
Subject: Joint Canadian Urban Transit Association Reporting Memorandum of Understanding

Report to: Public Works Committee

Report date: Tuesday, June 11, 2019

Recommendations

1. That the Chief Administrative Officer **BE AUTHORIZED** to execute an agreement to establish the commitment by the Town of Lincoln, City of Port Colborne, and Niagara Region to consolidate Canadian Urban Transit Association (CUTA) statistics reporting for the purpose of increasing the respective shares of Provincial Gas Tax (PGT) between 2020 and 2023.
2. That Niagara Region staff **BE DIRECTED** to report transit statistics in consolidation with the City of Port Colborne and Town of Lincoln to maximize PGT funding from the Ministry of Transportation (MTO).
3. That this report **BE CIRCULATED** to the Town of Lincoln and the City of Port Colborne.

Key Facts

- The purpose of this report is to seek authorization to develop a MoU and enter into an agreement with the City of Port Colborne and Town of Lincoln for consolidated reporting of CUTA statistics by Niagara Region in light of the financial benefits outlined in report LNTC-C 1-2019.
- Total increase to the Niagara area in PGT between 2020 and 2023 with the proposed joint CUTA reporting is estimated at \$0.24 million.
- Niagara Region's annual PGT allocation will be reduced by \$0.2 million in 2020 when the population statistics which apply to Lincoln are removed from MTO's calculation for Niagara Region. This combined with the already reduced amount of \$0.16 million from the removal of Port Colborne population, results in an under funding of \$0.36 million for Niagara Region. The introduction of other new local transit operators within Niagara Region who apply for PGT will further reduce the PGT eligible to Niagara Region.
- However, Niagara Region has the ability to realize \$0.04 million annually in additional gas tax over the Agreement period by leveraging Niagara Region's annual transit spending, which is in excess of MTO's 75% municipal contribution threshold.

- The joint reporting MoU timeline is as follows:
 - June 2019 - 2018 CUTA transit statistics to be reported
 - Q4 2019 - MTO PGT allocation announcements (no later than Q1 2020)
 - Q1 2020 - Municipalities receive funding from MTO
- “Fiscal Responsibility and Affordability with no negative impacts on local transit revenues” was a guiding principle from the *Niagara Transit Service Delivery and Governance Study* (Dillon Report, 2017) and the subsequent MoU signed in 2017. Staff continues to quantify the impacts to PGT as well as the operating and capital costs resulting from the route consolidations outlined in LNTC-C 21-2018.

Financial Considerations

As part of an ongoing and strategic effort to maximize the capital funds available to support transit growth in Niagara, the Linking Niagara Transit Committee (Report LNTC-C-1-2019 Joint CUTA Reporting attached as Appendix 1) suggests an MoU be developed for consolidated reporting of annual CUTA statistics by the Niagara Region with City of Port Colborne (Port Colborne) and Town of Lincoln (Lincoln).

The PGT allocation to flow to Port Colborne and Lincoln between 2020 and 2023 inclusively, is estimated at \$1.19 million¹. The estimated loss of PGT allocation to the Region, during the same time period, is \$1.42 million (Table 1). The total net loss of \$0.24 million is a result of MTO’s existing formula for population and the 75 percent municipal spending threshold as described in Report LNTC-C 1-2019.

Table 1: Estimated PGT through independent CUTA reporting

Independent Reporting million \$	Niagara Region Budget Year (PGT Receipt)				Total
	2020	2021	2022	2023	
Port Colborne Transit	\$ 0.16	\$ 0.09	\$ 0.11	\$ 0.16	\$ 0.52
Lincoln Transit	\$ 0.12	\$ 0.16	\$ 0.19	\$ 0.20	\$ 0.67
Total Local PGT Allocation	\$ 0.28	\$ 0.25	\$ 0.30	\$ 0.36	\$ 1.19
Niagara Region* Population Loss	\$ (0.36)	\$ (0.36)	\$ (0.36)	\$ (0.36)	\$ (1.42)
Total Local PGT Loss	\$ (0.08)	\$ (0.10)	\$ (0.05)	\$ -	\$ (0.24)

Through joint CUTA reporting, there exists an opportunity to ensure that the Regional loss of \$0.24 million is received (Table 2). The pre-determined revenue share and methodology are outlined in the analysis section under Tables 3 & 4.

¹ based on preliminary 2019 Municipal transit budgets and 3 years of operating forecasts

Table 2: Estimated PGT through joint CUTA reporting

Joint Reporting million \$	Niagara Region Budget Year (PGT Receipt)				Total	Total Impact
	2020	2021	2022	2023		
Port Colborne & Niagara Region	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.63	\$ 0.11
Lincoln & Niagara Region	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.20	\$ 0.79	\$ 0.12
Total Combined PGT Allocation	\$ 0.36	\$ 0.36	\$ 0.36	\$ 0.36	\$ 1.42	\$ 0.24
Lincoln Share	\$ 0.16	\$ 0.18	\$ 0.20	\$ 0.20	\$ 0.73	\$ 0.06
PC Share*	\$ 0.13	\$ 0.14	\$ 0.13	\$ 0.16	\$ 0.56	\$ 0.05
Total Regional PGT Allocation	\$ 0.07	\$ 0.04	\$ 0.02	\$ -	\$ 0.13	\$ 0.13

* the 2019 savings from the upload of the PC Link Route will result in an additional \$0.08 M for transit reinvestment; the PC total financial impact from the Agreement and Link upload is \$0.13 million

Analysis

Under the PGT funding program, municipalities qualify for funding if they contribute financially to public transit services, with the total share determined by a formula of 70 percent ridership and 30 percent population. The current provincial envelope generates approximately \$0.27 per transit ride and \$8.31 per capita. In addition, the PGT funding provided to each municipality is not to exceed 75 percent of their municipal own spending (tax levy plus revenue) on transit. The intended use of the PGT program is to support ridership growth and provide funding for incremental transit spending by offsetting portions of the capital investments required. Smaller local transit operators with limited capital investment primarily utilize PGT to offset operational expenses. As a result, under independent CUTA reporting, the municipal own spending may not be sufficient to ensure that the maximum amount of eligible PGT is received.

The existing PGT program also creates an additional obstacle within Niagara Region in circumstances where local populations rely on both local and inter-municipal transit connections. Under the current MTO allocation methodology, population statistics can only be applied to and received by one transit operator. Therefore, as smaller municipalities start new local transit services, the allocation to NRT is reduced. In 2017, the allocation of Niagara Region's PGT was reduced by \$0.15 million when the Town of Pelham received their first year of PGT. This impact will be compounded with an additional reduction of \$0.197 million with Lincoln receiving PGT funds this year.

This report proposes that the 2018 municipal transit statistics for Port Colborne and Lincoln be submitted by Niagara Region in combination with NRT transit statistics in June 2019. The combined reporting will leverage Niagara Region's sufficient transit spending to not limit our eligibility relative to MTO's spending cap threshold. The PGT allocations based on the submitted statistics are typically announced to Municipalities around December. The receipt of funding follows 3 - 4 months later. This aligns with the provincial fiscal year of 2019-2020. The PGT funding allocations will therefore become available during the municipal 2020 budget year. The MoU agreement will follow the same timeline for 2019 transit statistics with funding becoming available during the 2021

budget year. The Lincoln agreement will be for two years, while the Port Colborne agreement will continue through to the 2022 budget year.

Port Colborne Agreement

The agreement with Port Colborne is based on the principle that following the full operating cost upload of route #25 (Port Colborne Link) to the Niagara Region in 2019 (as approved in the 2019 Regional budget), Port Colborne will maintain a constant municipal contribution for their existing local community bus service equal to \$0.16 million (their 2018 municipal transit levy amount).

Beginning in January 2020, Niagara Region will pay invoices pertaining to contracted service for both the Port Colborne Link and the existing service levels for the Port Colborne Community Bus (local transit). Port Colborne will pay Niagara Region the cost of their base local transit service up to \$0.16 million. The estimated 2020 net operating budget for the Port Colborne local Community bus is \$0.26 million. The Region will utilize PGT funding to offset all local transit net service costs up to \$0.3 million annually. Local net operating costs greater than \$0.3 million will require additional funding from Port Colborne. If net operating costs fall below \$0.16 million, surplus funds will be transferred into the Port Colborne Transit reserve to be used for future transit reinvestment. The transfer of funding between Port Colborne and Niagara Region will continue through 2022, however Port Colborne will report its own 2021 transit statistics in (June 2022) with its subsequent funding in March 2023 going directly to Port Colborne.

Table 3: Port Colborne Transit PGT Allocation and Methodology

million \$	2019	Niagara Region Budget Year			2020-2022 Impact
		2020	2021	2022	
Port Colborne Local Transit Municipal Contribution	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16	
PGT Receipt	\$ 0.11	\$ 0.16	\$ 0.16	\$ 0.16	
PGT used for Operating	\$ 0.10	\$ 0.10	\$ 0.12	\$ 0.13	
PC Transit Reinvestment					
PC Transit Reserve Savings	\$ 0.08				\$ 0.08
Port Colborne PGT share		\$ 0.03	\$ 0.02		\$ 0.05
Niagara Region PGT Share		\$ 0.03	\$ 0.02	\$ 0.02	\$ 0.07

The 2019 Port Colborne operating budget of \$0.18 million, includes the net operating costs associated with the Port Colborne Link (\$0.11 million). The agreed municipal transit contribution of \$0.16 million following the upload of the Port Colborne Link service to Niagara Region provides cost savings which would be reinvested into enhanced local transit over the next three years without impacts on the municipal levy. The total available funding to enhance local transit service is estimated at \$0.13 million over the term of the agreement.

Lincoln Agreement

The agreement with the Town of Lincoln is based on sharing the recovered PGT funding equally. Joint filing the 2018 transit statistics in June 2019 will result in PGT funding being received in March 2020. Once the allocation is received by the Niagara Region, the Region will allocate the pre-determined amount to Lincoln. The agreed PGT sharing allocation outlined in the MoU is \$0.16 million in 2020 and \$0.18 million in 2021 (as outlined in Table 4 below).

Table 4: Lincoln PGT Transit Allocation and Methodology

million \$	Niagara Region Budget Year	
	2020	2021
Provincial Fiscal Year	2019/2020	2020/2021
Allocation based on CUTA Reports Transit Statistics Year	2018	2019
Provincial Gas Tax Estimates		
Eligible	\$ 0.20	\$ 0.20
allocation to Lincoln	\$ 0.16	\$ 0.18
allocation to Region	\$ 0.04	\$ 0.02
Loss	\$ -	\$ -

When the potential for joint filing was originally explored, further assessment was needed to determine whether a joint filing agreement with Pelham would be advantageous. However, due to the 2019 transit expansion within Pelham, Pelham is now contributing sufficient municipal levy contributions to ensure the Town maximizes its entire eligible PGT funds to support its local transit service and joint filing is no longer required to ensure that all of the eligible PGT is received.

Alternatives Reviewed

An alternative to the proposed strategy would be to not report CUTA statistics jointly and continue to apply PGT towards offsetting local transit operating costs and realize year-over-year fluctuation in PGT allocations from the province. The estimated loss in PGT funding of \$0.24 M over the next three years would result in negative impacts to the taxpayer and prevent local and IMT agencies from expanding services without further financial impacts to the taxpayer. Discussions are currently underway with MTO as they conduct a review on their PGT program policies. Existing policy prevents the ability for Niagara Region to double count populations, which receive both local and inter-municipal transit services. The negative impact to Niagara Region's annual PGT allocation will continue to grow as more local municipalities provide service to there communities.

Relationship to Council Strategic Priorities

This proposal aligns with the previous Council strategic priority of achieving results under Doing Business Differently and Moving People and Goods and directly advances the following key Council Strategic Priorities:

- Provincial commitment to GO Rail expansion in Niagara
- Support local municipalities in developing long-term solutions for transit.

Other Pertinent Reports

- LNTC-C-1 2019 Joint CUTA Reporting
- LNTC-C 21-2018 IMT Service Implementation Strategy
- LNTC-C 22-2018 IMT Financial Impact Analysis
- LNTC-C 23-2018 IMT Capital Plan 2019
- PW 19-2018 Niagara Region Transit 2018 Service Agreement

Prepared by:

Heather Talbot
Financial & Special Projects Consultant
Financial Planning and Management,
Enterprise Resource Management
Services

Recommended by:

Catherine Habermehl
Acting Commissioner
Public Works Department

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was prepared by Heather Talbot, Financial and Special Project Consultant, Financial Management and Planning, in consultation with the Peter Senese, Director, Corporate Services, City of Port Colborne; Scott Luey, Chief Administrative Officer, City of Port Colborne; Sarah Hague, Transit Coordinator, Town of Lincoln; Teri Trewolla, Associate Director, Finance, Town of Lincoln; the Inter-Municipal Transit Working Group; Matt Robinson, Director, GO Implementation Office; Kumar Ranjan, Transportation Lead GO Implementation Office; Robert Salewytch, Transit Services Program Manager; and reviewed by Helen Chamberlain, Director, Financial Management & Planning/Deputy Treasurer.

Appendices

Appendix 1 LNTC-C 1-2019 Rationale for Municipal and Regional provincial gas tax sharing through joint Canadian Urban Transit Association (CUTA) reporting

Subject: Rationale for Municipal and Regional provincial gas tax sharing through joint Canadian Urban Transit Association (CUTA) reporting

Report to: Linking Niagara Transit Committee

Report date: Wednesday, February 6, 2019

Recommendations

1. That Regional Council **AGREE IN PRINCIPLE** that Niagara Region report transit statistics in consolidation with local area municipalities operating smaller transit systems to maximize provincial gas tax (PGT) funding from MTO.
2. That staff **BE AUTHORIZED** to develop agreement terms in consultation with local area municipalities outlining the framework for consolidated reporting and the PGT as well as cost distribution between participating municipalities and Niagara Region.

Key Facts

- The purpose of this report is to seek authorization to develop a Memorandum of Understanding (MoU) with local area municipalities operating smaller transit systems for consolidated reporting of Canadian Urban Transit Association (CUTA) statistics by Niagara Region in light of the financial benefits outlined in this report.
- Total loss in PGT between 2019 and 2022 without proposed joint CUTA reporting is estimated at \$1.0M.
- Independent CUTA reporting from small local transit operators will not generate sufficient operating costs and municipal contributions to ensure they receive the maximum amount of eligible PGT at their current and projected funding levels.
- Benefits of Joint CUTA reporting:
 - Local transit operators could apply PGT funding towards net operating expenses without limiting future PGT allocations.
 - Local transit operators could increase transit spending without incremental tax burdens on residents.
 - Niagara Region would receive or share the population portion of the annual PGT allocation based the relative proportion of demand/ridership.
- “Fiscal Responsibility and Affordability with no negative impacts on local transit revenues” was a guiding principle from the *Niagara Transit Service Delivery and Governance Study* (Dillon Report, 2017) and the subsequent MoU signed in 2017. Staff continues to quantify the impacts to PGT as well as the operating and capital costs resulting from the route consolidations outlined in LNTC-C 21-2018.
- A discussion about provincial funding and the importance of investment in Niagara's future transit, including the GO expansion, was advanced at the recent AMO

conference in a meeting with the new Minister of Transportation. Discussions are ongoing with MTO at both the political and staff levels.

Financial Considerations

The proposed Niagara Region Transit (NRT) operational plan, including both service enhancements for existing routes and new service connections to Niagara West, Pelham, Crystal Beach and Wainfleet, once fully implemented will require an additional \$11.5M in net operating costs plus \$13.9M for new capital (LNTC-C-22-2018 and LNTC-C-23-2018). Local populations rely on both local and inter-municipal transit connections, however under the current MTO allocation methodology, population statistics can only be applied to and received by one transit operator. Options for sharing PGT between local and inter-municipal transit links were evaluated based on the ability to maintain a constant annual transit investment while enhancing and/or expanding service levels with no tax levy impact.

PGT is intended to fund expenditures that support ridership growth and are incremental to transit spending, and is not intended to replace or reduce the municipal contributions to transit. Smaller local transit providers generally operate a reduced level of service as compared to major transit operators. Based on the local population census data, the transit providers within Niagara with annual operating costs less than \$250,000 may not be eligible for the full PGT allowable through the MTO methodology. In addition, if a municipality reduces their spending on transit through reduced transit investment or inclusion of PGT funds to offset the municipal contribution, they would receive a reduced PGT allocation in the subsequent program year if they did not maintain the minimum municipal contribution percentage. Joint CUTA reporting provides an opportunity to ensure the region as a whole receives all eligible PGT funding.

Under the PGT funding program, municipalities qualify for PGT if they contribute financially to public transit services, with the total share determined by a formula of 70 percent based on ridership and 30 percent based on population. The 2018-2019 provincial envelope, based on this formula, generated approximately \$0.27 cents per transit ride and \$9.15 per capita. Despite the majority of the provincial funding envelope being allocated through ridership, the annual allocations for small transit operators depend heavily on population due to comparatively low ridership on these systems. This is especially true for the smaller transit operators in Niagara.

The total 2018 PGT allocation to the region was \$6.4M with an estimated \$4.0M (62%) being generated by the 447,876 census population. By 2022, the Provincial Government intends to increase the PGT funding from the current 2.0 cents per litre to 4.0 cents per litre, thus making Niagara's municipalities eligible for an estimated \$8.0M annually based on their population alone. The three largest municipalities, St. Catharines, Niagara Falls and Welland generate 47% of their \$5.0M in PGT from

population, where as the remaining municipalities realize 94% of their \$1.45M in PGT from population and based on the MTO methodology may not receive all eligible funds. The PGT allocated to NRT is derived from only those municipal populations which do not have local transit. In 2017, Pelham received their first year of PGT which reduced the PGT funding for NRT since the population statistics can only be applied to and received by one transit operator. Despite increasing investment and expansion of NRT services, the introduction of local transit services such as Grimsby and Lincoln will result in additional NRT PGT reductions (estimated at \$475,000 annually).

Under the proposed NRT operational plan outlined in LNTC-C-21-2018, 100% of Fort Erie and Port Colborne Link route services are to being transferred to Niagara Region. The decrease in net operating costs realized by Port Colborne will drive the municipal transit spending below the necessary spending threshold to receive all eligible PGT funding. This risk is further compounded when the allocated PGT funding is used to offset the remaining operating costs as illustrated in the example below. Through joint CUTA reporting, these risks would be mitigated and ensure that all eligible funding is received.

Example: Reductions in eligible PGT funding

	Scenario 1	Scenario 2
A Operating Costs	\$ 200,000	\$ 200,000
B Revenue	\$ 20,000	\$ 20,000
C Donations	\$ 10,000	\$ 10,000
D PGT used in Operating		\$ 100,000
E Net Operating Cost	\$ 170,000	\$ 70,000
F Municipal Contribution (E+B+C-D)	\$ 200,000	\$ 100,000
Maximum PGT allowable (0.75*F)	\$ 150,000	\$ 75,000

The loss in PGT over the next four years is provided in Table 1 below and is estimated at approximately \$1.0 million for existing transit operators. The loss in PGT funding is expected to increase as local transit services begin in Lincoln, Grimsby, West Lincoln and Wainfleet. As local transit services expand and municipal contributions increase beyond \$250,000 annually, the estimated loss would decrease.

Table 1: Estimated combined loss in PGT through independent CUTA reporting

	2019	2020	2021	2022	2019 -2022
Fort Erie	\$ -	\$ -	\$ -	\$ -	\$ -
Port Colborne	\$ 40,628	\$ 50,189	\$ 182,761	\$ 259,563	\$ 533,142
Niagara on the lake	\$ -	\$ -	\$ -	\$ 31,845	\$ 31,845
Welland					
Niagara Falls					
St. Catharines					
Pelham	\$ 26,287	\$ 100,343	\$ 88,704	\$ 191,050	\$ 406,385
Estimate Lost PGT (Existing Transit Operations)	\$ 66,915	\$ 150,533	\$ 271,465	\$ 482,458	\$ 971,371

Together with other municipal partners, Niagara advanced a discussion about provincial funding and the importance of investment in Niagara's future transit and GO expansion at the recent AMO conference in a meeting with the new Minister of Transportation. Discussions are ongoing with MTO at both the political and staff levels. In the meantime, the development of a PGT sharing methodology could be established on a case by case basis and would be evaluated based on equity and fairness across the Niagara Region.

Analysis

Regional staff analysed each municipality independently and the opportunities were identified based on their ability to maintain the current level of transit investment and simultaneously allow for transit service expansions and enhancements.

Port Colborne and Fort Erie established Link routes to Welland and Niagara Falls respectively, but with limited service hours. In 2011, the service levels on the Link routes were enhanced through a pilot project funded by Niagara Region. The local routes have always been funded by the local municipality. In 2017, following the successful and unanimous triple majority process, the current Link routes were made a permanent component of inter-municipal transit (IMT). These routes are well established with historic baselines for service hours, operating costs and ridership however a distribution model for new local and IMT connections will be more difficult to determine since a start-up cost framework has not been established, nor is there a baseline for comparable service hours, operating costs and ridership. The options for sharing PGT, while rooted on the same premise that the populations within local boundaries benefit from both local and IMT connections, may require differing methodologies for allocating PGT. Therefore unique proposals for PGT sharing were provided for each of the following groups:

- Existing local and IMT routes
- New local and IMT routes

A. Existing Local and IMT Routes

Existing local and IMT Link routes have established operating costs and ridership and therefore provide the baseline for future PGT sharing opportunities. Options were evaluated based on the ability to maintain a consistent transit investment over the next four years and were not based on realizing operational cost savings (Table 2). In addition, opportunities were identified where service expansion at both the local and regional level could be realized without financial impacts to the tax levy.

Table 2: Options based on maintaining 2018 municipal contributions over next 4 years

Opportunity / Target		Benefit	Risk
Option A	vary PGT applied to operating; holding tax levy constant at 2018 rate	- PGT funding available for NRT capital replacement /investment	-no funding for local transit re-investment
Option B	hold PGT applied to operating at the 2018 level	- cost savings realized from the Region Link upload to the Region provide funds for local transit re-investment - remaining PGT used for Link capital investment	- could result in large fluctuations in PGT funding year over year - funds may be in excess of service requirements - no PGT available for Link capital investment
Option C	apply all available PGT funds to operating	- could provide largest Local transit re-investment opportunity	- could result in large fluctuations in PGT funding year over year - funds may be in excess of service requirements - no PGT available for Link capital investment
Option D	Joint CUTA reporting - apply formula of ridership proportions to allocate PGT between Local & Link	- Captures all available PGT funds - ensures PGT distribution between local and regional transit proportionate to the demographic/population usage - provides tax levy no greater than 2018 base - allows for local and regional service expansion	- re-estimation of PGT sharing conducted annually

Based on the criteria of maintaining a constant local transit tax levy over the next 4 years, Option D above, provides the greatest opportunity for local transit service expansion plus PGT funding for NRT capital investment. Therefore, it is the recommendation of this report that joint CUTA reporting through Option D be the appropriate methodology for sharing the population portion of the PGT.

Existing Smaller Transit Operators

Fort Erie

Current operating costs and municipal contributions for Fort Erie Transit are sufficient to ensure full receipt of PGT at current and projected funding levels. It is estimated that 95% of the annual PGT is received through the population portion of the formula, while the remaining 5% is through ridership.

Fort Erie residents receive both local and Link transit services, therefore the preferred option for sharing PGT between Fort Erie and Niagara Region would be through

allocations based on the proportion of local and Link ridership, Option D. Applying the current estimated ridership proportion of 80% local and 20% link results in an annual estimate of \$238,000 in PGT remaining within Fort Erie and \$60,000 going to Niagara Region. Assuming the relative transit ridership remains constant, the 2022 estimates (including the proposed increase of the Provincial PGT envelope) projects \$418,000 to Fort Erie (annually) and \$105,000 for the Niagara Region (annually). Through joint CUTA reporting, annual PGT distribution would reflect actual ridership proportions each year to account for individual growth differences.

Table 3: Fort Erie Options for PGT Sharing through Joint Reporting

Fort Erie	Opportunity / Target	Municipal \$ Contribution	2019 - 2022 Total Impact	
			PGT Received	PGT Lost
Option A	holding tax levy constant at 2018 rate	\$4.11 M Total (all Base service)	- \$0.6 M used for FE Operating (no excess PGT for local Transit Re-Investment) - \$0.93 M used for FE Link Capital	No Lost PGT
Option B	hold PGT applied to operating at the 2018 level	\$4.11 M Total (\$3.57 M Base \$0.54 M Reinvestment)	- \$1.14 M used for FE Operating (incl. \$0.54 M PGT for local Transit Re-Investment) - \$0.40 M used for FE Link Capital	No Lost PGT
Option C	apply all available PGT funds to operating	\$4.11 M Total (\$3.18 M Base \$0.93 M Reinvestment)	- \$1.54 M used for FE Operating (incl. \$0.93 M PGT for local Transit Re-Investment) - \$0.0 M used for FE Link Capital	No Lost PGT
Option D	Joint CUTA reporting	\$4.11 M Total (\$3.48 M Base \$0.63 M Reinvestment)	- \$1.23 M used for FE Operating (incl. \$0.63 M PGT for local Transit Re-Investment) - \$0.31 M used for FE Link Capital	No Lost PGT

Note: the proportion of PGT allocated to NRT, assuming the increased provincial envelope would cover the capital investment required to service the Fort Erie Link route. Also assumes that the PGT doubles by 2022, as planned.

Based on Option D above, Fort Erie would generate an additional \$0.63M over the next 4 years to re-invest in local transit while holding the existing tax levy constant at 2018 levels. Niagara Region would receive sufficient funding to purchase one bus every 12 years at current PGT funding levels and two buses every 12 years if funding levels double. No other option provides this benefit.

Port Colborne

Current operating costs and municipal contributions for Port Colborne Transit are not sufficient to ensure full receipt of PGT at current and projected funding levels. It is estimated that 97% of the annual PGT is received through the population portion of the formula, while the remaining 3% is through ridership.

Table 4: Port Colborne Options for PGT Sharing through Joint Reporting

Port Colborne		2019 - 2022 Total Impact		
	Opportunity / Target	Municipal \$ Contribution	PGT Received	PGT Lost
Option A	holding tax levy constant at 2018 rate	Total \$0.41 M	- \$0.06 M used for PC Operating (no excess PGT for local Transit Re-Investment) - \$0.38 M used for PC Link Capital	\$0.38 M
Option B	hold PGT applied to operating at the 2018 level	Total \$0.41 M (\$0.19 M Base \$0.22 Reinvestment)	- \$0.27 M used for PC Operating (incl. \$0.22 M PGT for local Transit Re-Investment) - \$0.0 M used for PC Link Capital	\$0.53 M
Option C	apply all available PGT funds to operating	Total \$0.41 M (\$0.19 M Base \$0.22 Reinvestment)	- \$0.27 M used for PC Operating (incl. \$0.22 M PGT for local Transit Re-Investment) - \$0.0 M used for PC Link Capital	\$0.53 M
Option D	Joint CUTA reporting	Total \$0.41 M (\$0.18 M Base \$0.23 M Reinvestment)	- \$0.28 M used for PC Operating (incl. \$0.23 M PGT for local Transit Re-Investment) - \$0.53 M used for PC Link Capital	No Loss

Note: the proportion of PGT allocated to NRT, assuming the increased provincial envelope would cover the capital investment required to service the Port Colborne Link route. Also assumes that the PGT doubles by 2022, as planned.

Port Colborne's current operating practice, Option C, applies all available PGT funds towards reducing the tax levy requirements for transit operating costs. If this practice continues after NRT uploads 100% of Link service costs (which are currently 60% of Port Colborne's annual transit budget), the majority of allowable PGT will become ineligible. Port Colborne residents receive both local and Link transit services, therefore the preferred option for sharing PGT between Port Colborne and Niagara Region would be through allocations based on the proportion of local and Link ridership, Option D.

Through joint reporting and PGT sharing under Option D, Port Colborne would realize a consistent and lower year over year budget and ensure all eligible PGT funds are received. Applying the current estimated ridership proportion of 35% local and 65% Link would result in an annual estimated \$54,000 in PGT remaining within Port Colborne and an estimated \$100,000 going to Niagara Region. Assuming the relative transit ridership remains constant, the 2022 estimates including increases in the Provincial PGT

envelope, projects \$99,000 for Port Colborne and \$183,000 for the Niagara Region. Through joint CUTA reporting, annual PGT distribution would reflect actual ridership proportions each year to account for individual growth differences.

Based on Option D above, Port Colborne would generate an additional \$0.23M over the next 4 years to re-invest in local transit while holding the existing tax levy constant at 2018 levels. Option D also prevents the loss of PGT relating to the 75% threshold. Niagara Region would receive sufficient funding to purchase two buses every 12 years at current PGT funding levels and three buses every 12 years if funding levels double.

Niagara-on-the-Lake

Current operating costs and municipal contributions for Niagara-on-the-Lake Transit are sufficient to ensure full receipt of PGT at current and projected funding levels. It is estimated that 97% of the annual PGT is received through the population portion of the formula, while the remaining 3% is through ridership.

Niagara-on-the-Lake Transit does not currently operate a Link route, but instead connects with other IMT routes within its municipal boundary which gives its residents access to both local and IMT routes. NRT route 40/45 generated approximately 73,000 boardings in 2017, the relative percentage of resident trips using NRT was 73% with the remaining 17% utilizing local transit services. Table 5 below estimates \$101,229 of the total 2018 PGT allocation would be eligible to Niagara Region for services delivered to Niagara-on-the-Lake. Alternatively, MTO could contribute an incremental \$101,229 in PGT to Niagara Region based on the current 2.0 cents per litre currently apportioned for PGT funding.

Table 5: Niagara-on-the-Lake Option D - Population Servicing Methodology for PGT Sharing

	2017 adj. Boardings		Option D. Transit Ridership /Population	2018 PGT Allocation	Estimated Population Portion of PGT	2018 PGT population share to NR
	Local Ridership	NRT Ridership				
NOTL	27,303	73,200	72.8%	\$143,487	\$ 138,987	\$ 101,229

The current operating structure does not appear to realize any benefits to reporting jointly with Niagara Region. Future opportunities may develop as the consolidation framework unfolds.

Existing Large Transit Operators

The 2018 NRT proposed operational plan including the IMT route consolidations have estimated the financial impacts associated with the transfer of ridership and subsequent PGT funding from the municipalities to Niagara Region. The estimated PGT share within this report are to be included in the larger financial discussion regarding the total

financial impacts resulting from the proposed route consolidations outlined in the Dillon Report.

Welland

Current operating costs and municipal contributions for Welland Transit are sufficient to ensure full receipt of PGT at current and projected funding levels. It is estimated that 67% of the annual PGT Welland receives is generated through the population portion of the formula, while the remaining 33% is through ridership.

Table 6: Welland Option D - Population Servicing Methodology for PGT Sharing

	2017 adj. Boardings		Option D. Transit Ridership /Population	2018 PGT Allocation	Estimated Population Portion of PGT	2018 PGT population share to NR
	Local Ridership	NRT Ridership				
Welland	1,025,622	90,410	8.1%	\$691,259	\$ 465,035	\$ 37,672

Welland residents have direct access to both local and IMT routes. NRT routes 60/65 and 70/75 generated approximately 90,000 boardings in 2017, the relative percentage of resident trips using NRT was 8.0% with the remaining 92.0% utilizing local transit services. Table 6 above estimates \$37,672 of the total 2018 PGT allocation would be eligible to Niagara Region for services delivered to Welland. Alternatively, MTO could contribute an incremental \$37,672 in PGT to Niagara Region based on the current 2.0 cents per litre currently apportioned for PGT funding.

Niagara Falls

Current operating costs and municipal contributions for Niagara Falls Transit are sufficient to ensure full receipt of PGT at current and projected funding levels. It is estimated that 54% of the annual PGT Niagara Falls receives is generated through the population portion of the formula, while the remaining 46% is through ridership.

Table 7: Niagara Falls Option D - Population Servicing Methodology for PGT Sharing

	2017 adj. Boardings		Option D. Transit Ridership /Population	2018 PGT Allocation	Estimated Population Portion of PGT	2018 PGT population share to NR
	Local Ridership	NRT Ridership				
Niagara Falls	2,310,328	163,797	6.6%	\$1,401,055	\$ 762,310	\$ 50,468

Niagara Falls residents have direct access to both local and IMT routes. NRT routes 40/45, 50/55 and 60/65 generated approximately 164,000 boardings in 2017, the relative percentage of resident trips using NRT was 6.6% with the remaining 93.4% utilizing local transit services. Table 7 above estimates \$50,468 of the total 2018 PGT allocation would be eligible to Niagara Region for services delivered to Niagara Falls. Alternatively, MTO could contribute an incremental \$50,468 in PGT to Niagara Region based on the current 2.0 cents per litre currently apportioned for PGT funding.

St. Catharines

Current operating costs and municipal contributions for St. Catharines Transit are sufficient to ensure full receipt of PGT at current and projected funding levels. It is estimated that 48% of the annual PGT St. Catharines receives is generated through the population portion of the formula, while the remaining 52% is through ridership.

Table 8: St. Catharines Option D - Population Servicing Methodology for PGT Sharing

	2017 adj. Boardings		Option D. Transit Ridership /Population	2018 PGT Allocation	Estimated Population Portion of PGT	2018 PGT population share to NR
	Local Ridership	NRT Ridership				
St. Catharines	5,842,960	155,140	2.6%	\$2,882,397	\$ 1,371,573	\$ 35,475

St. Catharines residents have direct access to both local and IMT routes. NRT routes 40/45, 50/55 and 70/75 generated approximately 155,000 boardings in 2017, the relative percentage of resident trips using NRT was 2.6% with the remaining 97.4% utilizing local transit services. Table 8 above estimates \$35,475 of the total 2018 PGT allocation would be eligible to Niagara Region for services delivered to St. Catharines. Alternatively, MTO could contribute an incremental \$35,475 in PGT to Niagara Region based on the current 2.0 cents per litre currently apportioned for PGT funding.

B. New Local and IMT Routes

For municipalities which do not have local service or that have recently initiated local service or supporting IMT connections, baseline statistics are not available. Thus the start-up cost sharing framework including baseline service hours, operating costs, and ridership are not fully known. Using other local start-up operations as a reference, it is assumed that new local transit operations will not incur large capital expenditures since services will be contracted out to third party providers who transfer the cost of capital through fixed operating rates. The reduced capital pressures will likely result in the PGT funding being used to reduce municipal operating contributions and the subsequent tax levy impact. Therefore opportunities to share PGT between local and IMT providers may be based on a minimum municipal spending threshold plus assurance of a minimum PGT funding to cover NRT capital requirements. Determinations on the appropriate sharing methodology would be established through relative assessments based on the established guiding principle of equity and fairness across Niagara region.

Pelham

It is estimated that 99% of annual PGT will be received through the population portion of the formula, while the remaining 1% is through ridership. Pelham residents currently receive local transit service which includes one IMT stop, accounting for approximately 20% of the total route time. The current demand for the IMT portion of the route is not sufficient to warrant a conventional fixed route feeder service, however alternative service delivery options could meet the demand in a more cost effective solution.

Table 9: Pelham Required Municipal Transit Spend to Receive 100% of Eligible PGT

	Pelham	
	2019	2022
Eligible Population PGT	\$ 160,189	\$ 281,425
Required Municipal Own Transit Spending* (75% threshold)	\$ 213,586	\$ 375,233
*Municipal own spending includes passenger revenues, donations if applicable, and municipal contributions to operating and capital expenses		

The 2017 CUTA reported statistics estimate that the Pelham transit municipal contribution is insufficient to ensure Pelham receives 100% of eligible PGT funding in 2018. The net operating costs plus revenues and donations do provide sufficient transit investment to receive full funding however, the inclusion of the PGT funding to offset operating expenses reduces the municipal contribution and therefore reduces the subsequent years PGT allocation. The required municipal transit contribution (spending in excess of the PGT funding used for operating expenses) to receive 100% of the eligible PGT is presented in Table 9 above.

Prior to 2017, the Pelham population base was included in the NRT PGT allocation and accounted for an estimated \$150,000 annually. Comparing the 2017 Pelham budget with their estimated 2018 transit budget (Table 9), illustrates the dilemma that small transit operators face when applying all PGT funding towards operating costs. Holding transit investment constant at 2018 service levels, this approach projects large year over year fluctuations in the annual budgeted tax levy ranging from \$90,000 to \$150,000. This results in a total four year transit tax levy of \$0.51M, and eliminates the potential for surplus funding to be used for transit expansion as well as an estimated loss of \$0.44M in PGT funding from the province. The recent provincial announcement of the 2018/2019 PGT allocation supports this analysis with Pelham realizing a reduction of \$100,000 over last year's PGT allocation. This represents an overall financial loss to Niagara.

Table 10: Pelham Options for PGT Sharing through Joint Reporting

Pelham	Opportunity / Target	Municipal \$ Contribution	2019 - 2022 Total Impact	
			PGT Received	PGT Lost
Current Outlook: Option A, B & C all the Same		Total \$0.51 M (all Base Service)	- \$0.40 M used for Pelham Operating (no excess PGT for local Transit Re-Investment) - \$0.0 M used for Pelham Link Capital	\$0.44 M
Option D	Joint CUTA reporting	Total \$0.4 M (\$0.03 M Base \$0.37 M Reinvestment)	- \$0.64 M used for Pelham Operating (incl. \$0.37 M PGT for local Transit Re-Investment) - \$0.17 M used for Pelham Link Capital	No Loss

Note: assumes that the PGT doubles by 2022, as planned.

There exists an opportunity to receive 100% of all eligible PGT funding and stabilize Pelham's annual budgeting requirements through Option D outlined in Table 10 above. Through the development of a transit strategy and the formation of a partnership between Pelham and the Region, both would be financially better off than working independently. The partnership would include joint CUTA reporting, a minimum local annual transit contribution, a 20% cost share from Niagara Region towards the IMT portion of the service and a portion of the Pelham PGT funding. For example, assuming a minimum levy-supported transit investment by Pelham equal to \$100,000 (the average of the last two years tax levy based on 2017 and 2018), this partnership would result in a four year total transit tax levy of \$400,000, allow for \$372,000 in local transit expansion, and direct \$167,000 of PGT towards the Region for capital replacement.

Lincoln

It is estimated that 99% of annual PGT will be received through the population portion of the formula, with the remaining 1% through ridership. Lincoln residents currently only receive a piloted local transit service; however the 2019 Lincoln operational plan includes a permanent local transit service plus an IMT Link extending from Lincoln to St. Catharines with an annual net operating budget of \$585,000 plus up to \$1.5M in capital.

The required municipal transit contribution by the Town to receive 100% of the eligible PGT is presented in Table 11 below. The proposed 2019 operational budget for Lincoln Transit is \$263,550 with an estimated \$2,000 in potential fare revenue. The total transit municipal contribution of \$265,550 results in an estimated PGT of approximately \$199,000, which is \$23,000 below the full eligible PGT funding (\$222,000). Since Lincoln Transit uses a contracted third party to operate its transit, the municipality does not have capital expenditures. If the estimated \$199,000 PGT funds were used to offset the 2019 operational expenses, the subsequent year PGT funding would decrease from \$199,000 to \$50,000, an additional \$149,000 loss in eligible funding.

Table 11: Lincoln Required Municipal Transit Spend to Receive 100% of Eligible PGT

	Lincoln	
	2019	2022
Eligible Population PGT	\$ 222,702	\$ 391,248
Required Municipal Own Transit Spending* (75% threshold)	\$ 296,936	\$ 521,664
*Municipal own spending includes passenger revenues, donations if applicable, and municipal contributions to operating and capital expenses		

The current PGT funding for the Lincoln population is being allocated to NRT for all IMT services. This is because Lincoln does not currently charge a fare which is an eligibility requirement for PGT. If the local transit service's net operating budget is less than the required municipal transit spending or the PGT funding is used to reduce the local municipal transit spending below the required threshold, the lost funding would result in a net decrease to the region as a whole. Currently the population base for Lincoln is included in the PGT allocation to Niagara Region and therefore, when removed, will result in an estimated \$220,000 reduction in funding to the Region.

Through joint reporting and the sharing of the PGT funding, 100% of the eligible PGT funding for the Lincoln population base would be allocated to the Region. The PGT allocation would be shared between Lincoln and the Region based on an agreed upon ridership/ population percentage similar to other smaller systems. The local transit budget would be consistent and known year over year plus the former losses in eligible PGT would become available and provide funding for IMT capital requirements associated with the proposed West Niagara expansion of IMT Link service.

Without historic baseline data for local and Link services driving ridership proportions, determination on the agreement for relative PGT shares would need to ensure equity and fairness among all transit providers as well as consistency and transparency to tax payers. The formula for allocation could be modified over time to reflect actual ridership data on both systems

Grimsby

It is estimated that 99% of annual PGT will be received through the population portion of the formula, with the remaining 1% through ridership. Grimsby residents currently do not receive any transit services however the NRT 2019 operational plan includes an IMT Link extending from Grimsby to St. Catharines with an annual net operating budget of \$585,000 plus up to \$3.5M in capital.

Table 12: Grimsby Required Municipal Transit Spend to Receive 100% of Eligible PGT

	Grimsby	
	2019	2022
Eligible Population PGT	\$ 255,723	\$ 449,260
Required Municipal Own Transit Spending* (75% threshold)	\$ 340,964	\$ 599,013
*Municipal own spending includes passenger revenues, donations if applicable, and municipal contributions to operating and capital expenses		

Currently the population base for Grimsby accounts for an estimated \$250,000 annually in the PGT allocation to Niagara Region and supports all IMT services. If the budgeted municipal transit spend is less than the required municipal transit spend for 100% PGT funding there will be a net loss of PGT funding to the region as a whole. The required annual municipal contribution to receive all eligible PGT funding (based on the Grimsby population) would be \$341,000 which is greater than current spending in Pelham, Lincoln, and Port Colborne. This suggests that the initial transit investment in Grimsby would be insufficient to receive 100% of PGT funding.

Through joint reporting and the sharing of the PGT funding, 100% of the eligible PGT funding for the Grimsby population base would be allocated to the Region. The PGT allocation would be shared between Grimsby and the Region based on an agreed upon ridership/ population percentage similar to other smaller systems. The local transit budget would be consistent and known year over year plus any former losses in eligible PGT would become available and provide funding for IMT capital requirements associated with the proposed West Niagara expansion of IMT Link service.

Without historic baseline data for local and link services driving ridership proportions, determination on the agreement for relative PGT shares would need to ensure equity and fairness among all transit providers as well as consistency and transparency to tax payers. The formula for allocation could be modified over time to reflect actual ridership data on both systems.

Remaining Municipalities

Currently West Lincoln and Wainfleet do not operate local transit services. Based on the existing population base, independent locally operated transit services would not be fiscally prudent. Future operational plans combining local and IMT services using alternative deployment strategies (i.e. on-demand transit) may provide a more cost effective solution.

Alternatives Reviewed

An alternative to the proposed strategy would be to not report CUTA statistics jointly and continue to apply PGT towards offsetting local transit operating costs and realize year-over-year fluctuation in PGT allocations from the province. The estimated loss in PGT funding of \$1.0 M over the next four years would result in negative impacts to the taxpayer and prevent local and IMT agencies from expanding services without further negative impacts on the taxpayer.

Relationship to Council Strategic Priorities

This proposal aligns with Council strategic priority of achieving results under Doing Business Differently. This proposal also aligns with Council strategic priority of Moving People and Goods and directly advances the following key Council Strategic Priorities:

- Provincial commitment to GO Rail expansion in Niagara
- Support local municipalities in developing long-term solution for transit.

Other Pertinent Reports

- LNTC-C 21-2018 IMT Service Implementation Strategy
- LNTC-C 22-2018 IMT Financial Impact Analysis
- LNTC-C 23-2018 IMT Capital Plan 2019
- PW 19-2018 Niagara Region Transit 2018 Service Agreement

Prepared by:

Heather Talbot
Financial & Special Projects Consultant
Financial Planning and Management,
Corporate Services

Recommended by:

Todd Harrison
Commissioner
Enterprise Resource Management
Services

Submitted by:

Ron Tripp, P.Eng.
Acting Chief Administrative Officer

This report was prepared by Heather Talbot, Financial and Special Project Consultant, Financial Management and Planning, in consultation with the Transit Operators and the Inter-Municipal Transit Working Group; Matt Robinson, Director, GO Implementation Office, Kumar Ranjan, Transportation Lead GO Implementation Office, Robert Salewysch, Transit Planning Coordinator; and reviewed by Helen Chamberlain, Director, Financial Management & Planning/Deputy Treasurer.