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Regional Commuter Report - Presentation of MOU

Presented by: Kevin Bamber, Director

RECOMMENDATION(S)

1. That the Memorandum of Understanding created by the Joint City Manager’s Regional Commuter Service Task Force for the purpose of establishing a Regional Transit Services Commission be approved.
2. That Council petition the Government of Alberta for regional collaboration financial assistance as per the mutual effort requirement of the signatories outlined in Section 8.4 of the Memorandum of Understanding.
3. That, contingent upon the Government of Alberta committing regional collaboration financial assistance, that Council appoint two members to the Regional Transit Services Commission Transition Team as the City of St. Albert’s representatives.

PURPOSE OF REPORT

This report outlines considerations for establishing a Regional Transit Services Commission, and provides a draft Memorandum of Understanding to guide that establishment. This report also outlines a transition plan and steps leading to the implementation of a regional commuter transit service.

COUNCIL DIRECTION

On Sept 26, 2016 Council passed the following motions:

(AR-16-084)

That the City Manager proceed with Phase 1 only of the Regional Commuter Service Phased Implementation Plan, presented as an attachment to the October 3, 2016 agenda report entitled "Metropolitan Transit Project and that a detailed operational and a Capital cost analysis of amalgamation be performed. That Council appoint two (2) members of Council to participate as members of the Regional Commuter Service Task Force.

BACKGROUND AND DISCUSSION

With continued growth in the Edmonton Metropolitan Region (the "**Region**") the need for coordinated growth management and service delivery led to the creation of the Capital Region Board (the "**CRB**") by the Government of Alberta in 2008. The CRB's mandate was to plan for and manage the growth of the Region in a strategic, coordinated and integrated way that preserves the unique characteristics of each municipality; while ensuring the long-term sustainability and prosperity of the Region as a whole. Regional transit, planning and housing were the initial priorities. The Transit Committee of the CRB examined the current public transportation system, eventually leading to the Cities of St. Albert and Edmonton taking the initiative to study the practical implications and opportunities to create an integrated regional commuter system.

Benefits of an Integrated System to Commuters and Employers

Public transit is a critical component for developing a globally competitive region. Labour mobility can be improved significantly when system planning and operations are efficiently integrated within one agency. When mobility is improved, commuters have access to more job or training opportunities, and employers face one less barrier to hiring and retaining employees to keep their businesses operating.

To date, a significant barrier to restructuring and improving transit has been the mix of multiple transit networks operated separately by municipalities in the Edmonton Metropolitan Region. Greater collaboration between municipalities is key to the transportation needs of a growing populace, as well as the economic, social, and environmental health and well-being of all citizens in the Metro Region. As the population of the Region grows, the need for collaboration between the regional municipalities increases.

Important Milestones to Date

Since May 2015, Administration representatives from the Cities of Edmonton and St. Albert have jointly studied regional transit systems and governance models across Canada and the United States. In March of 2016, Councils agreed to narrow the scope of continued work to the examination of a separate commuter system that operated inter-municipal routes, leaving local service with existing operators. In September 2016, Council approved a three-phase implementation plan. The plan is included in the attached report entitled - Regional Commuter Service Phased Implementation Plan. As recommended in Phase 1 of this Plan, the Councils agreed to appoint two Councilors from each city as members and Mayors as ex-officio to a Joint City Manager's Regional Commuter Service Task Force (the "**Task Force**"); as recommended in Phase 1 of this Plan to design a governance model appropriate for the circumstances and aspirations of the Region.

Current Situation

The Task Force began its work on the project in December 2016, developed its Terms of Reference and set an objective of completing a Memorandum of Understanding (the “MOU”) to create a regional entity to deliver commuter services appropriate for the Edmonton Metro Region. By June of 2017, the Task Force concluded its deliberations and approved the final text of the draft MOU. The MOU is included as an attachment and is the subject of this report before Council for approval.

The Task Force reviewed lessons from other cities’ experiences with regional transit system organization and funding models (first identified in previous Council reports). From this review, the Task Force concluded that the nature of all regional transit systems governing organizations are a reflection of unique local circumstances, economies, political history and culture.

The MOU describes the general vision, mandate and scope for a new transit entity, one that is grounded by the needs and interests of both current and future transit riders. In section 4, the MOU sets out that the new entity must provide Regional transit service that is fast, convenient, simple, reliable, efficient and affordable, and it must be seamlessly integrated with other modes of transportation. When these objectives are met, the service will attract ridership, and other city-building objectives can be achieved; such as economic resiliency, compact and vibrant urban form, and environmental sustainability.

In light of this high-level vision, the Task Force assessed the merits of different corporate structures. It determined that the Regional Services Commission model, under Part 15.1 of the *Municipal Government Act*, provided a superior corporate structure as compared to other models such as a non-profit corporation. The benefits of using the Regional Services Commission model include:

- Clarity of purpose and public accountability
- History of existing Commissions for other services provides more certainty
- Clear process for formation and expansion
- Additional provincial oversight and accountability
- Effective for attracting grants from other orders of government
- Ability to expropriate land
- Planning and capital effectiveness to improve or create new infrastructure

Should City Council approve the MOU, Administration will initiate preparatory work on the next phase of the project. Members from the Task Force have already begun conversations with Provincial officials and have indicated that further commitment by the two cities, to the benefit of the whole region, will be contingent on transitional funding being provided to support the project.

Commission Model Encourages and Accommodates Onboarding

The MOU has been created with the goal of encouraging voluntary participation of other municipalities to join the Regional Transit Services Commission. Should Councils approve the MOU, work will begin on Phase 2 of the Implementation Plan that includes formal outreach efforts to other Regional Partners and collaboration with the Government of Alberta to draft an enabling regulation by Order in Council that creates the Commission. Any changes to the membership of the Commission will require an amendment to the Regulation. Ideally, agreement to participate in the initial creation of the Commission, by as many municipalities as possible, is desirable.

Board Governance and Democratic Accountability

Given that all public transit systems in North America are heavily subsidized by local and/or provincial and state governments, there is no expectation that a public transit commission would ever break even on the basis of fares and other commercial revenue. Therefore, the Task Force saw a need for management of the system to have a direct link to taxpayers through their elected representatives. Although the Regional Services Commission model provides for the potential of private citizens to be appointed to the Board by City Council, given the magnitude of the annual tax expenditures required to provide transit services, the Task Force determined that the Board should be composed of current Councilors appointed by each member's municipality.

Voting Structure

Although the Phased Implementation Plan outlined in the attached, contemplated this being part of the next phase of work, the Task Force determined that early identification of the voting structure would help other regional municipalities to understand the cooperative nature of the proposed Regional Transit Services Commission, and thereby facilitate the participation of additional regional stakeholders. The Task Force invested considerable time into creating a double majority voting system that ensures the Commission Board will reflect a balance of interests of their municipalities and the transit ridership. The proposed Regional Transit Services Commission's voting structure is explained in sections 6.3 and 6.4 of the MOU.

Mandate and Scope

In recognition that ridership is paramount to the success of the Regional Transit Services Commission, the Task Force determined that the mandate and scope of the transit service should initially be limited to the regional commuter service, as envisioned in the September 26, 2016 Council report. Such a commuter service consists of routes between municipal jurisdictions emphasizing the service time needs of workers and students commuting to work or school. However, in looking to the future, the Task Force designed the governance and voting structure to be flexible enough to meet the needs of an expanded mandate, should future Councils agree, both in terms of services offered and an expanded geographic reach, as other municipalities join in to take advantage of an integrated system.

Costs to St Albert

In Sept 2016, Council asked "...that a detailed operational and Capital cost analysis of amalgamation be performed." To the extent that Administration can perform such an analysis, the "Commuter Service Transfer Cost Impact Rationale" that was previously attached is again attached to this report. The assumptions have been reviewed and revised if required, but no in-depth analysis can occur at this stage in the process, without knowing which model will be used, which is determined by the next phase of the project.

Phase 2 of the project will confirm "scope and delivery" of the regional commuter service. The next phase will also establish a funding model, and identify "revenue sources" and "cost sharing". The transfer of assets is also determined in this next phase. As a result of these variables mandated in the second phase, a detailed financial analysis is not available at this time.

Transitional Costs of Creating a Regional Transit Services Commission

Administrations from Edmonton and St. Albert estimated that the next phases of implementation of the Task Force MOU would likely take two years before all operations of the commuter services were combined in the new Commission. As citizens rely upon the current independently-operated systems, the Task Force gave full consideration to the necessity of a seamless and disruption-free transition for passengers. This requires carefully planned organizational development from governance through

to operational responsibilities.

To this point, all of the expenses related to exploring the opportunity of regional transit have been borne equally by the Cities of Edmonton and St. Albert. The Task Force is concerned that the much more intense phase of creating the Regional Transit Services Commission will divert resources (both human and financial) from maintaining current operational effectiveness. As implementation is largely an overhead cost expense, and as recouping a share of this initial overhead expense from other regional partners in the future could be a deterrent to their participation, the MOU requires the parties to make best efforts to obtain financial support for Phase 2 of the Implementation Plan from the Province. The precedent for regional collaboration assistance from the Government of Alberta is well established and in fact was essential to the formation of the Capital Region Board.

Administrations have estimated that support from the Province is required for:

- Incorporation costs of setting up the Regional Transit Services Commission including:
 - Accounting
 - Legal
 - Human Resources
 - Board Secretariat
 - Information Technology
- Market Research
 - Data driven demand factors
 - Public Engagement
 - Public Consultation
- Planning:
 - Route interlining and routing design
 - Operational and capital requirements
 - Fleet integration
 - Technology improvements
 - Station and stop identification
- Communications
 - Advertising to educate the public on changes in transit identity
 - Campaigns for awareness of transitional measures, whether there are any service changes or not.

Administrations have estimated that the costs for the functions identified above to permit completion of Phase 2 of the Implementation Plan are in the order of \$1.7 million in Year One and \$2.0 million in Year Two.

Transition Team to Govern Phase 2 of the Implementation Plan

The MOU provides for each party to appoint two Councilors and two Administration representatives to a Transition Team that would act as the interim Board of Directors of the new entity, until such time as the Province gives legal standing to the Commission by way of an Order in Council.

Next Steps

1. Both Cities will petition the Government of Alberta for financial support to complete Phase 2 of the Implementation Plan, and advise Council of the outcomes of these discussions.
2. Contingent upon a positive response from the Government of Alberta for financial support, Council would appoint members to the Transition Team as per the MOU, and work on Phase 2 of the Implementation Plan will commence. Open discussions with other municipalities in the Region to encourage participation in Phase 2 by becoming signatories to the Memorandum of Understanding and appointing representatives to the Transition Team.
3. The transitional planning work for the Regional Transit Services Commission will define longer-term financial commitments for all partners; a report will be brought back to City Council for approval, with a thorough analysis of the financial and service impacts that will commit the City to the Regional Transit Services Commission before proceeding with the final application to the Government of Alberta for the enabling regulation. This is consistent with the “Regional Commuter Service Phased Implementation Plan”, as provided in the September 26, 2016 Report and re-circulated with this report.
4. Establish a process to collaborate with the Province regarding the preparation of the formal request for a Regulation under the Municipal Government Act to establish a Regional Services Commission Board.

Conclusion

A governance change in regional transportation is complex and involves many steps. Administration is now a decade into its research, planning, and implementation of a regional transit service. While some Canadian municipalities, such as Toronto, still operate with multiple large agencies delivering transit and very little inter-agency coordination, other cities, like Vancouver, have regional transit governance that dates back to the 1970s; with a governing body in place that allows flexibility to include all areas in the commuter shed.

The Joint City Manager’s Regional Commuter Service Task Force has studied the best practices and experiences of other municipalities and has incorporated this information into the Regional Transit Services Commission MOU. Council’s approving the MOU is an important step in a series of phases to realize a regional transit service.

STAKEHOLDER COMMUNICATIONS OR ENGAGEMENT

Key internal stakeholders from a cross section of departments have been involved and have been briefed regularly. StAT management have been directly involved with this report and all staff have been informed of ongoing status changes at regular meetings.

Key external stakeholders include Provincial Government staff in the Transportation and Municipal Affairs Departments, Edmonton Metro Region Transit Admin staff, Capital Region Board’s Transit Committee on a regular basis and meeting with other key regional stakeholders to advance the project.

No formal public engagement has taken place for this project.

IMPLICATIONS OF RECOMMENDATION(S)

a) Financial:

As outlined in the MOU, the transitional planning work to support the creation of a Regional Transit Services Commission (prior to operations) will require operational funding. The City of St. Albert's contribution will be contingent on obtaining funding from other orders of government.

b) Legal / Risk:

Part 15.1 of the *Municipal Government Act* sets out the entire legal framework for creating a Regional Transit Services Commission. Such Commissions are not regulated by the *Business Corporations Act* or the *Companies Act*.

Should the municipal participants agree to create such a Commission, the Province of Alberta would be required to review and approve the proposed governance and operational structure of the Commission, and pass a regulation by Order in Council creating the entity. The provincial review and creation process is estimated to take between three to twelve months from the date of receipt of a completed application package.

The MOU attached to this report is non-binding. It sets out the mutual vision and commitments of the parties, but does not create legal obligations.

c) Program or Service:

This new entity would not have direct linkage to Corporate goals and outcomes. City will lose direct control of service planning to a regional entity. The MOU establishes that either Party may, at its own cost, elect to acquire services from the RTSC that exceed the Regional Service Standards.

d) Organizational:

Long term - Multiple political stakeholders, may impact ability to reach agreements and long-term support. Process to establish the new transit entity will take 18-24 months post RTSC Transitional team establishment. Changes to stakeholders is anticipated and could impact project support.

ALTERNATIVES AND IMPLICATIONS CONSIDERED

If Council does not wish to support the recommendation, the following alternative could be considered:

1. Discontinue the process and project at this time. The implications could be that other Regional municipalities continue the process with Edmonton to form a Regional Transit Services Commission without St. Albert input into the establishment of the entity. Or else, the existing collaborative relationship with the other transit authorities in the region will likely continue to gradually move towards increasing degrees of integration at a slower pace. The planned implementation of the Smart Bus and Smart Fare System and other tools will work towards making regional transit easier for the rider.
2. Introduce additions or changes to the recommendations. However, it should be noted that any proposed changes would also have to be approved by Edmonton City Council as well.

STRATEGIC CONNECTIONS

City of St. Albert Strategic Plan (Policy C-CG-02) - Pillars of Sustainability

ECONOMIC - We prosper and excel through a strong and diverse economy that is supported by forward-thinking commerce, outstanding local businesses and a dynamic downtown core.

BUILT ENVIRONMENT - We build our community towards the future to sustain balanced development, with a reverent eye to the past, honouring our unique settlement history and distinct identity.

Governance Strategy

Council is committed to ensuring that the City of St. Albert is a responsive, accountable government that delivers value to the community.

Service Delivery Strategy

Council is committed to ensuring that the City of St. Albert is engaging residents to identify opportunities to improve delivery of services to the community.

Corporate Objectives

Deliver programs and services that meet or exceed our standards
Exercise strong fiscal management
Ensure our customers are very satisfied

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