

SPECIAL COUNCIL
OFFICE OF CAO
TRANSIT DIVISION

APPROVALS
DIRECTOR
CFO
CAO

21-13

REPORT TRANS-2021-15
OCTOBER 12TH, 2021

SUBJECT: CITY RESPONSE TO NIAGARA REGION STAFF COMMENTS – INTER REGIONAL TRANSIT – ONE TAXPAYER

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APPROVING G.M.: STEVE ZORBAS, CAO

RECOMMENDATIONS:

THAT THE COUNCIL OF THE CITY OF WELLAND receive for information report TRANS-2021-11 – Update # 2 Niagara Region Transit (NRT) Governance Strategy; and further

THAT Welland City Council support the current levels of Niagara Region Transit service in place and the emergence of on-demand services for smaller municipalities, which do not provide conventional and specialized services; and further

THAT The Triple Majority Vote does not occur until the following updates are forwarded to all municipalities;

- a) Update the financial model to reflect Welland, St. Catharines, Niagara Falls and Niagara Inter-Regional Transit operating costs based upon Council approved 2022 Transit Budgets including:
 - i Assumptions regarding PGT funding (OPTA has forecasted a reduction and Welland has assumed a 25% reduction for 2022 Transit Budget) and ridership levels forecasted to be reduced to 70% pre-COVID
 - ii Assumptions regarding Safe Restart Funding
 - iii Both items (PGT and SRA Funding) are currently being lobbied by Ontario Public Transit Association (OPTA)
 - iv Proposed annual lease payments to be made to the City of Niagara Falls for the WEGO Transit Facility
- b) Updated 5-year Transit Capital Budgets (2022-2026) for Welland, St. Catharines, Niagara Falls and Niagara Inter-Regional Transit. Transit capital costs and allocation percentages proposed to allocate these costs to lower-tiered Municipalities and further;
- c) Updated Capital assets schedules for Welland, St. Catharines, Niagara Falls and Niagara Region summarizing assets including but not limited to revenue fleet, non-revenue vehicles and facilities

THAT report TRANS-2021-15 – Second Update on Niagara Region Transit (NRT) Governance Strategy be circulated to all area municipalities.

ORIGIN AND BACKGROUND:

On February 21st, 2017, Report CAO-2017-02 – Niagara Transit Service Delivery and Governance Strategy Report, was presented to Welland City Council (Appendix I). Within this report, Council was asked to support a Memorandum of Understanding (MOU), which was approved by the Cities of Welland, St. Catharines, and Niagara Falls, and Niagara Region. This MOU included the Guiding Principles for Welland's involvement of, and support for, inter-municipal transit. These Guiding Principles were drafted by Welland staff to ensure they would continue to influence Welland's perspective and involvement in the future phases of the inter-municipal transit discussion and include:

- Fiscal responsibility and affordability for the City of Welland. Thus, no negative impacts to the City's tax levy and receipt of provincial gas tax is not negatively impacted.
- Ease of implementation for the City of Welland.
- Operational viability for City of Welland.
- Improving economic development opportunities for the City of Welland.
- Local transit services will not be adversely impacted.
- Respecting existing transit collective agreements in each respective municipality.

On October 21st, 2020, a meeting of the Linking Niagara Transit Committee (LNTC) was held to receive the consultant's report on Niagara Region Transit service strategies and possible governance models. Upon completion of the presentation, the Report was supported in principle by the LNTC, knowing that it still had to be vetted by the twelve local municipalities before moving forward to the Niagara Region Public Works Committee, and then Niagara Region Council for final triple majority approval, strategy acceptance, and governance implementation.

On April 13, 2021, TRANS-2021-01 - Update on Niagara Region Transit (NRT) Governance Strategy was presented to Welland City Council to provide commentary on eleven areas of concern, which would not fully align with the City approved Guiding Principles noted above. The other municipalities also responded to the initial Report to the LNTC and from the entirety of these comments, a revised Governance Strategy was presented to, and approved by the LNTC on June 30, 2021. This revised strategy has centered on three prevailing concerns raised by the majority of municipalities, which are the proposed: Financial Strategy, Commission Board Composition, and Service Standards. It is the intent of Regional staff to collect any further comments to this and that of the June 30, 2021, Report.

On September 7th, 2021, TRANS-2021-11 – Update #2 on Niagara Region Transit (NRT) Governance was presented to Welland City Council to, again, outline concerns with the revised governance strategy presented by Niagara Region on the same date; as part of their 'Phase 2' and final roadshow presentation.

COMMENTS AND ANALYSIS:

City staff maintain that it would be prudent to delay a Triple Majority Vote into 2023, unless the following items of concern can be addressed by the Niagara Region prior to proceeding with the Triple Majority Vote:

- a) Update the financial model to reflect Welland, St. Catharines, Niagara Falls and Niagara Inter-Regional Transit operating costs based upon Council approved 2022 Transit Budgets including:
 - i Assumptions regarding PGT funding (OPTA has forecasted a reduction and Welland has assumed a 25% reduction for 2022 Transit Budget) and ridership levels forecasted to be reduced to 70% pre-COVID
 - ii Assumptions regarding Safe Restart Funding
 - iii Both items (PGT and SRA Funding) are currently being lobbied by Ontario Public Transit Association (OPTA)
 - iv Proposed annual lease payments to be made to the City of Niagara Falls for the WEGO Transit Facility
- b) Updated 5-year Transit Capital Budgets (2022-2026) for Welland, St. Catharines, Niagara Falls and Niagara Inter-Regional Transit. Transit capital costs and allocation percentages proposed to allocate these costs to lower-tiered Municipalities and further;
- c) Updated Capital assets schedules for Welland, St. Catharines, Niagara Falls and Niagara Region summarizing assets including but not limited to revenue fleet, non-revenue vehicles and facilities

FINANCIAL CONSIDERATION:

There are many aspects of this Governance Strategy that will have significant consequences on Welland's ability to fully control our costs moving forward. Although this revised Financial Model has modified the single levy to a unique levy for each municipality based on 65% of the net costs based on service hours provided, the lack of Welland representation on the Commission could result in many additional hours of service provided in Welland and the costs associated placed on Welland residents.

The Guiding Principles approved by Welland City Council support a strong level of control over our municipal Transit service levels and ensuring the associated amalgamation costs would have no negative impact to Welland taxpayers. Upon review of funding models, City of Welland staff have concerns that the proposed 'new funding model for Niagara Region Transit will have negative impacts on Welland taxpayers' when compared to the current service delivery model in place for Welland Transit services.

In addition, the movement of capital assets via the Cummings Principle requires discussion as aforementioned. Welland's situation is unique in that it is in the process of designing and constructing a new Transit Operations Facility with federal, provincial, and regional support, and further, owns the Main Street Bus Terminal, which continues to be a tremendous asset to the city.

The Region of Niagara provided Asset Registry information for each municipality. This information provides insight into the asset condition of the bus fleet for each municipality. Based on this information it appears that out of the lower tier municipalities Welland Transit has a bus fleet with a net book value per bus greater than the other municipalities. The transfer of fleet assets utilizing the Cummings Principle would not be in the best interest of Welland residents.

Region of Niagara is growing quickly as a result of development. Legislation allows municipalities to collect from developers the capital costs related to growth to sustain service levels. Within Niagara Region not all lower tier municipalities have enacted a development charge for Transit to fund future growth due to development. Municipalities without a development charge for growth related transit services expansion would need to fund the expansion through the tax rate or some

other sources of funding. Welland has enacted and is collecting a development charge to fund future Transit expansion.

New Transit Operations Facility (75 Federal Road)

Welland City Council has approved a \$15 million budget for the expansion and renovation of the current Operations Facility and a detailed design is proceeding. The City received commitment from senior Niagara Region staff that \$1.32 million was to be included in the Niagara Region 2022 Capital Budget in lieu of the 2021 Capital Budget. In addition, this commitment has not yet been provided to date.

With the uploading of Welland Transit to Niagara Region the City will be transferring to the Region all current and future debenture obligations related to transit. The Transit Operations facility capital budget contains a debenture requirement of \$2,680,000 still to be issued.

OTHER DEPARTMENT IMPLICATIONS:

The transition of Welland Transit from a municipal entity to a component of Niagara Region Transit should relieve the municipality of a number of requirements and responsibilities. If amalgamation occurs, the City will not be required to support Transit for many tasks, including: Finance and Legal oversight, Human Resources guidance, Payroll support, and matters pertaining to Engineering & Planning.

Conversely, the City would not have the same autonomy to utilize the fleet for municipal events, support Council initiatives, and generally be in full alignment with the developments and enhancements being realized within our dynamic community.

SUMMARY AND CONCLUSION:

Levels of Transit service and representation on the Commission board remain concerns with this latest Governance Strategy model. Although efforts have been made to alter the Commission structure and representation, Welland remains disadvantaged with a single vote, which does not capture the investment Welland has committed to our residents for almost five decades and the dynamic growth of the city.

The transition of personnel and financial resources from the lower tier to Regional government requires greater consideration and the current unsettled climate does not provide a sound baseline platform. The merging of collective agreements will also pose significant challenges and these issues have not been substantively addressed.

The City of Welland is committed to fully supporting the enhancement of public transit services throughout the Niagara Region. Out of an abundance of caution for those who have been hit hard by this pandemic, staff are of the opinion there needs to be further work performed on the ridership modelling, commensurate service levels, and capital investments, which should be undertaken prior to a 2023 implementation date.

It shall be noted, this report does not initiate the triple-majority approval process. It is anticipated that the triple-majority vote will occur after the consultation on this report has been completed and requested responses be incorporated.

ATTACHMENTS:

- Appendix I: TRANS-2021-11 UPDATE #2: ON NIAGARA REGION TRANSIT (NRT) GOVERNANCE STRATEGY
- Appendix II: LNTP-C 5-2021 Niagara Transit Governance – Phase 2 Consultation Results and Triple Majority Initiation
- Appendix III: Proposed Allocation of Future Transit Costs
- Appendix IV: Power Point Presentation

PROPOSED ALLOCATION OF FUTURE TRANSIT COSTS

Municipality	2021	% of	2021	% of	2021	% of
	Combined Levy	Combined Levy	Approved General Levy	General Levy	Waste Management Levy	Waste Management Levy
Fort Erie	28,263,792	6.34%	25,180,908	6.21%	3,082,884	7.60%
Grimsby	33,142,668	7.43%	30,911,178	7.63%	2,231,490	5.50%
Lincoln	26,311,473	5.90%	24,457,388	6.03%	1,854,085	4.57%
Niagara Falls	93,404,838	20.95%	85,452,258	21.08%	7,952,580	19.60%
NOTL	36,849,738	8.26%	35,091,268	8.66%	1,758,470	4.33%
Pelham	18,556,471	4.16%	17,149,157	4.23%	1,407,314	3.47%
Port Colborne	15,050,476	3.38%	13,008,738	3.21%	2,041,738	5.03%
St. Catharines	117,051,816	26.25%	104,739,824	25.84%	12,311,992	30.35%
Thorold	18,486,792	4.15%	16,750,794	4.13%	1,735,998	4.28%
Wainfleet	6,751,596	1.51%	6,126,102	1.51%	625,494	1.54%
Welland	38,120,686	8.55%	33,587,266	8.29%	4,533,420	11.18%
West Lincoln	13,877,174	3.11%	12,845,724	3.17%	1,031,450	2.54%
TOTALS	445,867,520	100.00%	405,300,605	100.00%	40,566,915	100.00%

12 Special Levy Option (existing capital only)				
	% of Service Hours 2020	2025		
		Yr1	Yr2	Yr3
St. Catharines	44%	0.9	1.8	2.7
Niagara Falls	30%	0.6	1.3	1.9
Welland	11%	0.2	0.5	0.8
NOTL	2%	0.0	0.1	0.2
Port Colborne	2%	0.0	0.1	0.1
Pelham	1%	0.0	0.1	0.1
Thorold	3%	0.1	0.1	0.2
Fort Erie	5%	0.1	0.2	0.3
Grimsby	1%	0.0	0.1	0.1
Lincoln	1%	0.0	0.1	0.1
West Lincoln	0%	0.0	0.0	0.0
Wainfleet	0%	0.0	0.0	0.0
Total	100%	2.2	4.3	6.5
Conventional	85%	1.8	3.6	5.4
Alternative	15%	0.3	0.7	1.1

Inter-Regional Transit Considerations - One Tax Payer

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Steve Zorbas - CAO



Guiding Principals for Inter-Municipal Transit

As per Council approved Report CAO-2017-02, the following guiding principals are to be adhered to prior to and during implementation of regional transit:

- ▶ Fiscal responsibility and affordability for the City of Welland. Thus, no negative impacts to the City's tax levy and receipt of provincial gas tax is not negatively impacted.
- ▶ Ease of implementation for the City of Welland.
- ▶ Operational viability for City of Welland.
- ▶ Improving economic development opportunities for the City of Welland.
- ▶ Local transit services will not be adversely impacted.
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Asset Registry per Municipality (DRAFT)

Asset Category	Vehicle Count (Conventional & Specialized)	Acquisition Price	Accumulated Amortization	Net Book Value 12/31/2018	Usefull Life	Net Book Value Estimate 12/31/2020
Niagara Region						
Bus	30	\$19,311,980		\$13,292,539	10	\$10,073,876
St. Catharines						
Bus	85	\$41,464,685		\$16,379,430	12	\$9,468,649
Service Trucks	17	\$2,282,010	\$396,484	\$84,894	6	\$4,664
Land		\$1,182,244	\$682,863	\$142,156	16	\$0
Facilities		\$12,121,576	\$3,521,363	\$8,579,472	22	\$7,493,104
Equipment		\$1,354,904	\$959,405	\$395,499	13	\$231,107
Technology		\$7,324,060	\$3,496,459	\$3,827,601	7	\$2,097,933
Sub-Total		\$65,729,478	\$9,056,573	\$29,409,051		\$19,295,458
Niagara Falls						
Bus	41	\$18,543,814		\$7,161,493	12	\$4,070,857
Service Trucks	15	\$1,121,353	\$788,304	\$333,049	6	\$146,157
Land		\$348,139	\$158,387	\$189,752	32	\$167,993
Facilities		\$1,592,228	\$576,276	\$1,015,952	24	\$883,266
Equipment		\$2,235,936	\$727,890	\$1,508,046	13	\$1,164,810
Technology		\$5,424,938	\$2,859,110	\$2,557,451	7	\$1,081,970
Sub-Total		\$29,266,407	\$5,109,967	\$12,765,742		\$7,515,053
Welland						
Bus	21	\$8,535,000		\$5,338,571	12	\$3,916,071
Service Trucks	6	\$180,000	\$124,000	\$56,000	6	\$26,000
Land		\$2	\$2	\$2	0	\$0
Facilities		\$4,408,218	\$2,165,631	\$2,242,587	21	\$1,828,570
Equipment		\$697,590	\$413,220	\$284,370	6	\$64,657
Technology		\$1,116,545	\$269,798	\$846,746	7	\$629,292
Sub-Total		\$14,937,355	\$2,972,651	\$8,768,277		\$6,464,590

Allocation Methodologies for Transit

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Lincoln	1%	0.0	0.1	0.1
West Lincoln	0%	0.0	0.0	0.0
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