
Subject: Niagara Regional Transit Service Expansion Update

Report to: Public Works Committee

Report date: Tuesday, October 8, 2019

Recommendations

1. That Transit Service Expansion **BE REFERRED** for consideration as part of the 2020 budget;
2. That this report **BE DISTRIBUTED** to Local Area Municipalities for their information.

Key Facts

- The purpose of this report is to provide an update on the 2019 approved multi-year inter-municipal transit (IMT) service implementation strategy outlined in LNTC-C 21-2018.
- The approved 2019 budget allocated \$7.97 million which included a 1.4% separate transit levy of \$4.85 million plus a one-time transfer from Reserve of \$3.12 million (0.9% over the 2018 consolidated levy).
- The 2020 budget will request the balance of the investment of \$1.6 million for a total investment of \$9.5 million plus the funding to replace the one-time transfer from reserve.
- The 2018 and 2019 Niagara Regional Transit (NRT) service implementation strategy eliminated the need for duplicate post-secondary student charter routes. Student-driven incremental transit service costs account for roughly 30% of all expenditures and over 80% of all ridership.
- U-Pass negotiations with Brock University and Niagara College for the 2019-2020 academic year resulted in a net increase of \$1.0 million to fund IMT which reduced the two year net transit investment from \$10.5 million to \$9.5 million.
- The 2020 Budget request of \$4.7 million or 1.3% increase over the 2019 budget includes the permanent funding to replace the 2019 one time transfer from Reserve of \$3.12 million (0.9%) plus an additional \$1.6 million (0.4%) for the completion of phase 2 service expansions.

Financial Considerations

The approved 2019 budget provided \$7.97 million towards a strategic two-year IMT investment strategy. The 2019 funding included a 1.4% separate transit levy of \$4.85 million plus a one-time transfer from Reserve of \$3.12 million (0.9% of the 2018 levy). The NRT implementation strategy outlined in LNTC-C 21-2018 phased in service enhancements over two years. However, due to greater than expected demand

pressures servicing post-secondary students in particular, many of the route enhancements were implemented earlier to meet this demand.

The 2018 and 2019 NRT implementation strategy provided sufficient service levels to meet growing post-secondary demand thereby eliminating the need for duplicate post-secondary student charter routes. Student-driven incremental service costs account for roughly 30% of all transit expenditures and over 80% of all ridership.

Niagara College students comprise 85% of NRT student ridership and utilize more than a million more rides on local transit systems. The 2019-2020 U-Pass negotiations with Niagara College and NCSAC were led by Niagara Region on behalf of all transit operators and resulted in a substantial increase in funding from \$4.2 million to \$6.2 million in support of both local and inter-municipal transit.

Brock University students predominately reside within St. Catharines and therefore, BUSU maintains a separate contract with St. Catharines Transit (SCT). However, a small portion of Brock students generate 15% of NRT student ridership primarily utilizing two NRT routes. The 2019-2020 agreement, excluding SCT, increased funding for NRT and other local transit services by 25% (\$0.3 million).

The 2019-2020 U-Pass negotiations, combined, generated an additional \$1.0 million towards NRT services thereby reducing the two year net transit investment from \$10.5 million to \$9.5 million. The revised 2020 incremental net operating cost of \$1.6 million requires a 0.4% separate levy plus 0.9% to fund the 2019 one-time transfer from Reserve. The total 2020 funding requirement of \$4.8 million represents 1.3% of the general levy.

Table 1: Niagara Regional Transit Budget Strategy

	2018	2019	2020
Net Operating Costs	3.6M	10.1M	11.7M
Debt Financing		1.4M	1.4M
Total Operating Costs	3.6M	11.5M	13.1M
Incremental cost (incl. debt)		7.9M	1.6M
Separate Transit Levy		2.3%	1.3%
<i>including One Time Transfer from Reserve</i>		3.1M	
Capital Request	3.3M	13.9M	3.5M
ICIP Requested Funding			(2.5M)

* 2020 Separate Transit Levy incl. 2019 one-time transfer from reserve (0.9%) plus incremental cost of 0.4%

The financial implications of this report should be considered along with the following budget items (Table 2). Budget pressures have been outlined by staff in the following table to illustrate the levy increase impact expected for the 2020 budget, but does not

necessarily represent all budget pressures. These increases are being referred for consideration as part of the 2020 budget process.

Table 2: Previously Identified 2020 Budget Considerations

	Council Report	Levy Amount (M\$)	Levy Increase %
Previously identified reports			
Suicide Prevention Initiative	PHD 8-2019	0.200	0.05%
Niagara Airports	CSD 62-2019	TBD	TBD
Waterfront Investment Program – Base funding	CSD 40-2019	1.000	0.27%
Smarter Niagara Incentive Program – Base funding	CSD 40-2019	0.600	0.16%
Brock LINC request for funding	ED 9-2019	1.500	0.41%
Niagara Regional Transit - phase in cost	PW 56-2019	4.754	1.30%
NRPS 2019 position hiring deferral	BRC-C 7-2019	0.706	0.19%
Long-Term Care Home Redevelopment capital funding	COM 32-2019	5.899	1.62%
GO Project - Station Operations	CSD 17-2019	1.410	0.39%
EMS Central Hub capital funding	CSD 40-2019	0.390	0.11%
Total of previously identified reports		16.459	4.50%

Analysis

The *Niagara Transit Service and Governance Strategy Report, 2017* by Dillon Consulting (Dillon Report) outlined a strategy to optimize and improve existing IMT services by reducing duplication between the NRT and the services chartered by the post-secondary institutions. Discussions between staff from Niagara Region, the municipal transit operators, and NCSAC determined that all remaining IMT U-Pass funded post-secondary charter services would be consolidated and replaced with enhancements to existing NRT fixed route services. The increased service hours on existing NRT routes provide better service to all residents within Niagara region in addition to serving the needs of post-secondary students. It is worth noting that students comprised roughly 80% of NRT ridership and approximately 65% of total revenue in 2018.

The annual net operating cost estimate relies heavily on revenue and ridership projections. The non-post-secondary ridership forecasts have assumed steady, modest growth based on historical data, while post-secondary ridership has realized substantial growth over the last three years and is estimated to continue to grow faster than non-

post secondary ridership. The 2017-2018 U-Pass contract with NCSAC allocated revenue equivalent to \$20/month per student (87% discount on a regular monthly pass of \$160). Students were given unlimited access to NRT and provided an alternative to the charter service overflow. NCSAC also allocated revenue for local transit usage in Niagara Falls, Welland and St. Catharines through a per ride tap rate. These contracts were negotiated independently by each municipality at various discount rates in excess of 79%.

In 2018-2019, transit operators moved away from independent negotiations and worked collaboratively with NCSAC. The joint negotiations were successful in securing additional NRT funds equivalent to \$30/month per student as well as a standardized tap rate of \$0.65 per ride (79% discount rate). NCSAC continued to purchase a number of 100%-funded chartered services in addition to the demand pressures on existing NRT routes. The unexpected demand surge on NRT routes in September 2018 pushed forward service enhancements that were expected to begin in September 2019; however, additional funding from NCSAC ensured service changes were within the approved NRT budget.

The Inter-Municipal Transit Working Group (IMTWG) agreed to further streamline the U-Pass contract process and directed Niagara Region to represent all transit operators during the 2019-2020 NCSAC & BUSU negotiations (St. Catharines Transit, and Thorold by proxy, maintain their own separate U-Pass agreement with BUSU). In the spring of 2019, Niagara Region began negotiations with NCSAC and the Niagara College Administration as well as with BUSU. Thorough analysis of both local and regional student demand, along with the differentiation between base Regional service costs and incremental student driven service costs (which in essence is equivalent to traditional chartered services), identified the direct transit costs and benefits for Niagara College and Brock students (Table 3).

Table 3: Niagara Regional Transit Operating Cost and Revenue Breakdown

		Actual 2018 Operating Cost	Rev. Forecast 2019 Operating Cost	Proposed Budget 2020 Operating Cost
A=B+C	Niagara Region Transit Total Operating Cost	\$5,549,126	\$14,653,365	\$18,230,671
B.1	Base Service Costs*	\$4,633,355	\$8,544,304	\$13,221,282
B.2	Capital Financing		\$2,178,905	
C=D+E	Direct Post Secondary Driven Incremental Cost	\$715,771	\$3,930,156	\$5,619,773
D	Niagara College <i>share</i>	\$715,771	\$3,770,113	\$4,893,051
E	Brock University <i>share</i>	\$0	\$160,043	\$726,722
F=G+H+I	Niagara Region Transit Total Operating Revenue	\$1,912,765	\$4,504,000	\$6,511,144
	G NRT Cash, Pass & Link Routes	\$654,403	\$746,000	\$884,000
	H NC Allocation to NRT	\$1,036,287	\$3,415,000	\$5,170,944
	NC <u>Estimated</u> Total Transit Funding**	\$3,392,618	\$5,109,467	\$7,511,289
	I Brock Allocation to NRT	\$222,075	\$343,000	\$456,200
	Brock <u>Estimated</u> Total Transit Funding**	\$4,264,914	\$4,478,159	\$4,702,067
A-F	Niagara Region Transit Total Net Operating Cost	\$3,636,361	\$10,149,366	\$11,719,527

* assumes base service is 60min all day plus 6 hrs of peak 30 min service mon-fri plus all Feeder Routes

**estimates provided for calendar year may vary slightly from school year contracts; fall 2020 assumes a 5% increase based on Ancillary fee maximum increases

Niagara Region, local transit operators, NCSAC and the Niagara College Administration established a two year timetable to reach appropriate funding levels and secured an additional \$2.0 million from Niagara College for the 2019-2020 school year. In addition, the alignment of tap rates in 2018-2019 of \$0.60 were increased to \$0.75 for the 2019-2020 school year. Consistent with all previous reports and discussions during the IMTWG, the incremental revenue, or net operating surpluses to local transit operators would be re-invested back into the enhancement of local services or used to mitigate the increasing cost of regional transit services in the 2020 budget.

Negotiations with BUSU for Brock University student U-Pass privileges was facilitated by Niagara Region on behalf of the local transit operators (excluding St. Catharines). The Brock student demand for transit relies heavily on St. Catharines service, with only a small portion of students requiring Regional and other local transit services. Recognizing the value of the inter-municipal services, BUSU aligned their local tap rates with the previously negotiated rates at Niagara College of \$0.75 and increased their funding towards IMT services by 25% for the 2019-2020 school year.

Alternatives Reviewed

An alternative timeline or delay in the approval of the second separate transit levy would result in a reduction in service enhancements already implemented as well as a delay in service enhancements expected to begin in early 2020. The delays or service reductions would most notably be felt in Niagara West, Wainfleet, Fort Erie and Port Colborne where demand is low and the routes are not directly tied to the U-Pass contract revenue. Alternative timelines are not recommended due to the necessity of enhanced inter-municipal service delivery required to support the arrival of daily GO Rail expansion to Niagara on or before 2021. With Niagara actively and assertively pursuing an acceleration of the timelines for introduction of GO Rail service from Metrolinx and the Government of Ontario, it is critical to have local transit available and established well in advance of the arrival of more frequent daily GO Rail service.

Relationship to Council Strategic Priorities

The NRT investment strategy directly aligns with several Council strategic priorities: Economic Growth and Development through the enforcement of strategic planning and leveraging partnerships with post secondary institutions; Responsible Growth and Infrastructure Planning through advancing regional transit and GO rail services and facilitating the movement of people and goods.

Other Pertinent Reports

LNTC-C 09-2019 Niagara Transit Governance Review
CSD 01-2019 2019 Capital Budget
CSD 22-2019 2019 Levy Operating Budget
LNTC-C 21-2018 - IMT Service Implementation Strategy
LNTC-C 22-2018 - IMT Financial Impact Analysis
LNTC-C 23-2018 - IMT Capital Plan, 2019
CAO 8-2017 - Niagara Region's Transit Service Delivery and Governance Strategy

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