
Subject: Niagara Specialized Transit Service Delivery Amending Agreement 2019-2020

Report to: Public Works Committee

Report date: Tuesday, July 9, 2019

Recommendations

1. That the Chief Administrative Officer **BE AUTHORIZED** to execute the Niagara Specialized Transit (NST) Service Delivery Amending Agreement 2019-2020 between the Regional Municipality of Niagara and The BTS Network Inc. such that the Agreement meets the approval of the Director of Niagara Region Legal and Court Services.

Key Facts

- The purpose of this report is to seek Council's approval of the NST Service Delivery Amending Agreement 2019-2020 which is compliant with the Region's Procurement By-law.
- A new structure limiting the provision of trips provides certainty with regards to budget containment while ensuring continuity of service.
- The two year term of this Amending Agreement provides stability to the service to the end of 2020 while a transit governance decision is sought in Q1/Q2 2020 for both conventional and specialized transit services.
- Phase II of the Stoney Creek Transfer Hub Pilot will be in effect for the duration of the Agreement where the provision of trips directly to Hamilton is to be suspended in favour of utilizing a transfer hub in Stoney Creek that is available for all trip purposes.
- The results of the NST Operations Review (LNTC 9-2018 and PW 39-2019) which will include recommendations for future service delivery models and standards, is expected by the start of Q4 2019.
- Results from the NST Operations Review (PW 39-2019), will be addressed through revisions to existing Standard Operating Procedures and only if required, through another amending agreement.

Financial Considerations

The negotiated Amending Agreement ensures that the net expense of NST service is contained within the forecasted operating budget(s) by establishing a maximum number of trips delivered annually (31,200). The 2019 NST operating budget, while consistent with the baseline approved 2018 budget, realizes an increase of 3.8% in the total number of trips over 2018 (equivalent to an average of 600 trips per week) which was

achieved through reductions in the average trip rate. The reduced average trip rate was a key requirement in the contract negotiations to ensure sufficient service levels could be provided within the approved operating budget. It should be noted that this multi-year contract allows for the 2020 rate to be amended to include a Consumer Price Index (CPI) adjustment ahead of the formal budget approval process; however this is discussed further in the “Alternatives Reviewed” section below. The financial projections of the Amending Agreement are provided in Table 1 below.

Table 1 – NST Operating Actuals vs. Cost Projections for 2019 and 2020

Details	2018 Actual	2019 Projected	2020 Projected <i>Estimated @ 2.7% CPI***</i>
# of Trips	30,057	31,200	31,200
Operator Payments*	\$2,627,753	\$2,164,527	\$2,222,969
Fare Revenue**	(\$151,123)	(\$156,870)	(\$156,870)
Net Expense	\$2,476,630	\$2,007,657	\$2,066,099

* Includes Service Provider payments for late cancellations, handling charges and 1.76% non-refundable HST

** 2019 Operator Payments and Fare Revenue were estimated using 2018 averages

*** Estimated 2020 Consumer Price Index is assumed to be equal to the Municipal Price Index of 2.7%

Analysis

The NST Service Delivery Amending Agreement 2019-2020 was structured as an amendment to the original Service Delivery Agreement as a means of simplifying the process, the expectations of both parties, and ensuring compliance with Niagara Region’s Procurement By-law. That said, a number of elements have changed from one agreement to the next and are summarized below.

Trip Volume – This Amending Agreement seeks to provide greater certainty for Niagara Region as it relates to budget containment while guaranteeing levels of service. BTS is now limited to a general average of 600 trips per week (average of 100 trips per day). This translates to a maximum of 31,200 trips (600 trips/week for 52 weeks) per year. Within this average, BTS is given some flexibility as to the actual number of daily trips being booked in order to compensate for the variability that trip cancellations and holidays cause. This will result in some days being slightly above or below the average but will ensure continuity of the service throughout the year and predictability for NST users.

Operating Rates – The operating rates in the original Agreement were dependent on the number of zones traveled by the rider; however this was a holdover from an outdated zone-based revenue model. Once provincial accessibility legislation mandated fare parity between conventional and specialized services, revenues for NST were altered to

reflect a flat fare as is charged in the conventional transit delivery model. In order to streamline the billing process, a weighted average was produced based on the typical trip distribution to produce an operating rate for all trips regardless of distance. As a result of the negotiation process, the operating rate was reduced in October of 2018 from \$78 to \$75, and further reduced to \$68 for 2019. A semi-annual CPI adjustment will be calculated and approved by both parties prior to its implementation for the start of 2020.

Stoney Creek Transfer Hub, Phase II – In PW 51-2017, staff identified a program change relating to trips that NST was delivering to Hamilton. These trips present numerous operational challenges for BTS and are exceptionally expensive for Niagara Region as they cost approximately 60% more than the average operating rate. Staff has since developed a successful transfer hub in Stoney Creek where NST riders are able to transfer to the specialized transit service in Hamilton (DARTS) to complete their journey within the City of Hamilton. With the introduction of the hub in 2018, staff were able to streamline the process of booking transfers across two (2) systems to minimize the impact on the rider. Utilizing the transfer hub has two additional benefits. The first being that riders will no longer be limited to traveling for trips which are medical in nature (which is the current policy direction as Hamilton). The second is that the one-way fare for a trip to Hamilton from Niagara is reduced from \$15.00 to approximately \$9.00. With the key elements of the transfer hub in place, staff are set to suspend the direct trips to Hamilton so that the transfer hub's effectiveness can be properly evaluated. This second phase is expected to last for the duration of this Amending Agreement.

Agreement Duration - The duration of this Amending Agreement has been defined as two (2) years with the start date being back-dated to January 1, 2019 to coincide with the official termination date of the original Agreement. Thus the end date is defined as December 31, 2020. This provides stability to the NST service while potential future transit governance models can be examined. An early termination clause has been included which would require Niagara Region to pay \$100,000. That amount would rise to \$200,000 if at the time of early termination BTS is meeting all of the conditions of the Amending Agreement. This will supply BTS a measure of security, as there are significant challenges in ensuring the provision of a suitable fleet with an uncertain duration. If the full term of the Amending Agreement is reached, Niagara Region is not required to pay this fee.

On-board Duration – Under the original Agreement, a passenger was not to be on board an NST vehicle for a duration greater than two times the travel distance and thus not more than 90 minutes. For the Amending Agreement, the “two times the travel distance” has been removed in favour of an overall duration of 75 minutes. This is reflective of the elimination of the direct trips to Hamilton while also providing BTS some additional flexibility to combine similar trips for the sake of operational efficiency.

NST Client Communication – BTS has agreed to supply each client with a formal confirmation of their trip request within 24 hours of that request being received. This confirmation of receipt shall contain the relevant trips details as well as a “Booking ID” (reference number) and will be delivered via text message, email, or phone as preferred by the client. In addition, no less than 24 hours prior to the date of the desired trip, BTS will confirm or deny the availability of the requested trip with the client via the same delivery method as noted above. Clients will be notified that a trip is not confirmed simply by their submission of a request. Only trips that have been confirmed by this second notification are scheduled for delivery. In the event that a trip is delayed, or projected to be delayed, by more than 10 minutes, BTS shall notify the client via text, email and/or phone as preferred by the client. The requirements noted in this section should help alleviate some of the concerns staff have heard from clients regarding confusion in the trip booking/confirmation process as well as reducing the uncertainty for clients when the vehicle is running behind schedule. Staff will continue to work closely with NST clients as well as BTS and make refinements as necessary to enhance and streamline the service.

On-time Performance – BTS is required to maintain an on-time performance of 95 percent. On-time is defined as arriving up to 15 minutes prior, or up to 10 minutes later than the scheduled pick-up time.

The Specialized Transit Service Review is a component of the Inter-Municipal Transit Working Group’s work plan under the direction of the Linking Niagara Transit Committee. This two-staged study is intended to provide a jurisdictional scan of specialized transit services within the region, recommend improvements that align with the larger conventional transit governance discussion, and also consists of a thorough review of the existing Service Provider’s adherence to the original Agreement. This study is well under way with the results being expected prior to the end of 2019.

That said, staff has recently been provided an initial summary of the NST Operations Review as outlined in PW 39-2019. As these results only highlight opportunities for improvement at a high level, staff will engage with BTS to revise the Standard Operating Procedures to mitigate/eliminate those concerns. Should the necessary changes fundamentally alter the scope of the Amending Agreement, staff will examine opportunities for another amending agreement and/or supplemental service solutions. That summary document will also serve as a reference for monitoring BTS’s improvements going forward.

Alternatives Reviewed

Staff have begun reviewing alternative service delivery options in conjunction with the Specialized Transit Service Review; however due to timing limitations, it was determined that the priority should be placed on maintaining service continuity until decisions are made relating to the larger transit governance model.

Staff are currently developing options for an on-demand, dynamic transit service to be deployed in the western and potentially the southern, municipalities of Niagara. In addition, staff have been reviewing alternative service delivery models in conjunction with the Specialized Transit Service Review. There is a strong potential for alignment between these new opportunities and the existing specialized transit system. This alignment would likely yield a significant opportunity to leverage value and service delivery efficiencies rather than providing two distinct, but similar systems. However, due to timing constraints, it was determined that the priority should be placed on maintaining service continuity until decisions relating to the larger transit governance model are made.

As this multi-year Amending Agreement allows for the 2020 rate to be amended to include a Consumer Price Index (CPI) adjustment outside of the formal budget approval process, the Region may need to reduce the number of trips it can deliver to offset the price increase should a commensurate budget increase not be approved by Council and/or should the CPI adjustment exceed the Municipal Price Index of 2.7%.

Relationship to Council Strategic Priorities

This report is being brought forward to seek approval to execute a Niagara Specialized Transit Service Delivery Amending Agreement. Supporting transit was a priority of the previous Council under the Moving People and Goods segment and will continue through the consolidation process.

Other Pertinent Reports

PW 39-2019 – NST Operations Review

PW 23-2019 – NRT and NST 2018 Ridership and Revenue Summary

LNTC 9-2018 – Niagara Specialized Transit Service Review Terms of Reference

PW 40-2018 – NST Negotiations and Program Changes

PW 51-2017 – NST Program Change Options

CAO 8-2017 – Niagara Region's Transit Service Delivery and Governance Strategy

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