration with Regional services.

Current support from HR for other Regional agencies and boards operates under a variety of models. For example, Regional HR staff process payroll for Niagara Regional Police, whereas no services are provided for Niagara Peninsula Conservation Authority, and payroll, benefits, recruitment and other consultative support is provided to Niagara Regional Housing (NRH).

Each potential model has a variety of potential benefits and offsets, each of which will need to be considered in development of a final recommendation on this item. These criteria will be evaluated as part of the consulting assignment for the purpose of developing a recommended model for the consideration of both the Region and the future Board of the Commission.

Legal Services

Legal support will be required throughout the transition to the Commission, focused in 2021 on the Phase 1 and Phase 2 Transition Plan activities such as the development of municipal transfer agreements (MTAs), drafting the by-law for approval as part of the triple-majority process and, subject to that approval, undertaking the steps required to establish the Commission as a Municipal Services Board.

An external legal retainer will be developed in early 2021 to provide additional resources to the project team and supplement the support provided from internal Legal Services staff. The costs for this assignment are included within the previously identified overall Transition Plan costs for legal services. It is anticipated that there may be a need for additional external legal support for some Phase 3 transition activities, such as development of internal policies, formalization of working relationships with partners, or

additional facilitation of asset and personnel transfer; however a final determination in this regard will be made later in 2021 and will be accommodated in the existing budget.

Responsibility for legal services related to the operation of the organization will transfer to the Commission as part of its new Corporate Services division once established. While subject to the future direction of the Commission and Council approval, there is potential benefit to the Commission and Region entering into a shared services agreement for the Region to provide some legal services on behalf of the Commission. Entering into an agreement of this nature would utilize existing staff expertise, and could achieve a costs savings as the Commission would otherwise require external legal support or its own in-house counsel.

Key considerations regarding any future service agreement will include the establishment of the scope of services (e.g. legal advice, risk management, insurance, claims support), determining appropriate service levels and responsiveness, and addressing the management of any potential conflict of interest that may arise. The current shared services agreement with NRH dating back to 2006 is an example of the Region providing legal services in this way.

Procurement

The Region's Procurement division currently supports the GO Implementation Office in the development and issuance of procurements related to both the operation of the Region's three transit services as well as the consolidation of transit services. The ongoing need for procurement support will continue throughout the transition period, including the facilitation of procurements for external support assignments as identified herein. In consultation with Procurement, staff acknowledge that the prioritization and timing of these (all) projects deemed urgent and essential are predicated on the Procurement Intake Process.

A future determination will be required regarding the recommended shared-services arrangement, which could exist between the Commission and the Regional Procurement Division. This recommendation will be developed in the lead-up to the triple-majority report in Q2 2021, with a final determination being made early in 'Phase 3' of the transition plan. This recommendation will result from consultation with the Region's Corporate Leadership Team and the Commission's Senior Leadership Team, including its new Director of Corporate Services.

The relationship between the Region's Procurement Division and other Regional agencies varies. For example, both Niagara Regional Police and NRH operate under their own separate procurement by-laws and structures, have delegated authorities for their own staff, and have limited integration with the Region's Procurement Division. By contrast, Procurement has previously lead joint procurement exercises between Regional divisions and Regional agencies.

Staff note that other peer transit Commissions have typically operated their own decentralized Procurement Divisions tasked with undertaking their own independent procurement processes, recognizing the need for transit-specific expertise and knowledge in the development of competitions. Regardless of the approach followed, there will be benefit to ensuring alignment with Regional policies and procedures to facilitate collaboration and support between the organizations where required.

Strategic Communications & Public Affairs

Strategic Communications & Public Affairs supports the consolidation of transit through its provision of guidance and input on key messaging, assisting in stakeholder engagement and management, providing graphic design support to the GO Implementation Office, and in media relations.

It is expected that the role of Regional Communications staff will remain consistent through the early phases of the transition. It is anticipated that the Commission will assume primary responsibility for its own Communications activities when established, under its Corporate Services department. This approach will ensure that transit-related messaging is coming directly from the service provider, helping to build the brand of the Commission. Regional Communications staff will continue to coordinate with the Commission on broader strategic messaging which may affect the broader corporation.

Early areas of focus for this department will include the development of a corporate branding strategy, and significant internal communication and change management as part of the transition of staff.

Next Steps

Through January and February 2021, the Project Team will be engaging with LAMs to receive input and feedback on the proposed governance and financial models advanced by *LNTC-C 4-2020*. When completed, that combined feedback will be merged with this

assessment to fully inform the future 'triple-majority' report for the consolidation of transit to be brought to Council in Q2 2021.

Alternatives Reviewed

There are no specific alternative scenarios or options that are directly relevant to this report. Subject to its approval, as the transition to a consolidated transit Commission advances, further ongoing discussion and consideration of alternatives will be required regarding the future shared-services relationships that will be recommended to exist between the Commission and Regional Divisions. Alternatives will be considered at that time and may include external legal advice in support of these options.

Relationship to Council Strategic Priorities

The Niagara Transit Governance Strategy and the proposed consolidation of transit services across Niagara 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
PW 60-2019	On-Demand Transit - Pilot Authorization
LNTC-C 4-2020	Niagara Region Transit Governance Study
LNTC-C 6-2020	Councillor Information Request - Niagara Transit Governance - Local Area Municipality Engagement
PW 52-2020	Niagara Region Transit Service Agreement Renewal
PW 53-2020	Niagara Specialized Transit Service Agreement Amendment 2021

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