



REPORT TO: Regional Chair and Members of
Committee of the Whole

SUBJECT: Authority to Implement Niagara Inter-Municipal Transit

RECOMMENDATIONS

This Committee recommends to Regional Council:

That Council approve and adopt the public transit vision (also attached as Appendix 1):

- Public transit services will form an important and integral component of Niagara's transportation system – a key element in growth plans.
- Residents of Niagara will be provided affordable and reliable transit services to conveniently access places of work and major activities in the urban areas.
- Inter-municipal transit services will be provided connecting Niagara residents to the surrounding municipalities, regions, and the Greater Toronto area.
- The cost for providing such a system will be distributed in a fair and equitable manner.

That Council approve the inter-municipal transit service of the triangular and secondary feeder concept, as proposed by the ENTRA consultants, attached as Appendix 3;

That Niagara Region will provide inter-municipal transit services through the procurement of fleet and operational services, and that staff be authorized to initiate discussions with the existing transit authorities and/or private sector partners to provide the proposed "triangular service" commencing in 2011;

That the Niagara Region, through due legislative process, become a fourth municipal transit operator and contract for service delivery for the provision of inter-municipal transit;

That Regional Council pass the By-law, attached as Appendix 5, as the first step of the triple-majority process;

That Regional Council circulate this report to each of the 12 municipal partners in the Niagara Region, requesting that they pass resolutions giving their consent to the attached By-law (see Appendix 5);

That staff be authorized to retain a consultant team to proceed with Phase 2 of the Inter-Municipal Transit Work Plan, in accordance with the terms of reference outlined in this report, and that the Commissioner of Public Works be authorized to take any and all necessary actions and to execute all required documents;

That, subject to the Region receiving triple majority approval to assume responsibility for conventional inter-municipal transit:

- Council establish a subcommittee to guide the implementation and operation of inter-municipal transit services. In so doing, Council determine terms of reference for the subcommittee, using the draft terms of reference included in Appendix 6 as a guide; and
- Staff be authorized to proceed with the acquisition of sufficient buses to implement the proposed Inter-municipal Transit “Triangle Service” and the Commissioner of Public Works be authorized to take any and all necessary actions to effect the purchase and to execute all required documents.

EXECUTIVE SUMMARY

This report has been written to enable Regional Council members and area municipal councils to assess and evaluate options for moving forward with inter-municipal transit, starting with enhanced triangle services. It describes a vision for public transit in Niagara Region, based on the one described in the ENTRA report, adjusted to reflect suggestions and comments coming out of the October 29, 2009 COTW session. It asks Regional Council to consider and approve that vision for public transit – a vision that affirms the importance of an affordable and robust public transit system as an integral part of Niagara’s transportation system. The report also asks Regional Council to consider and approve the service concepts diagram contained in the ENTRA report as the most appropriate, staged way of achieving the vision.

The achievement of the vision for a robust public transit system in Niagara Region requires an integration and coordination mechanism. The enhancement

of triangle services will satisfy a latent demand of approximately 400,000 rides in the first year of service, doubling over the next five years. There are substantial benefits to implementing the inter-municipal transit system as explored in the report.

This demand will require additional rolling stock. For the Triangle Service, ENTRA recommended starting with approximately \$3.1M capital and \$1.6M operating costs (7 buses) increasing to \$6.3M cumulative capital cost with a \$2.4M operating cost by 2016. Based on this, staff estimate that the year-over-year cost impact would be \$2.3M for year one, going to \$3.1M by 2016.

Regional involvement is needed to kick-start the process and to provide a coordinating mechanism around which financial, cost allocation and service-related decisions can be made. This report explores three options for Regional involvement and concludes that the most effective way of providing appropriate Regional involvement is through the establishment of the Region as a fourth municipal transit operator, forging contractual alliances with the existing three operators and/or private partners.

The report recommends the establishment of a sub-committee of Regional Council members who would oversee the evolution of the triangle service enhancements and make recommendations to Council around decisions that are required related to financial matters, cost allocation and transit services. The report suggests a terms of reference for the proposed sub-committee to assist Council in this regard.

The report also recommends that Phase 2 of the three phased study be undertaken as soon as possible with the added scope of analyzing the economic benefits by way of a business case analysis.

If Regional Council approves the recommendations in this report, work can begin on service contract discussions, the establishment of the sub-committee, and the Phase 2 consulting work. Upon obtaining the requisite triple majority, fleet procurement can be undertaken and contract arrangements finalized, hopefully in a timeframe that will result in tangible enhancements later next year

FINANCIAL IMPLICATIONS

The ENTRA report envisions three distinct levels of service or implementation phases comprised of an initial "Triangle" service, to which would be added a "Second Tier Feeder" service and a "Rural Demand Response" service. To achieve the ridership improvements described earlier, ENTRA recommended, and staff support, the acquisition of seven additional buses to start the Triangle service.

Triangle Service

The capital outlay estimate for the Triangle Service is in the order of \$3.1M, accumulating to about \$6.3M for a total of 14 buses after five years. As per the recently concluded Capital Budget deliberations, \$3.1M was included in the approved 2010 Capital Budget to fund the initial seven buses in the event approval is given to proceed, commencing in 2011.

In order to estimate the ongoing capital spending impact on the levy for the Triangle service, the average vehicle life was estimated to be twelve years. Therefore, once in full operation there would be a requirement to service the debt charges for fourteen vehicles costing approximately \$6.3M over 12 years which at 5% would result in carrying costs of \$0.7M.

Net additional operating costs are estimated to be in the order of \$1.6M in year one (2011), growing to \$2.4M in 2016. Therefore, total average costs (capital and operating) for the Triangle Service would be approximately \$2.3M (\$1.6M+\$0.7M) for year one (2011), growing to approximately \$3.1M (\$2.4M+\$0.7M) by 2016. These amounts would represent impacts on the Region's levy of approximately 0.8% and 1.1% respectively. The annual tax impacts on a typical homeowner (for a home assessed at \$200,000) would be \$11 and \$15 respectively for the Triangle service.

Further study may reveal that certain costs may be reduced (for example in the event that Provincial Gas Tax funding is available to defray some portion of vehicle capital costs) or, as discussed below, a portion of the costs may be reallocated to the area municipalities. However, subject to the degree that costs may be reduced somewhat upon further study, or reallocated to area municipalities, the impact figures noted above represent the estimated taxpayer impacts at this time either at the Regional or area municipal level.

Allocation of costs is an issue that will require review by the subcommittee and initiated by Public Works Committee and Council. It is difficult to make precise estimates on a municipality-by-municipality basis until further information is obtained through a second phase report (terms of reference included in appendix 7). One reason for this difficulty is the exact layout of the services, the extent of fare harmonization, and amount of savings that might be generated through government programs and social service offsets. \$1.6M in operating costs could be reduced through cost mitigation factors which will be examined and identified as the initiative moves forward. The cost allocation formula is one that will require the attention of the subcommittee and Council. In general, it is recommended that some of the costs be allocated directly to those who benefit most and the rest of the costs be allocated by way of a regional levy that reflects an indirect, less tangible benefit of the enhanced services to the entire region. By way of example, it might be appropriate to consider a formula in which 50% of

the costs are allocated to the triangle municipalities and 50% to a regional levy. It will be for Council to determine the most appropriate formula. Under any cost allocation formula, there will be an increase in property taxes for the Triangle service as noted above.

All Three Levels

According to the ENTRA report, full implementation of all three levels of service is estimated to require twenty-eight buses, at a capital cost of \$11 M and associated debt carrying costs (over 12 years @ 5%) of \$1.2 M. The total levy impact would therefore be \$1.2 M plus an annual net operating cost of approximately \$5.4M for a total of \$6.6M or 2.4% on the levy, also notwithstanding that actual costs may be reduced somewhat and/or reallocated to area municipalities as noted earlier for the Triangle service.

PURPOSE

The main purposes of this report are:

- To seek Council endorsement of the transit vision and the service concepts as presented in the report and proceed further with the planning component of study, and
- To initiate the process of providing enhanced transit service starting with the enabling legislation (i.e. the Triple Majority process) for transfer of power to the upper-tier municipality, namely, Niagara Region.

Subject to the Triple Majority process, the report also seeks approval for regional staff to move forward expeditiously with the procurement of rolling stock, and to enter into discussions with the existing transit operators and other appropriate agencies for contracting of services, and drafting the terms of reference for a transit advisory sub-committee.

BACKGROUND

There have been many studies of inter-municipal transit in Niagara Region and the topic has been considered by Council on a number of occasions dating back many years. The studies have confirmed the need for and importance of developing a robust public transit system across the region in order to facilitate affordable transportation options to get people to and from work, school and entertainment. The Niagara Region Transportation Strategy, Council Business Plan, and Niagara 2031 Growth Management Strategy all support enhanced public transit. A historical synopsis of the studies and considerations by Council of inter-municipal transit is set out in Appendix 4.

The most recent study undertaken by ENTRA described the demand for public transit and recommended a vision and service concept that included GO Transit, triangle services linking St. Catharines, Niagara Falls and Welland, second-tier feeder services linking other municipalities to the system and the capability of having rural demand response. The ENTRA report is included separately as part of the background materials accompanying this report.

The ENTRA report was discussed most recently at the October 29th Committee of the Whole session. While no formal decisions were sought or made at that session, regional staff were asked to prepare a report based on the foundational assumption that the status quo no longer can be an option. It was acknowledged that there are and will be cost allocation and governance issues that will need to be addressed to underline the way forward for inter-municipal transit vision in Niagara. This can be anchored in a staged approach, starting with enhancement of existing triangle services, and further expanding public transit over time, based on experience and further studies.

REPORT

A Vision for Public Transit Services

At the October 29th COTW session, the Commissioner of Public Works provided a comprehensive description of integrated regional transportation opportunities. The diagram depicting this is included as Appendix 2 to this report. Realizing that those opportunities require a vision for public transit, participants at the COTW session reviewed a draft vision for public transit in Niagara Region, based on the one described in the ENTRA report.

The vision has been adjusted to reflect suggestions and comments coming out of that session, and can be found in Appendix 1. Council is being asked to approve and adopt this vision as part of the recommendations set out at the beginning of this report.

Service Concepts

At the same COTW session, as part of the ENTRA presentation, participants reviewed a diagram, included in this report as Appendix 3, which describes a staged approach to implementing different levels of public transit services, starting with enhanced triangle services, moving to feeder services, then initiating rural demand response services.

Benefits – Why do this?

The enhancement of triangle services as proposed by ENTRA contemplates meeting a currently unsatisfied public transit demand amongst the three municipalities (St. Catharines, Welland and Niagara Falls) of approximately 400,000 rides in the first year of service, doubling over the next five years. As a first step, enhanced triangle services means greater access to employment and decreased reliance on automobiles.

The ENTRA report provides much more demand analysis based on consultant reviews and surveys of the population. There are many less tangible, but still real, benefits associated with establishing a robust public transit service across the region. The inter-municipal transit service:

- Will help enable the mobility of Niagara's low-income, transit captive population segment for accessing employment – particularly tourism and seasonal employment.
- Will help promote a healthy and sustainable way of travel as an alternative to the automobile with the accrued environmental and social benefits (for example, reduced traffic congestion, a reduction in greenhouse gas emissions and other pollutants, and a delay or elimination of the need to add capacity to road infrastructure).
- Will tie in to the Province's and Region's growth plans by servicing the need; Niagara 2031 GMS projects the population and employment growth of 23% and 25%, respectively. With service enhancements the Region will be better suited in approaching the upper levels of governments for fiscal support.
- Will help facilitate non-emergency travel for residents to Niagara Health System facilities to support NHS' Hospital Improvement Plan (HIP).
- Will help off-set the social services employment and medical-travel related subsidies that are significantly higher due to absence of inter-municipal transit services. The estimated actual costs for 2009 were approximately \$2.75 million and the proposed budget for 2010 is \$2.59 million.
- Will bolster the competitive edge for the Region: When employers assess where to locate their business, infrastructure (including public transit) is an important consideration.

While transit expenditures may not be a totally accurate indicator of service levels, the charts in Appendix 4 paint a picture of Niagara lagging substantially behind its neighbouring regions in transit expenditures, and, therefore, deferring

its commitment to making public transit a regional priority. Niagara Region is not competitive on this important location decision factor.

Why Regional Involvement (and therefore Triple Majority) is Required

The benefits of a good transit system are well recognized, but the challenge in implementing inter-municipal services is the capital and annual operating expenses (subsidies). Lower tier municipalities, mandated to run transit services, find it difficult to commit sufficient local tax dollars to services out of their jurisdiction to fund this undertaking. Under such circumstances, the Regional role becomes important for the following reasons:

- The achievement of the vision for a robust public transit system in Niagara Region requires integration and coordination.
- Regional government was established to perform an integration and coordination function in situations where a majority of politicians, municipalities and residents of the Region agree.
- Regional involvement is needed in this case to kick-start the process and to provide a coordinating mechanism around which financial, cost allocation and service-related decisions can be made.
- Inter-municipal transit and inter-regional transit cannot be improved without spending money on rolling stock and additional net operating expenses.
- The Region is in the best position to move forward with the necessary investments for the improvements to the inter-municipal transit.
- The Region already has assumed this role with specialized transit (NST) for which ridership continues to grow and the cost per trip decrease with gains in service momentum each year.
- Regional involvement offers opportunities for better branding and integration of services which enhance the chance of attracting Federal and Provincial grants.
- Regional involvement can facilitate better future planning and implementation of future transit technologies (and, in turn, the overall transportation strategy) as travel patterns evolve across municipal/regional boundaries.

Options and Recommendation for Regional Involvement

In considering various ways of involving the Region in this initiative, Committee and Council members may find it helpful to be guided by the following principles:

- The Region's primary objective should be to facilitate the achievement of the public transit vision,
- The Region should be positioned in a way that will allow it to achieve the above primary objective.
- Those who are paying for the services should have the most say.
- When making decisions around services and cost allocation, principles of fairness, equity and transparency should prevail.
- The chosen model must be one that is viable, operationally and achieve a balance of cost and benefits to the region.
- Decisions to improve and enhance the inter-municipal transit should maximize the effectiveness of existing services and the roles of existing operators and partners.

Three options for Regional involvement have been put forward for consideration:

1. The Region could form a collaborative relationship with one or more transit operator(s) and assign the inter-municipal services with a permissive grant.
2. The Region could, through due legislative process, provide all the transit services by formation of an agency/ board.
3. The Region could, through a due legislative process, become a fourth municipal transit operator and contract for service delivery with the existing three operators and or the private partners.

Staff are recommending the third option. This option best balances a reasonable degree of ongoing Regional involvement through ownership of assets and contractual arrangements with existing operators, against a recognition that existing operators are in the best position to deliver the enhanced services.

Ownership of assets by the Region permits a range of cost allocation decisions to be considered, and is the option that best aligns with the principles set out above. Option 1 leaves the Region with the assets but little say in services.

Option 2 diminishes the roles of existing operators and the elected officials who oversee those services.

Approving the third option would mean that Niagara Region, in effect, would become a fourth major municipal transit operator providing the inter-municipal conventional transit services. The Region would own additional rolling stock, and the services including maintenance of fleet could be contracted out to the existing transit operators including the private sector operators. The fare-box revenue could be left in the hands of the contractor so the service contract will be net of revenue.

The design of service, (i.e., routes and hours of service operation and the type of rolling stock engaged) would be worked out in the Phase 2 study recommended in this report. The study would also address the other issues that may arise such as the existing inter-municipal service and fare harmonization with the existing municipal transit operators.

Governance

To best reflect the “say for pay” principle, it is recommended that there be a sub-committee of Regional Council members who would oversee the development and evolution of the triangle service enhancements and would make recommendations to Council around decisions related to financial matters, cost allocation and transit services. While it is Council’s responsibility to determine the terms of reference for and composition of the sub-committee, Appendix 6 offers a possible set of terms of reference for the subcommittee. It suggests a model that might involve about half a dozen Councillors – one from each of the triangle municipalities, two representing possible feeder service municipalities down the road and one representing rural areas.

At a future point in time, with the growth in service and possible implementation of GO Rail service, Council may wish to consider the evolution of the governance model towards the board/ agency approach recommended by ENTRA.

Implementation Considerations and Recommendations

Triple Majority

Triple majority approval is required under Section 189 of the *Municipal Act 2001*, to enable the Region to become a fourth major municipal operator and be involved in public transit. Triple majority involves the following:

- An upper-tier municipality may pass a by-law to provide for the transfer of all or part of a lower-tier power to the upper-tier municipality from one or more of its lower tier municipalities as specified in the by-law.

- The by-law does not come into force unless:
 - (a) A majority of all votes on the council of the upper-tier municipality are cast in its favour;
 - (b) A majority of the councils of all the lower-tier municipalities forming part of the upper-tier municipality for municipal purposes have passed resolutions giving their consent to the by-law; and
 - (c) The total number of electors in the lower-tier municipalities that have passed resolutions under clause (b) form a majority of all the electors in the upper-tier municipality.

A draft by-law to assume inter-municipal conventional transit services is attached as Appendix 5 for consideration and approval. Triple majority approval will authorize the Region to assume operation of inter-municipal transit services but does not obligate the Region to maintain “a level of service”. Decisions on the quantum (including not running the services) and the extent of the services still remain in control of the Regional Council.

Phase 2 Study

The terms of reference for the Phase 2 study are set out in Appendix 7. They include consulting work related to the following:

- Development of a detailed service plan and cost estimates
- Confirmation of ridership projections
- A full cost-benefit analysis including an economic analysis,
- Quantification of the economic benefits on account of job creation, increased mobility and impact on property prices
- The cost-benefits of moving towards such an agency model vs. the existing system of multiple providers, using a business case analysis
- The business case analysis will also determine the service efficiencies that may be had as a result of harmonization of services.

It is recommended that the terms of reference be approved along with the approval for retaining a consultant team for carrying out the study. This work need not await a successful triple majority approval.

Authorization to initiate discussions for implementing the Triangle Service

The ENTRA report recommended that in the short to medium term, in keeping with an extended municipal services structure, a contractual partnership be formed with the St. Catharines Transit Commission, Niagara Transit and Welland Transit and/or private partners. Details of the service plan and requirements will be clearer as the phase 2 consultant study unfolds. It is possible to begin discussions regarding service contracts with existing operators, recognizing that no contracts can be entered into without the approval of Council and successful triple majority approval.

It is recommended that the staff be authorized to enter into discussions with the existing transit operators and/ or the private partners.

Authorization to proceed with the acquisition of buses

The delivery of rolling stock requires substantial lead time from the date of procurement order. If service is to begin in 2011, an order for the rolling stock needs to be placed as soon as possible after achieving triple majority approval. ENTRA has suggested using seven '35 feet' buses to start the Triangle Service. The cost for ordering buses, based on the rate used by ENTRA of \$450,000 per bus, is \$ 3.15 million. The 2010 Capital Budget has a provision of \$ 3.1million for rolling stock that can be utilized. In addition, there is an opportunity of using the Metrolinx transit purchasing co-operative program.

Triple Majority approval will assist the Region in approaching the FCM and upper levels of government for capital funding. Upon successful achievement of a triple majority approval, it is recommended that staff proceed with procurement of the required buses.

Establishment of Inter-Municipal Transit Sub Committee

It will be for Council to determine the terms of reference and the timing of the establishment of the subcommittee to oversee inter-municipal transit. As indicated above, staff have prepared draft terms of reference in Appendix 6 for Council's consideration and guidance. Council may feel it is prudent to establish an interim subcommittee in advance of the outcome of the triple majority approval process to oversee the implementation activities described in this report, or may conclude it is preferable to wait until the outcome of the triple majority process before proceeding to establish the subcommittee.

It is recommended that Regional Council review and consider the draft terms of reference in Appendix 6, determine the timing of the establishment of the subcommittee, and proceed to establish the subcommittee as appropriate.

Conclusion

If Regional Council members approve the recommendations in this report, and if there is sufficient municipal support to produce the required triple majority, the status quo no longer will be the option. The Region will be able to move forward with a staged, affordable plan to enhance triangle public transit services and a fair governance and cost allocation that can pave the way for future public transit enhancements.

Submitted by:

Approved by:

Kenneth J. Brothers, P.Eng.
Commissioner of Public Works

Mike Trojan
Chief Administrative Officer

This report was prepared by Kumar Ranjan, P.Eng., Transportation Engineer, Transportation Services Division, and reviewed by Eric Flora, P.Eng., C.E.T., Associate Director, Transportation Systems, Gord Lockyer, Treasurer/Director Financial Management & Planning, and Joe Cousins, Director, Transportation Services Division.