
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); and
3. That Report PW 30-2019 **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