

THE CORPORATION OF THE CITY OF WINDSOR
Office of Chief Administrative Officer - CAO Administrative Report



MISSION STATEMENT:

"The City of Windsor, with the involvement of its citizens, will deliver effective and responsive municipal services, and will mobilize innovative community partnerships"

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Author's Name: Helga Reidel, Chief Administrative Officer	Date to Council: June 30, 2014
Author's Phone: 519 255-6439	Classification #:
Author's E-mail: hreidel@city.windsor.on.ca	

To: Mayor and Members of City Council

Subject: Transportation/Transit Windsor Service Delivery Enhancement Governance Model/ Response to B37-2013

1. RECOMMENDATION: City Wide: Ward(s): _____

THAT City Council **RECEIVE** the report of administration in regard to the future governance and staffing of the transportation service areas within the City's structure and **DIRECT** that this report be presented to the Boards of Directors of the Windsor Detroit Tunnel Corporation (WDTC) and Your Quick Gateway (YQG), to seek approval for the appointment of their CEO through this shared and consolidated approach; and subject to their concurrence;

THAT City Council **DIRECT** that this report be presented to Transit Windsor Board of Directors for information, acknowledging the majority City Council presence on this Board; and,

THAT City Council **AUTHORIZE** Administration to proceed to further develop a consolidated reporting, governance and operational structure and service delivery model, as identified in Option 1, encompassing the services currently provided by Transit Windsor, and including the legal entities of Your Quick Gateway (Windsor) Inc. ("YQG" Windsor Airport) and the Windsor Detroit Tunnel Corporation ("WDTC") as documented in this report and any new emerging issues; and

THAT City Council **APPROVE** the recruitment of a new position within the Corporate Leadership Team with the dual titles of Corporate Leader- Transportation Services, and CEO of YQG and CEO of WDTC (consistent with dual titles of other CLT members), and **DIRECT** administration to implement the recommended FTE complement of city staff relating to this consolidation, consistent with the recommendations contained in this report, as part of budget 2015; and,

THAT City Council **AUTHORIZE** Administration to work with the relevant departments and entities to implement, where possible and practical, the necessary re-organization of resources and staff to achieve savings from sharing services and resources as outlined in this report; and,

THAT \$300,000 in one-time funding, previously approved for Transit Windsor, **BE ALLOCATED** to Transit Windsor from the 2013 pre-assigned Enhanced Capital budget so Transit Windsor can, by approximately September 2014, implement the service improvements for the Transway 1C, Crosstown 2 and Lauzon 10 routes; and,

THAT City Council **APPROVE** the use of the Budget Stabilization Reserve (BSR) to fund the one-time costs as required for this implementation estimated to be \$322,274.21; and,

THAT City Council **DIRECT** the inclusion of the annual cost of \$1,140,000 for the Transit Windsor service improvements in the Transit Windsor departmental budget to be partially offset by the savings noted herein as part of the City of Windsor's 2015 budget.

EXECUTIVE SUMMARY:

City Council, through council resolutions M139-2013 and B37-2013, has directed Administration to review the City's transportation related entities; Your Quick Gateway (YQG), Windsor Detroit Tunnel Corporation (WDTC) and Transit Windsor for operational efficiencies, synergies, cost savings and opportunities in an effort to fund or partially fund the proposed Transit Windsor service enhancements, scheduled to be fully implemented in September 2015.

Together with input from Transit Windsor, YQG and WDTC, City Administration has carefully reviewed and analyzed various options for Council's consideration, each of which is presented here and in the accompanying Private & Confidential memo. Each option has been considered, weighing the pros and cons, as well as the financial and employee/labour relations costs and benefits.

While each has its own merits, Administration is recommending Option 1 as shown in Appendix B for a phased in implementation beginning immediately and lasting into 2016.

By 2016, the annual savings of this option to the City of Windsor directly is \$503,394.43 which partially offsets the annual cost of the Transit Windsor service enhancements of \$1,140,000. Onetime costs are estimated at \$322,274.21. There are additional savings in YQG and WDTC which bring the total savings to an estimated \$720,070.09.

2. BACKGROUND:

I. History of the Present Initiative

As per Council Resolution M139-2013, City Council received and approved the Minutes of the Strategic Planning Meeting of the Transit Windsor Board of Directors held on July 26th, 2013 which included the following:

Service Improvements

*That the Transit Windsor Board of Directors **INSTRUCT** Administration to meet with City*

Administration to discuss the issues identified at the Strategic Planning Meeting AND BRING BACK any proposed amendments to the plan as a result of these discussions.

Further, on December 2, 2013, City Council deliberated the City of Windsor's 2014 Operating and Capital Budget. As part of the discussion pertaining to Transit Windsor, the following direction was provided by way of Council Resolution B37-2013:

B37-2013 *That with regards to the issue of "Transit Windsor Service Delivery Enhancements", that a special meeting of Council BE HELD on February 3, 2014¹ on this matter, and that Administration BE DIRECTED to prepare a report on this, in the context of all transportation areas (transit, tunnel and airport), and that funding sources also be considered at that time.*

Subsequently, at its meeting on December 10th, 2013, the Transit Windsor Board of Directors adopted the following resolution on consent:

T.W. 90/2013: Consent Agenda

That the Transit Windsor Board of Directors RECEIVE FOR INFORMATION the following reports:

- 1) *2014 approved operating and capital budget*
 - a) *That the Transit Windsor Board of Directors RECEIVE FOR INFORMATION the report advising that the 2014 Operating and Capital budget was approved by City Council on December 2, 2013, as submitted; and*
 - b) *That Windsor City Council has requested that the Transit Master Plan, together with the details of the improvements requested for 2014 on the Transway 1C, Crosstown 2, Lauzon 10 and summer schedule, BE PRESENTED to City Council at the meeting to be held on February 3, 2014; and*
 - c) *That Transit Windsor's governance BE REVIEWED.*
Carried.

This report provides information in response to Resolution B37-2013 and seeks further City Council direction in this regard.

II. Relevant Entities

I. Transit Windsor

Current Governance

Transit Windsor was created by "An Act respecting The Sandwich, Windsor and Amherstburg Railway", c. 17, S.O. 1930. Pursuant to "The Sandwich, Windsor and Amherstburg Railway ("SW&A") Amendment Act, 1970, c.68, S.O. 1970, all assets and liabilities of the SW&A were vested in and became the sole property of The Corporation of the City of Windsor ("City"). "The Sandwich, Windsor and Amherstburg Railway Act, 1977 c. 57, S.O. 1977 changed the name of the SW&A to Transit Windsor ("TW").

¹ Due to the research and analysis required to complete this report, as well as timing and scheduling priorities, this report is being brought to Council at a later date.

Section 4 of the 1970 Act provides for 4 possibilities:

- (a) *The City can operate the public transportation system;*
- (b) *The City by by-law can delegate the authority to operate and manage the system to commission;*
- (c) *The City can authorize the SW&A, now TW to continue to operate and manage the system;*
- (d) *The City can enter into or authorize TW to enter into an agreement with an operator.*

The Act was assented to on June 26, 1970. With respect to the potential operational structures contemplated by the Act, Transit Windsor is not a City department as per section 4(a), nor has City Council passed a bylaw establishing a transit commission as per section 4(b). Instead, section 4(c) is the section currently in use: **The City can authorize SW&A, now TW to continue to operate and manage the system.**

With respect to section 4(d) of the Act, on July 13, 1970, Council passed By-law 3916 appointing Board members and authorizing the entering into of an Agreement in accordance with the Act. Attached to the By-law is a draft Agreement to be entered into with a transit system operator. It appears that this would have been a private-sector for profit operator. There is NO operator named, it being left blank. By-law 4532 is an amendment to By-law 3916, appointing new Board members. It is assumed that Council of the day was looking at all of its options on how to operate and manage public transit. Pursuant to subsection 8(2), such operator would need to obtain the approval of the Council before exercising any powers or authority relating to the operation of the public transportation system. No agreement was ever entered into with any operator. Thus, Transit Windsor operates and manages the system pursuant to subsection 4(c).

This then leads to section 9 of the Act:

“Where the corporation has authorized the company to operate and manage the system under clause c of section 4, the company shall obtain the approval of the council before exercising any of its powers or authority.”

Therefore, while option 4(c) is the operating model in effect at this time, under section 9 of the Act, Transit Windsor CANNOT exercise any of its powers and authority without the explicit approval of Council.

This legislation is the reason why all resolutions of the TW Board are “adopted” (effectively approved) by City Council, versus simply being received for information, as is the case with many other committees and boards.

This governance structure has worked to varying degrees in the past; in recent months and years it was observed that this has led to a longer time frame required to seek and achieve approvals for various initiatives as they are first presented to the TW Board, then go to the City standing committee and/or to City Council.

Transit Windsor – Past Connections with City of Windsor

Although TW has adopted many of City policies, in recent months, due in part to the separation of TW from the City’s administration, there have been some challenges identified with implementing the city’s purchasing protocols. These challenges are not unique to TW and have

been addressed with staff training and education, internal control procedures and support from City administration.

At the same time, City Council has taken on a greater review and oversight role in conjunction with the City's overall environmental and beautification goals as well as its financial aims.

Budget pressure from the City to its departments and to all agencies, boards and commissions (ABC's) has involved requests to present budget reduction scenarios. For 2014, while no reductions were requested of TW, it was, along with other agencies, requested to adhere to the same municipal tax funded budget as 2013. This has proven to be challenging. In addition, the capital request for TW has competed with other City priorities and thus, recommendations have been limited. City Council should take note that TW, like the transit systems of other cities, is not likely to be self-sustaining in the near term based on current budgetary and operational constraints in effect. It also receives legacy pension obligations that required a payment of \$500,000 in 2014 with more potential payments possible.

The latest version of the Transit Windsor Strategic Plan (Executive Summary copy attached as Appendix A) includes service delivery enhancements with operational cost increases and was developed to be implemented in phases based on demand and available funding. The costs could be offset in full or part by fare increases but the Board of Directors and Council has been hesitant in the past to utilize fare increases to fund all operational cost increases and has directed that efficiencies be identified to fund service enhancements.

Therefore it is understood that the Resolution B37-2013 noted above is direction to seek synergies resulting in savings, and to find other funding sources apart from fare increases.

In 2003, an effort was made to achieve greater integration with the City administration in an effort to generate synergies and efficiencies. This was only successful to a certain degree. Some changes that were rolled out quickly, such as a shared health and safety function with the Windsor Public Library and other shared initiatives, had to eventually be reversed. The sharing of health and safety services was just re-introduced in 2011 and continues to be provided today to Windsor Public Library by TW. Some of the shared services that were tried in 2003 and reversed were in the fleet and administrative areas. It was learned from this exercise that any change requires very careful planning, a level of "buy in" from employee groups and management, and a change management strategy that includes a solid process to implement the change. Any proposed change or sharing of services also requires observing and/or addressing relevant collective agreements and any divisions in labour jurisdiction.

Since some potentially meritorious changes and re-alignments were eventually reversed due to resistance from employees and the inability to achieve the desired synergies, it is possible that a more cost effective delivery model could still be achieved with greater study, review and planned implementation.

Transit Windsor – Review of Governance Structure

It is understood that B37-2013 is an indication, that due to the challenges outlined in the preceding paragraphs, City Council has considered revisiting the governance structure of TW.

While the TW facility on North Service Road is owned by the City, TW's buses are all owned by and registered in the name of TW. Insurance on the assets, obtained by the City and paid for by TW (City funded), is held in the name of Transit Windsor and Windsor Chartabus Inc.

Section 3 of the *SW & A (Amendment) Railway Act, 1970* states that:

All of the assets, properties and undertakings of the company of every nature and kind and wheresoever situated are vested in and become the sole property of the corporation subject to the corporation assuming and being charged with the liability for payment of all accounts, debentures and other indebtedness of the company and to the due performance of all obligations of the company in respect of contracts, leases or other agreements entered into or undertaken by the company as if the corporation had incurred such indebtedness or been a party to every such contract, lease or agreement in the place and stead of the company.

Section 5 subsection (2) states that:

The council shall appoint not fewer than three and not more than five persons who shall be the members and directors of the company and who shall hold office during the pleasure of the council and until their respective successors are appointed.

Subsections (3) through (7) further cover related aspects such as filling vacancies and remuneration with subsection (8) stating that:

The company shall furnish such information respecting the affairs of the company as the council may any time require.

Thus, it is apparent that City Council is *de facto* accountable for TW operations and that a review of the governance structure could result in strategic and operational efficiencies.

2. Windsor Chartabus (WCB) Inc.

Windsor Chartabus Inc. was incorporated in 1979 as a non-share corporation wholly owned by TW to run charter bus service and the tunnel bus operations. It does not have any employees or assets, but separate minutes and corporate filings are maintained. It appears that WCB was originally set up to prevent TW from being subject to federal legislation; however, TW was deemed to be a federal employer in 1992 because of its extra-provincial operations in running the tunnel bus. A comparable operator for this purpose would be Ottawa Transit Services (formerly OC Transpo) as they also cross provincial boundaries (Ontario Quebec) albeit not international borders.

Subsequent to the federal designation, using WCB to separate the TW operations was maintained because of US legislation regarding the requirement for drug and alcohol testing and the differences in Canadian and American law relating to driver testing and maintaining drivers files. Those operators who drive in both the US and Canada are required to comply with both sets of legislation. WCB/TW is governed in this instance by the Federal Motor Carrier Safety Administration (FMCSA) who have similar powers to the Ministry of Transportation Ontario (MTO) but with different requirements. TW is audited by both the Canadian (MTO) and US (FMCSA) authorities for compliance with the applicable legislation related to safety and driver requirements.

3. Handi Transit

Handi-Transit is a not-for-profit organization that provides curb-to-curb service for persons with disabilities. In 2012, Handi-Transit entered into a signed agreement with the City of Windsor to

provide this specialized service. The City designated TW as the City's representative responsible for the administration and monitoring on-going compliance with the provisions of the agreement. The City provides funding to Handi-Transit (and TW) through an annual budget submission and review process.

The government of Ontario has passed the *Accessibility for Ontarians with Disability Act* ("AODA") which requires Ontario to be fully accessible to persons with disabilities by 2025 through the introduction of a series of standards over time. As a federal employer, TW is specifically exempt from the AODA, however the City of Windsor and Handi Transit are not. As the implementation of AODA is gradual, certain milestones are required. For the purposes of this discussion, it is important to note that in 2017 the service areas, hours of service and fares charged for a person with a disability must be the same, or in the case of fares, no more than that charged by the conventional system. As long as Handi-Transit and TW remain separate entities, the earliest point at which full fare parity will be required is 2017. "Fare parity" refers to the requirement that Handi-Transit use all the same fare media and pricing structure as TW, including monthly passes, smart cards, discounts and transfers. If TW and Handi-Transit were integrated, it is possible that fare parity would be required as soon as this occurs. Based on the review conducted at the time the agreement was developed in 2012, it was anticipated that fare parity could result in a significant increased budgetary requirements.

There is no intent with this report, to further integrate Handi-Transit.

4. Your Quick Gateway (Windsor) Inc. (YQG) - Windsor Airport

Your Quick Gateway (Windsor) Inc. was incorporated as a federal corporation under the *Canada Business Corporations Act* (CBCA) on June 20, 2007. It is a private corporation incorporated pursuant to the provisions of section 203 of the *Municipal Act, 2001* and the associated regulation with the City as the sole shareholder. The name "Your Quick Gateway" was trademarked on September 17, 2008.

YQG was incorporated initially as a stop-gap between the termination of an operating agreement with a prior contractor and the installation of a new operator intended to be found during an RFP process. The RFP process did not return a suitable operator, and YQG continued to operate the airport. Over time, this became the City's preferred service model for that asset. Significant in the incorporation of YQG were employment and labour and pension concerns related to the existing union staff.

For oversight, YQG has an 11 member Board of Directors selected by City Council. Three of the Board Members are from City Council. In addition to being the Board Chair, Mayor Francis has also been the acting CEO since January 1, 2013 resulting in budgetary savings in the range of \$300,000 including benefits over a two year period. YQG places its audited financial statements and earnings vs. budget statements before City Council (the sole shareholder) on an annual basis.

YQG manages Windsor International Airport operations pursuant to a management agreement with the City which defines the relationship and obligations between them. Under that management agreement, the City is responsible for the funding of all approved capital improvements.

YQG's major sources of revenues are airplane landing fees, terminal fees, passenger facility fees and lease income. Major expenses include payroll and maintenance. Through the management agreement, the City of Windsor contributes \$324,000 annually to airport operating revenues.

In 2013 YQG terminated its own defined-benefit pension plan and all full-time employees are now with OMERs (which is also a defined-benefit pension plan). To effect the termination of the defined-benefit pension plan, YQG borrowed \$998,000 from the City of Windsor and is repaying it through the reallocation of the management fee. Current expectations are the management fee will end when the loan is fully repaid at the end of 2015.

Based on projections for February 2014, YQG will have four non-union staff, 11 unionized operations staff, one unionized clerical staff, and five unionized part-time cafe staff (1.9 FTEs), for a total of 21 staff, or 17.9 FTEs. All unionized staff are represented by PSAC (Public Service Alliance of Canada), which falls under federal jurisdiction, similar to TW.

In 2013, YQG made a profit of approximately \$1,252,078.

5. Windsor Detroit Tunnel Corporation (WDTC)

The Windsor-Detroit Tunnel Corporation ('WDTC') became active on January 1, 2010, with the completion of the asset transfer of the Canadian portion of the Windsor-Detroit Tunnel from the Corporation of the City of Windsor. The WDTC is incorporated under the Ontario Business Corporations Act (OBCA) pursuant to the provisions of the *Municipal Act, 2001* and operates as an independent entity from the City of Windsor, the sole shareholder of the WDTC.

The WDTC is governed by a Board of Directors elected in accordance with the OBCA and presents the yearly audited financial statements to the City of Windsor (via City Council), through the annual meeting of shareholders. The current complement of WDTC Board of Directors is five and consists of four elected individuals (Mayor and three City Councillors) and one private citizen. Board meetings are held in accordance with the OBCA and the corporate by-laws. WDTC owns all of the assets of the Canadian portion of the Windsor-Detroit Tunnel, is a self-sustaining entity, and recently declared a dividend to the shareholder (the City) in the amount of \$1,000,000. It is anticipated that this could be an annual dividend.

The WDTC operates under a Transitional Services Agreement ('TSA') with the City of Windsor for the provision of services the City provides to it. The TSA was intended to be a transitional agreement with a three-year term commencing January 1, 2010. The TSA has continued on the basis of a holdover clause to the present. As such, the WDTC does not have any full-time employees at present, relying on secondments and human resource arrangements with the City of Windsor, governed by the terms and provisions of the aforementioned TSA. Currently, the General Manager and Tunnel Financial Officer positions have been filled via secondments from the City. The regular full time permanent positions of these employees have been held for them and filled with temporary replacement staff during their absence. There are no other full time secondments.

The WDTC is subject to the *International Bridges and Tunnels Act* ('IBTA'), which governs all international bridges and tunnels declaring them to be 'works for the general advantage of Canada.' There are numerous compliance filings required under this act and the associated regulations, as well as approval processes for alterations and changes in care and control.

Operating separate from the City of Windsor allows the WDTC to operate this non-traditional asset and be responsible for the cost of the Canadian tunnel's capital improvements and the cost of its operation. It can secure any borrowings required to pay such costs (if necessary) with an

encumbrance of the Canadian tunnel thereby relieving City of Windsor taxpayers of the risk associated with those costs. To a certain extent, some financial and liability risks associated with owning the asset are segregated from the general operations of the City. This issue is discussed further in the accompanying private and confidential memo.

Thus, the City continues to enjoy the benefits of ownership of the Canadian tunnel, including the potential for dividend payments upon declaration by the WDTC Board, while not bearing the full risk of direct ownership. The WDTC on the other hand, benefits from the TSA by utilizing City resources as required in accordance with the mutually beneficial terms of the TSA.

It appears that operational efficiencies through sharing services between the City and the WDTC have been accomplished to an extent in this governance structure.

6. City of Windsor Transportation Divisions

In addition to the internal support services such as finance and administration, human resources, legal services, technology services which are common to all organizations, the City has several areas that may also have operational overlap or synergies with the above noted transportation entities. Although outside the scope of City Council's direction, Administration felt it was important to examine these areas also in the context of a transportation division.

The transportation divisions of the city are part of the City's Public Works department and may be considered to include Traffic Operations, Transportation Planning and the Fleet Division.

Traffic Operations is a specialized area which includes:

- maintenance and operation of parking garages
- parking meters
- traffic signalization and camera
- signs and markings
- traffic enforcement

Transportation Planning deals with:

- planning of Environmental Assessment reports
- traffic calming
- accessible parking
- input on controlling detours
- traffic counts, and
- all items associated with the planning of transportation, road, pedestrian and cycling networks, as well as the overseeing of the crossing guard program

The Fleet Division is responsible for the repair and maintenance of all corporate fleet, excluding Windsor Police Services fleet, Windsor Fire and Rescue fleet, and all TW vehicles.

The operation runs 24 hours during the week and maintains all of the City fleet as noted. There is some specialty work that is done outside of the City garage, but generally all maintenance and repair work for the City fleet is done by City staff.

3. DISCUSSION:

Resolution B37-2013 specifically directed administration to review TW's funding in the context of the other transportation entities. Given that these are all separate and distinct entities such a review must include a review of the existing governance structure and operations. This then led to identifying the following key areas for potential re-organization and revised service delivery models to achieve strategic and operational synergies.

I. Key Areas

1) *Management Oversight and Governance*

The position of the Chief Executive Officer (CEO) at the YQG is currently being filled temporarily and without extra compensation by Mayor Francis. The position of General Manager of WDTC it is currently filled by an employee on what has turned out to be a long term secondment from the City. The secondment has been extended on a quarterly basis in recent years. TW has a full time General Manager, who has indicated her intent to retire in the near future (2015).

It is considered possible that if Council were to approve a management restructure and a shared management service for the three entities related to transportation as described, the full time equivalent (FTE) for senior management staff across the three main entities could be reduced by 2 FTE.

A governance structure for the transportation entities is proposed in the organization chart attached as Appendix B – Option 1. This structure assumes that:

- The legal entities of YQG and WDTC remain as legal entities with their own Boards of Directors overseeing operations with a newly created Corporate Leadership Team (CLT) member position acting as CEO for both entities and taking direction from the boards.
- TW will become a City department, also reporting to the newly created CLT position.
- The incorporated TW entity would remain to maintain WCB to support the tunnel bus operations. City Council would continue to appoint the requisite number of Councillors to serve as the TW Board of Directors as needed.
- Transit Windsor, YQG and WDTC would continue to report annually to City Council or as otherwise required and would channel reports through the Transportation Standing Committee as required.

Transit Windsor Considerations

This model would allow TW to operate like a City department, thus ensuring that:

- **Practices are standardized with other City departments**, including use of the Transportation Standing Committee to provide governance;
- **Planning & budgeting needs are fully considered** within the context of routine corporate planning;
- **TW is able to more readily access the resources of the City**, including finance and human resources supports, legal services, labour relations expertise and purchasing processes; and,

- **Decisions made by the Transportation Standing Committee are fully informed** by the City's corporate and community strategic priorities and objectives and Council approved City policies.

To operate as a City department, it is recommended that the position of General Manager of TW (retitled Executive Director) would have a solid line reporting relationship to City administration (to a member of the corporate leadership team - CLT). The reporting structure with Transit Windsor representation at all CLT meetings and city strategic sessions, allows the CLT to ensure that TW operates as a City department, fulfilling the goals and objectives set out above.

From a labour and employment perspective, TW comes under federal jurisdiction and managing it as a City department could have some challenges, as identified in the accompanying private and confidential memo. To address these issues, we look to the example of the City of Ottawa's Transit Services (OC Transpo) and consider the key points of their operation.

City of Ottawa's Transit Services (OC Transpo)

Key points of operation:

- OC Transpo was legally merged into the City of Ottawa. Its operations fall under a Federal undertaking - OC operations are governed by federal laws (*Canada Labour Code, PIPEDA*, etc.) and not provincial laws except where prescribed (example *Ontario Motor Vehicle Act*, etc)
- It operates a federally regulated railway chartered as "Capital Railway" but all assets and operations are still identified as the City of Ottawa
- Its future rail operation will fall under special exemption of the Minister to self-regulate under the new railway rules
- All employees are City of Ottawa employees but are carved out under federal labour scope by the separation of the operations physically and by supervisory control. Labour Canada identifies the entity as "City of Ottawa- Transit Services".
- All assets are owned by the City of Ottawa but identified as OC assets (used for public transport or Capital Railway)
- City Council delegated decision making of day to day operations to a Commission (except for Budget, fares, reserves, debt and Business Plans), but OC managers are required to manage under the delegation of authority and by-laws of the City.
- The City of Ottawa provides human resources, labour relations, legal, finance, procurement and IT infrastructure services as well as communications and other administrative services directed by the City Manager. Most services have dedicated OC assigned staff on-site (HR, Budget and Finance)

OC provides planning, operations, customer service, policing (under separate agreement with the Ottawa Police Services Board), maintenance and infrastructure sustainment of the transitway, railway operations and maintenance, and information technology for operating applications.

The department is identified as a "special status" department in that it retains autonomy of a Commission separate from Council's authority but the latter continues to control how OC Transport affects the population through administrative control of the City Manager. Such an arrangement achieves effective sharing of internal support services and effective strategic planning and governance via better co-ordination with other City of Ottawa departments such as Planning, Fleet and Traffic. Attached as Appendix F is information regarding the Transit Commission for the City of Ottawa.

It may be argued that the current structure seems to be the best – all aspects of labour and regulation are separate from the City, but assets and budgets are controlled by the City. This ensures the separation needed between a federally-regulated endeavour and a provincially-regulated municipal one.

On the other hand, there is a desire to maximize the integration of City transportation and planning as the source of benefits. In other jurisdictions there is a transportation planning and policy function which oversees the operations of an independent organization which performs various functions (transit, tunnels etc.). Because of the tunnel bus operations, any restructuring needs to accommodate both domestic operations and the international operations.

If the use of the TW corporate entity were abandoned, the City would need to examine the need to transfer ownership of WCB to the City, which is an onerous task, or to replace it with a new corporation incorporated under section 203 of the *Municipal Act, 2001*. The tunnel bus operation may not need to be operated under a separate corporation however its licensing or the approvals needed for it to be able to operate in Michigan must be further researched. Closing out the TW corporate entity is not recommended in this report, however, the activities would be minimized in the changed structure.

2) *Internal Support Services – IT, HR, Finance, Legal, Communications and Customer Service and Other Administrative Support*

TW is already supported by the City's finance department in the same fashion as all other City departments through the use of the financial planning administrator. YQG receives minimal financial services support. WDTC has one full time seconded financial staff person and reimburses the City for additional financial resources as needed. Key tasks are allocated and performed, but the depth of personnel that the full support of the City's finance department could provide is not currently present. There are opportunities for enhanced internal control at all entities, particularly in the areas of segregation of duties and enhanced analysis capabilities.

The information technology department provides full or nearly full support to TW, YQG and WDTC.

TW receives risk management and associated legal services from the City; however YQG and WDTC have little or no legal services support, although they do utilize external counsel when necessary.

Marketing and communications synergies are not currently employed among the organizations. It is anticipated that synergies and co-marketing can be a revenue enhancing opportunity for all 3 organizations.

Human resources are not currently shared among the entities and this provides an opportunity for synergies, with the exception of the WDTC, which presently relies upon the TSA for staffing. It should be noted that the health and safety advisor at TW also provides services to Windsor Public Library.

It would appear that overall there are addition opportunities for cost effective synergies in the internal service areas

3) *Fleet*

The City's Fleet Division is comprised of 1 manager, 2 supervisors and 1 fleet coordinator/specifications writer in the non-union staff complement. Additionally, there are 23 employees ranging from mechanics, body repair, welders, vehicle maintainers and equipment cost analysts who manage the cost and the fuel systems.

TW also has a Fleet Division which maintains all of their buses on a 24-hour shift, which is composed of 1 manager, 2 supervisors and 38 mechanics and body technicians, clerks, tire man and service staff to maintain and repair the fleet.

The fleet operations at TW and the City are similar in some aspects, but very different in others. There is currently a Fleet Services Review project underway as part of the Corporate Initiatives/Shared Services Project to review the fleet operations and governance at the City, TW and Enwin to see if any opportunities for synergies exist. It is premature at this point to determine what synergies may exist between the fleet operations of TW and the City, as the larger shared services project is still underway.

Due to the challenges experienced in the past by the city, and the experiences reported by the City of Ottawa, at this time, there is no recommendation regarding any form of merger of City and Transit fleet operations.

4) *Engineering and Transportation Planning*

TW has staff that conduct route planning, development application comments and other transit planning. Transportation planning in the City's Public Works Engineering area works closely with TW's planning area. There may be some synergies in these two areas to assist each other as their workloads are both at capacity.

5) *Security*

YQG requires twenty-four hour security of its premises and has an in-house staff person to oversee this function as well as a contractor who delivers this service. WDTC has a contracted operator whose responsibility includes the provision of security services. TW obtains security services through the City. The City has a mix of in-house oversight, use of modified workers and external contractors (recently appointed) to carry out this work. It would appear that analysis may provide savings in this area.

It is expected that other areas of possible synergies may emerge as well. For example, facilities consolidation may be evident upon review of each entity's office, and operation environments. Further, administrative support staff consolidation may be possible through use of clerk staff in the City Clerk's office for board meeting minutes or to be shared among the entities.

6) *Other*

Other areas for possible synergies may emerge over time as the participating entities come together and implement the recommended changes.

II. Analysis of Options

Option 1 – Creation of a New Transportation Corporate Leadership Unit which includes TW, YQG and WDTC

Under this option, all City of Windsor related transportation entities (YQG, WDTC and Transit Windsor) would be aligned under a new Corporate Leadership Team (CLT) member, reporting directly to the Chief Administrative Officer with reports flowing to City Council primarily through the Environment, Transportation and Public Safety Standing Committee. This new unit would include TW, WDTC and YQG. The City's transportation and traffic departments would continue to report to the City Engineer under this option but may be considered for consolidation in this unit at a later date. The proposed top level organizational structure is depicted in Appendix B – Option 1.

The new Corporate Leader – Transportation Services would be responsible for implementing the direction of the WDTC and YQG Boards of Directors and would assume the position of CEO of both entities. This unique new role would fuse corporate development and entrepreneurship with community stewardship and economic development. The incumbent would work closely with the Boards of each entity to make decisions that are in the best interests of the City, its citizens and transportation service users.

The new Corporate Leader – Transportation Services would serve as the Chief Executive Officer (CEO) of both YQG and WDTC, with an Operations Manager and Financial Director/CFO to support both entities, along with the appropriate administrative and support staff, which will likely be shared throughout the three entities. TW would be led by an Executive Director reporting to the new CLT member.

The new Corporate Leader – Transportation Services would need to be equally funded by TW, YQG and WDTC. This would result in financial cost savings at YQG and WDTC, as the two current CEO positions of each entity could be eliminated.

It is important to note that any effort to streamline operations comes with the reality of less than full time dedication to each organization. It is clear that a CEO shared with two legal entities will not allow for the same time dedication as would be enabled by a full time CEO or GM such as was formerly enjoyed by both YQG and WDTC, respectively. This could result in higher external costs or less urgency in implementing new initiatives to each organization, offsetting to a degree the cost savings of the CEO merger. As these costs are difficult to quantify, they have not been included in the financial analysis. On the part of the city, this is on its own an added cost as this is not budgeted at this time. However, there would be other savings that would fund this position. It is noted that each entity has a CFO and directors who would need to take on additional duties and would support the new CEO/CLT. The cost savings in each entity are further detailed in the accompanying private and confidential memo and summarized in the Financial Matters section of this report.

This option has the greatest impact on TW. Under this option, TW would operate as a City department, and the TW legal entity would remain with the requisite number of City Councillors as the Board of Directors in order to manage only the basic aspects of the business, including making the required resolutions to maintain the entity through the Environment, Transportation and Public Safety Standing Committee. WCB would remain in the TW legal entity and would continue its current operations. Handi-Transit would continue to maintain its contractor type

relationship with TW and the City. The TW Board of Directors would fulfill only the basic regulatory requirements to maintain the legal entity and in order to choose the streamlined decision being sought would not oversee the new City department. A new TW operating structure has been proposed to be implemented in conjunction with the approved option and is presented in greater detail later in the report.

The duties of the Ottawa Transport Commission would effectively fall to the Councillors on the City of Windsor's Environment and Transportation Committee.

Pros

- Potential cost savings and operational synergies would be more easily achieved with the creation of a new governance and management structure as described.
- Strategic cooperation and coordination towards transportation program objectives would be enhanced with a consolidated reporting structure.
- There would be a clear and unambiguous reporting relationship for Transit Windsor to City Council

Cons

- Legal, regulatory or collective agreement obstacles might exist. Overcoming these obstacles might prove more expensive than the anticipated cost savings.
- Conflicting objectives and legacy costs from each entity might negate the initially-anticipated cost savings.
- The compatibility of the operations and objectives of each entity might be overstated – a merged reporting structure could therefore struggle to achieve service excellence in any of the three areas (public transit, tunnel operations or airport operations).

Option 1 fulfills the requirements of council resolution B37-2013. Administration is recommending Option 1 as the preferred service delivery model for the City's transportation entities (YQG, WDTC, TW).

Option 2 – Creation of a New Transportation Corporate Leadership Service Area which includes Transit Windsor, YQG, WDTC AND the City's Transportation Planning and Traffic departments

This option is essentially the same as Option 1, with the current transportation planning and traffic departments also reporting to the new Corporate Leader – Transportation Services. The potential organizational structure is depicted in the accompanying private and confidential memo. The reporting structures and cost savings would be similar to those detailed for Option 1. The pros and cons are also similar to Option 1, with the exception that Public Works has experienced a number of retirements recently, so the opportunity exists to restructure some the departments and allow for succession planning. This can be done in any event and is separately reported. This option also provides for the same increased separation between those employees who work under federal jurisdiction.

Pros

- Same as Option 1
- All transportation under same control

Cons

- Same as Option 1
- Too difficult for new position handling large changes plus reporting to two boards
- Transportation still requires close coordination with City Engineer

Administration does not recommend this option as the new Transportation Services portfolio is a large one, with reporting responsibilities to two boards of directors. Depending on the experience of the incumbent of the new CLT position, this could prove to be cumbersome, given the changes that are proposed for Transit Windsor, YQG and WDTC. While operationally it makes sense to have all transportation related services in the same unit/division, a more realistic approach may be to consider the amalgamation of the City transportation planning and traffic departments into the new service unit in the future.

It should be noted that the Transportation unit/division would still require close coordination with the City Engineer as all work will be in the right of way or as part of Capital projects and any approval of work, Environmental Assessment Studies and detours resides with the City Engineer or Executive Director of Operations. This is further rationale that the unit should remain within City Engineer's area at this time.

Option 3 – TW reports directly to the City Engineer/Corporate Leader Environmental Protection and Transportation and YQG and WDTC report to one CEO with shared service agreements

The structure of this operation is depicted in Appendix D – Option 3. This option provides for the conversion of the CEO positions at YQG and WDTC into one position, resulting in the elimination of one CEO position. TW would report to the City Engineer, and the transportation planning and traffic departments would remain status quo. The potential organizational structure is depicted in the accompanying private and confidential memo.

The new CEO would be funded equally by WDTC and YQG, and would report to each entity's Board of Directors. The CEO would have an existing liaison role with the CAO and/or a member of the existing CLT but would not report directly given the separation of these legal entities. Without the additional synergies of Transit Windsor responsibility, direct reporting would not appear to be necessary. The administration, finance, operational and other staff would be shared between YQG and WDTC. While joint marketing efforts could be explored, that would be left to the separate entities to coordinate.

The effect of this option on TW would be similar to Option 1.

Pros

- The current operational arrangements are familiar to the City, YQG and WTDC.
- Maintaining the status quo to a certain degree avoids overt conflict amongst transportation entities (either via reporting relationships or organizational objectives).

Cons

- Not as many opportunities for cost savings or operational synergies.
- Opportunities for internal control enhancements will not be realized.
- The strategic objectives of the City's transportation program may become more difficult to achieve without closer cooperation between the City and these entities
- These entities may have increasing difficulty holding the line on spending, particularly on internal services, as they have limited personnel and cuts would mean the wholesale elimination of internal services
- Substantial increase in the workload and portfolio for the City Engineer

While this option has its merits, it does not centralize all of the City's transportation endeavours, but instead creates two separate transportation units; one reporting only as a liaison role to the CAO (WDTC and YQG through the CEO) and another reporting to the City Engineer (transportation planning/traffic and TW). This option does not fulfill the Council direction as set out in B37-2013, however is presented here as an option for Council's consideration. Administration does not recommend this option as it does not accomplish the objective of the Council direction and does not manage synergies and coordination. Should council wish to pursue this option, it is recommended that it do so with a direction through council resolution to these two Boards of Directors and that they work together to create the shared services, while City communication further develops the Transit Windsor integration.

Option 4 – Status Quo - Transit Windsor, YQG and WDTC continue operations each reporting directly to their respective Boards of Directors and Transportation Planning/Traffic continue to report to the City Engineer

This option is straight-forward in that each of the named entities would continue their operations at the status-quo. Some of the proposed Transit Windsor restructuring could still take place under this option, with cost savings and synergies as indicated in the accompanying private and confidential memo. Under this option there would be limited opportunity for synergies or cost savings among YQG or WDTC as they would continue their operations as independent entities.

Administration does not recommend this option as it does not fulfill the Council direction as set out in B37-2013 and does not result in the substantial savings requested by city council.

III. Transit Windsor Proposed Changes

1. Organizational Restructuring at various levels

The opportunity to evaluate the current organizational/management structure at TW has been discussed by the current General Manager of Transit Windsor and City CAO, as the need for succession planning and opportunity for service efficiencies and improvements has been recognized. The proposed new TW organizational structure is presented in more detail in the accompanying private and confidential report and would be developed upon City Council direction.

It should be noted that the proposed Transit Windsor restructuring is dependent upon one of the Options as presented being approved and implemented, and is not a stand-alone

initiative. The savings being achieved allows the City/TW to undertake the initiatives described in the section that follows.

2. Proposed Service Delivery Improvement Plan

The service improvements for Phase 1 are based on current transit issues. A detailed plan is found in Appendix A.

The Transway 1C and Crosstown 2 routes (TW's two main lines) have been experiencing extreme overloads and late buses. Some of this is based on increased ridership as well current transit issues including increased time required for strollers, wheelchairs and bicycles that now utilize the service in greater volumes. By increasing frequencies on these two main lines to 10 minutes during the peak hours, it will mean the workload for the route is distributed between buses and creates a more attractive service with a more reliable schedule, thereby attracting even more riders. With the anticipated move of the University of Windsor Campuses into the downtown core, the need for improved service on our main lines that provide service to the university will be imperative to deal with the anticipated volume of riders.

The Lauzon 10 improvements are also included in Phase 1. The improvements include service into the WFCU, direct service into Twin Oaks Industrial Park and service enhancements with more regular service all day.

The final improvement addresses issues with TW's summer schedule which sees a reduction of transit service of about 20% during July and August. This is a challenge for year round riders who have to change their travel for summer months because of this reduced service. By providing a year round schedule, the service becomes more consistent and reliable and will attract more riders.

Phase 2 improvements provide new service to areas that are currently unserved, including Devonshire Heights and a new route that would provide service from Tecumseh Mall to the Southwest Detention Center and Devonshire Mall. This will provide a southern connection at Devonshire Mall for passengers travelling across the south end of the city to destinations like St. Clair College.

Phase 3 is the longer term vision of having main line and feeder routes providing an improved grid system that is faster and more accessible to major activity centers, particularly for the customers in South and East Windsor where transit usage is relatively low. Faster, more direct service will be provided on the main arterial roads and the feeder routes will connect the neighbourhoods to the main lines reducing customers travel time. Frequencies will be standardized based on the category of the routes with 15 minutes service or better during peak periods on main lines.

The implementation of the service improvements were developed in phases to allow for the service enhancements to be introduced based on demand and financial planning. One phase can be introduced without compromising the service or requiring the next phase to be implemented. Phase 1 addresses our most critical issues and has an estimated cost of \$1,140,000; \$320,000 for the summer schedule and \$820,000 improvements to the Transway 1C, Crosstown 2 and Lauzon 10.

In order to allow the governance review to be completed to identify savings, TW proposes that the improvements to the summer schedule be deferred to 2015 and that the service enhancements

to the Transway 1C, Crosstown 2 and Lauzon 10 be implemented in September 2014. This acknowledges that the opening of the University of Windsor downtown campuses will occur at the earliest in 2015 and provides Transit Windsor time to have the service plan in place as students are making their transportation choices.

Under the Mayors' Enhanced Capital Spending plan proposed in 2013, TW was allocated \$300,000 in one time funding as the estimated cost to implement the service improvements for the Transway 1C, Crosstown 2 and Lauzon 10 and these funds have not yet been spent, and remain available.

Should Council wish to implement the service enhancements this onetime funding can be utilized to implement these service enhancements for the fall of 2014 (approximately September to December) recognizing that a base budget allocation of \$1,140,000 would be required in 2015 to fund the improvements and this funding would be partially funded through operational efficiencies and savings found during the governance review.

It should also be noted that fare increases can be considered to partially offset enhancements. It is further recommended that a policy with respect to annual fare increases (rounded) be considered that will be used to keep pace with inflation and provide for future enhancements.

IV. Action Plan: A Phased in Approach

The options presented above represent major change to the current operating and governance models of the participating entities. Due diligence would need to be completed prior to any option being implemented, and thus it is expected that the proposed changes in service delivery will take between nine months and two years to implement. This means that depending upon the timing of implementation of the service enhancements, there may be a funding shortfall requiring one time funding during the phase in period. A detailed action plan is provided in the accompanying private and confidential memo.

4. RISK ANALYSIS:

With a project of this size, there are inherent risks that need to be considered. Depending on the option chosen and recommended by Council, the risk exists that the needs of one entity could take priority over the needs of the others. This could lead to operational errors, reporting mistakes and lost revenue or funding opportunities. To ensure that this doesn't happen, it is vital that the responsible parties be fully aware of their responsibilities and commitments under the new service delivery model. The expectations of each organization will need to be clearly identified in any service agreements that are arranged, as well as the proportionate funding identified.

As each entity will continue to report to its respective Board of Directors, the risk exists that the strategic direction and objectives of each organization become nebulous between the Boards, City Council and the Administration of each entity. The potential risk of blurred reporting lines is quite high, however can be mitigated through open communication, strategic planning sessions and succession planning. This will be especially important as each organization experiences staff turnover, attrition, etc.

As further review and ultimate implementation of this model involves possible changes to job duties and working conditions of staff, there is always the risk that employee grievances and other employment-related objections could be lodged by both TW employees and City employees. Some of the cost savings presented are based upon the assumption that existing staff have excess capacity to assume new and/or changing duties and responsibilities. While these opportunities for workload realignment have been identified and supported by the Management of the participating entities, the staff members affected by the changes could feel differently. However, all efforts will be made to mitigate this risk through ongoing consultation and discussions with all employee and union groups.

As is the case with the implementation of any new service delivery model, there are inherent risks in terms of citizen and employee concerns, issues encountered with new facilities and issues related to the transition as the entities moves from one model to another. All of these factors will need to be mitigated with an effective communication plan and detailed plans for each expansion/relocation which will include detailed implementation plans for each project.

Since part of Transit Windsor's operations fall under Federal jurisdiction, there will be times at which the entity will be subject to different legislative requirements than the City. This challenge can be mitigated by maintaining awareness of the possibility of differing regimes and by adhering to the higher standard in the case of uncertainty.

As noted, any effort to streamline operations comes with the reality of less than full time dedication to each organization. It is clear that a CEO that is shared with two legal entities and will not allow for the same time dedication as would be enabled by a full time CEO or GM such as was formerly enjoyed by both YQG and WDTC respectively. Transit Windsor would have a full time executive director but would be required to obtain certain services from the City of Windsor internal service areas. The level of service and timing of service may change. WDTC and YGQ seeks to minimize cost and maximize revenue, and operates in a competitive environment. Compromised levels of service can translate into reduced revenue and/or lost opportunities for increased revenue. This potential risk should also be factored into the consolidation decision. City administration has successfully undertaken this type of streamlining in various city departments over the past number of years. Enwin has recently undertaken a similar streamlining. It must however be noted that such change puts added pressure and time constraints on staff and management.

A detailed Risk Matrix identifying the risks described above, their potential impacts, mitigating strategies and assigned responsibility is attached as Appendix G.

5. FINANCIAL MATTERS:

The potential cost savings related to restructuring positions are provided in greater detail in the accompanying private and confidential memo.

The following chart indicates the estimated saving of each option presented:

Potential Cost Savings by Option (by 2016 & beyond)

Governance & Senior Management

Cost	Position	Option 1 & 2	Option 3	Option 4
		Estimated Salary	Estimated Salary	Status Quo
Add	CLT position - Transportation Service Area (option 1 & 2 only)	\$ 186,489.46	0.00	0.00
Add	CEO position - YQG & WDTC (Option 3 only)	\$ -	150,000.00	0.00
Add	Fringe Benefits Costs (26%)**	48,487.26	39,000.00	0.00
	Total Additions	\$ 234,976.72	\$ 189,000.00	\$ 0.00
Deduct	Director of Operations - Transit Windsor	-127,524.83	-127,524.83	0.00
Deduct	Director of Corporate Services - Transit Windsor	-136,452.29	-136,452.29	0.00
Deduct	General Manager - Windsor Detroit Tunnel Corporation (WDTC)	-133,291.11	-133,291.11	0.00
Deduct	CEO - Your Quick Gateway (YQG)	-119,000.00	-119,000.00	0.00
Deduct	Other Savings & Fringe Benefits	-189,669.74	-134,229.74	0.00
	Total Deductions	-\$ 705,937.96	-\$ 650,497.96	0.00
Total Annualized Savings Over All 3 Entities for Senior Management Governance		-\$ 470,961.24	-\$ 461,497.96	\$ 0.00

Transit Windsor Savings

Cost	Position	Option 1 & 2	Option 3	Option 4
		Estimated Salary	Estimated Salary	Status Quo
Total Transit Windsor Savings (2015 +2016 & beyond)		-\$249,108.85	-\$249,108.85	\$0.00
Total Savings Per Option (by 2016 & beyond)		-\$720,070.09	-\$710,606.81	\$0.00

* Note: GM of Transit Windsor to convert to ED of Transit Windsor at nominal cost differential.

*** Each organization apportions fringe benefit costs differently, however the City's rate of 26% is used as a reasonable estimate. All City of Windsor, WDTC and YQG salary amounts are effective January 1, 2015. Transit Windsor salary increases are effective October 1, 2014.

The first phase of service enhancements in September 2014 will be funded from the \$300,000 already approved in the 2014 capital budget. An additional \$1,140,000 will be required to fund the final phase of the service enhancements in 2015 and beyond.

While the cost savings from the proposed restructuring are substantial, they are not enough to fully fund the Transit Windsor Phase I service enhancements estimated to cost approximately \$1,140,000 annually. Additional annual funding in 2015 and 2016 and beyond that would be required to fully fund the service enhancements. This funding could come from Transit fare increases, service reductions or cuts in other City departments or other offsetting revenues. It should be noted that the majority of municipally operated transit services operate at a deficit in an effort to promote the use of public transit as a service.

The chart below depicts the additional funding required in each year of the next 2 years to fully fund the proposed Transit Windsor service enhancements. The funding required is shown including savings from the City and Transit Windsor only, as well as including the savings from YQG and WDTC separately.

Option 1 - Calendar Year Fiscal Impact on Operating Budget

Description	City of Windsor (including Transit Windsor)	YQG	WDTC	Total Funding (Savings) Required
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2014 (based on implementation date of July 1, 2014)				
Maximum costs of new CLT member and staff changes	\$ 39,162.79	\$ 11,442.79	\$ 39,162.79	\$ 89,768.36
Transit Windsor Service Enhancements	0	0	0	-
2014 Potential Budget Variance OR One Time Funding	\$ 39,162.79	\$ 11,442.79	\$ 39,162.79	\$ 89,768.36

2015				
Net Cumulative Savings in Staff Costs	-\$346,761.26	-\$127,054.43	-\$89,621.23	-\$563,436.91
Original Proposed Transit Windsor Service Enhancements	\$1,140,000.00	0	0	\$1,140,000.00
2015 required Increase/(decrease) in operating budget (if no bridge funding)	\$793,238.74	-\$127,054.43	-\$89,621.23	\$676,563.09
Additional One-Time Bridge Funding Recommended** (to make up for savings not realized until 2016)	-\$156,633.17			-\$156,633.17
2015 required Increase/(decrease) in operating budget	\$636,605.57	-\$127,054.43	-\$89,621.23	\$419,929.91

2016 & Beyond				
Net Cumulative Savings in Staff Costs	-\$433,394.43	-\$127,054.43	-\$89,621.23	-\$650,070.09 (1)
Additional estimated long term savings	-\$70,000.00	0	0	-\$70,000.00 (2)
Original Proposed Transit Windsor Service Enhancements	\$1,140,000.00	0	0	\$1,140,000.00
2016 required Increase/(decrease) in operating budget	\$636,605.57	-\$127,054.43	-\$89,621.23	\$419,929.91

Total Savings - OPTION 1 - Realized by 2016 - [(1) + (2)]				\$720,070.09
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Annual Cumulative Budget Impact Summary - Beyond 2016	\$636,605.57	-\$127,054.43	-\$89,621.23	\$419,929.91
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* It is assumed that the costs of the Transit Windsor Service Enhancements will be fully funded through the budget in 2015

** Full savings will not be realized until 2016, so one-time bridge financing in the amount equal to the 2016 savings is required in 2015.

In 2014, one time funding of \$39,162.79 is required to fund the City and Transit's share of the cost of the new CLT member and other charges. The Transit Windsor service enhancements are scheduled to be implemented in September 2014, at an annualized cost of \$1,140,000.

Cumulative savings from the proposed restructuring in 2015 for the City/Transit Windsor are \$346,761.26. Additional City/Transit Windsor savings of \$156,633.17 will be realized in 2016. It is the recommendation of Finance that the net annual cost of the service enhancements be added to the 2015 budget in the amount of \$636,605.57. Additional bridge financing (one-time) of \$156,633.17 would be required in 2015 until the additional savings in 2016 are realized.

As shown above, once full savings efficiencies are realized in 2016, the net impact of the TW service enhancements across all 3 entities is \$419,929.91 versus \$1.14 million.

Estimated one-time funding is required from the Budget Stabilization Reserve in the amount of \$322,374.21 in 2014 to ensure a seamless transition to the new governance model. These amounts are outlined in Appendix C of the in-camera report.

It is noted that the additional funding referenced in the City's operating budget, all other things being equal, along with Transit Windsor's reported 2014 forecast of a deficit will make continued zero tax increases challenging. This report and further consolidation serves to assist in mitigating these ongoing costs.

Should City Council opt not to adopt these changes and opt to enhance transit programs, it is expected that this will need to be funded by increased property taxes.

6. CONSULTATIONS:

General Manager, Transit Windsor
City Solicitor
CFO, YQG
General Manager, WDTC
City Treasurer
Executive Director of Human Resources
City Clerk
Deputy City Treasurer – Financial Accounting
Deputy City Treasurer – Financial Planning

7. CONCLUSION:

This report is presented in response to City Council's direction to seek synergies with YQG, WDTC and Transit Windsor. Several models have been presented. It is important to note that any effort to streamline operations comes with it, the reality of less than full time dedication to an organization. It is clear that a CEO that is shared with two legal entities and a large city department (Transit Windsor) will not allow for the same time dedication as would be enabled by a full time CEO or GM such as was formerly enjoyed by both YQG and WDTC respectively. Transit Windsor would have a full time executive director but would be required to obtain certain services from the City of Windsor internal service areas and would have a reduced operational complement. The level of service and timing of service may change. City administration has successfully undertaken this type of streamlining in various city departments over the past number of years. Enwin has recently undertaken a similar streamlining. It must however be noted that such change puts added pressure and time constraints on staff and management.

Notwithstanding these risks, given the direction of City Council to find savings to assist in funding the service enhancements of Transit Windsor, the synergies and governance and organizational changes contained in this report, are recommended.

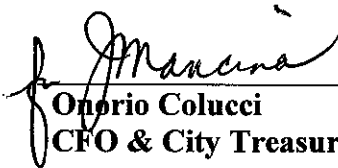
Should Council choose to approve the development and implementation of the new governance model as identified in Option 1, administration will conduct further review and analysis and report back to Council should any substantive issues be discovered that may affect the viability

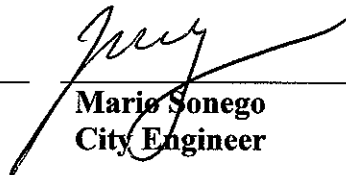
of the model or the associated projections. As well, reporting to the boards of YQG and WDTC will occur to seek their concurrence or any potential enhancements to the plan. Further, should the proposed service delivery model be approved the 2015 budget will contain the appropriate changes in format, recommended FTE changes to the city staff and any other budget considerations that are necessary.

Subject to City Council's concurrence of the recommendations contained herein, in order to implement a plan, given the length of a recruitment process, the recruitment of the CLT/CEO is recommended at this time.

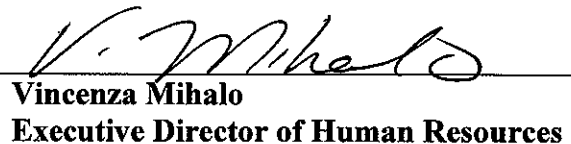
The implementation of a new governance model for YQG, WDTC and Transit Windsor (and possibly the City's transportation planning and traffic divisions), as well as the proposed Transit Windsor restructuring, does not come without risk. The proposed synergies and cost savings present opportunities for each entity to streamline operations and save money. Should the desire not currently exist to assume these risks, then City Council has the option to increase funding further to Transit Windsor in an effort to assist them to maintain or improve existing services.

Option 1, creating synergies, is the recommended option.


Onorio Colucci
CFO & City Treasurer


Mario Sonego
City Engineer


Shelby Askin Hager
City Solicitor


Vincenza Mihalo
Executive Director of Human Resources


Helga Reidel
Chief Administrative Officer

APPENDICES:**Appendix A – Transit Windsor Master Plan – “The Road Ahead”****Appendix B – Proposed Governance Structure (Option 1)****Appendix C – Proposed Governance Structure (Option 2)****Appendix D – Proposed Governance Structure (Option 3)****Appendix E – Status Quo (Option 4)****Appendix F – City of Ottawa Transit Commission Information****Appendix G – Risk Matrix****DEPARTMENTS/OTHERS CONSULTED:****Name: Mark Galvin, (A) General Manager WDTC****Phone #: 519 255-6100 ext. 1733****Name: Jim McCormack, Director of Finance, YQG****Phone #: 519 969-2430 ext. 443****Name: Valerie Critchley, City Clerk****Phone #: 519 255-6100 ext. 6434****Name: Mark Galvin, (A) General Manager WDTC****Phone #: 519 255-6100 ext. 1733****Name: Tony Ardochini, Deputy Treasurer – Financial Planning****Phone #: 519 255-6100 ext. 6223****Name: Joe Mancina, Deputy Treasurer – Financial Accounting****Phone #: 519 255-6100 ext. 6505****NOTIFICATION :**

Name	Address	Email Address	Telephone	FAX
Mark Galvin, Acting General Manager, WDTC		mgalvin@city.windsor.on.ca		
Jim McCormack, Director of Finance, YQG	Your Quick Gateway (Windsor) Inc. 3200 County Road 42 Unit #200 Windsor, ON Canada N8V 0A1		519-969-2430	519-969-6053
Penny Williams, General Manager – Transit Windsor	Transit Windsor 3700 North Service Road East Windsor, Ontario Canada N8W 5X2	pwilliams@city.windsor.on.ca	519-944-4111	519-944-5121

Appendix A – Transit Windsor Master Plan

MISSION STATEMENT:

“PROVIDING SAFE, RELIABLE AND AFFORDABLE PUBLIC TRANSIT FOR THE COMMUNITY THROUGH CONTINUOUS IMPROVEMENT IN CUSTOMER CARE, ENVIRONMENTAL STEWARDSHIP AND EMPLOYEE EXCELLENCE.”

TO: Mayor and Members of Council
FROM: General Manager, Transit Windsor
DATE: April 22, 2014

SUBJECT: SERVICE ENHANCEMENTS – PHASE I

The attached Executive Summary provides the details of the unfunded capital and operating costs related to implementing the Transit Master Plan. The purpose of the memo is to reconcile the funding requirements detailed in the Executive Summary with the revised funding requests shown in the financial section of the report.

The capital costs include expansion costs of \$27.0 million, plus the Bus Rapid Transit (BRT) infrastructure of \$4.5 million, for a total of \$32.4 million. Should Council wish to support the Phase 1 service enhancements, it is possible to implement these changes without any up front capital costs.

An additional eight buses are required to provide the enhanced service on the Transway 1C, Crosstown 2 and Lauzon 10, resulting in an increase in the fleet complement from 104 buses to 112. When the new buses were delivered in 2013, Administration set aside the old buses, pending the results of our request to improve service. We contemplated that acquiring new buses would not only be a challenge to the capital budget, but the delivery of new buses takes almost one year. We have sufficient older buses on hand that could be put back into service to allow us to provide the enhanced service without acquiring new buses at this time. This would allow the opportunity for the replacement cycle to be worked into the replacement schedule and life cycle costing review being undertaken by the Asset Planning Division of City Finance. While new buses are preferable, the option to use the older buses allows for a phased in approach for the replacement of buses.

With respect to the operating costs shown on *Schedule A – 5% Annual Fare Increase*, this scenario contemplates that Phase I would result in an incremental cost of \$990,000. This was based on the assumption that the University of Windsor downtown campus would be open in the fall of 2013 and fully operational on January 1, 2014. The occupancy of the downtown campus has been revised and, at the budget meeting held on December 2, 2013, we verbally revised the revenue projections by \$150,000 and, as a result, the incremental operating costs were revised from \$990,000 to \$1,140,000.

Penny Williams

Penny Williams
General Manager

Transit Windsor Master Plan “The Road Ahead”

EXECUTIVE SUMMARY

The service improvement plan that is described in detail in this report is a result of a request from the Transit Windsor Board of Directors, in July 2008, to update the 2006 Transit Master Plan (TMP), “*The Way Forward*”. In 2013 the plan was again updated providing for a phased-in approach and renamed “*The Road Ahead*”.

The critical social, economic and environmental issues would be addressed by the resolution of transportation issues, a more responsive and competitive transit system which is anticipated to attract new riders to the service and an immediate influx of employment opportunities. The improvements will provide environmental benefits in the community by reducing greenhouse gas emissions. In addition, the changing demographics over the next 10 years will significantly alter the dependency on public transportation by seniors.

The service improvement plan was developed from the TMP by a Service Improvement Team that was comprised of Transit Windsor’s management and the executive of Amalgamated Transit Union Local 616 as representatives of Transit Windsor’s employees. The team worked to redesign the transit system to meet the needs of current and future riders. The redesign incorporates the tenets of City Council’s Community Strategic Plan. Improvements include reduced passenger seat time, increased hours of service on all days, improved service to underserved areas, and a consistent year round schedule.

The number of routes is being increased from 12 to 23 and covers areas of the city that currently do not have transit service. The increased service will provide an additional 232,676 hours of service, which will greatly improve the mobility opportunities for the residents of the City of Windsor. The service improvements will realize an increase of employment of approximately 147 employees over a 10 year period.

This investment can be made in a responsible manner, while delivering lasting economic, environmental and social benefits. The investment will deliver an immediate boost to our economy.

Following is a synopsis of the unfunded capital and operating costs related to the service improvements:

Capital	Funding (\$m)
Expansion buses (38)	\$17.1
Bus stops and amenities	\$2.0
Fareboxes	\$1.6
Facilities (garage)	\$ 5.0
Smart bus technology (AVL)	\$ 2.2
Total expansion requirement	\$27.9
BRT Infrastructure	\$4.5
Total	\$32.4

Note: Bus Rapid Transit (BRT) capital can be deferred 10+ years

The cost of buses is based on the current cost of a 40’ diesel bus, however, a mix of buses (30,40 and 60’) as well as alternate fuel technology may be considered
Replacement buses are not included

Various scenarios of the Financial Plan are attached which details the related net operating costs. Based on the assumption that the proposed fare increase is approved for 2014 and improvements

up to and including Phase III are implemented over a five year period commencing January 1, 2014 (BRT can be implemented later) and assuming a 2% CPI increase with a 5% annual fare increase in 2015 and beyond as detailed in Exhibit A the following will apply:

Schedule A-5%-Annual Fare Increase

Operating	2013 (est.)	Phase I (a)	Phase I (b)	Phase II	Phase III (a)	Phase III (b)
Total Operating Costs	\$27,600,699	\$29,685,699	\$30,279,413	\$32,510,001	\$38,460,201	\$44,529,405
Operating Revenue	\$11,927,942	\$13,022,942	\$13,816,472	\$15,105,829	\$19,792,823	\$23,529,211
Net Cost	\$15,672,757	\$16,662,757	\$16,462,941	\$17,404,172	\$18,667,378	\$21,000,194
Gas Tax	\$3,382,946	\$3,382,946	\$3,587,946	\$3,752,946	\$4,757,946	\$5,427,946
Net Municipal Cost	\$12,289,811	\$13,119,811	\$12,874,995	\$13,651,226	\$13,909,432	\$15,572,248
Increase(decrease)		\$990,000	(\$404,816)	\$776,232	\$258,206	\$1,662,816
Fare increase		10%	5%	5%	5%	5%
Ridership	6,500,000	6,790,000	6,872,000	7,172,000	9,002,000	10,222,000

The increase (decrease) above represents the change from in the municipal contribution from the previous year. **Over all phases, including BRT the cumulative change in the municipal contribution totals \$3,430,219 (\$990,000- 244,816+776,232+258,206+1,662,816+147,782) more than 2013 net municipal cost.**

Based on the assumption presented in Exhibit B the following expands on the above assumptions however the fare increase applied is adjusted to maintain the current municipal funding over time. The improvements up to and included Phase III are implemented over a five year period (BRT can be implemented later) and assuming a 2% CPI increase with a variable annual fare increase as detailed in Exhibit B the following will apply:

Schedule B-Variable Fare Increase

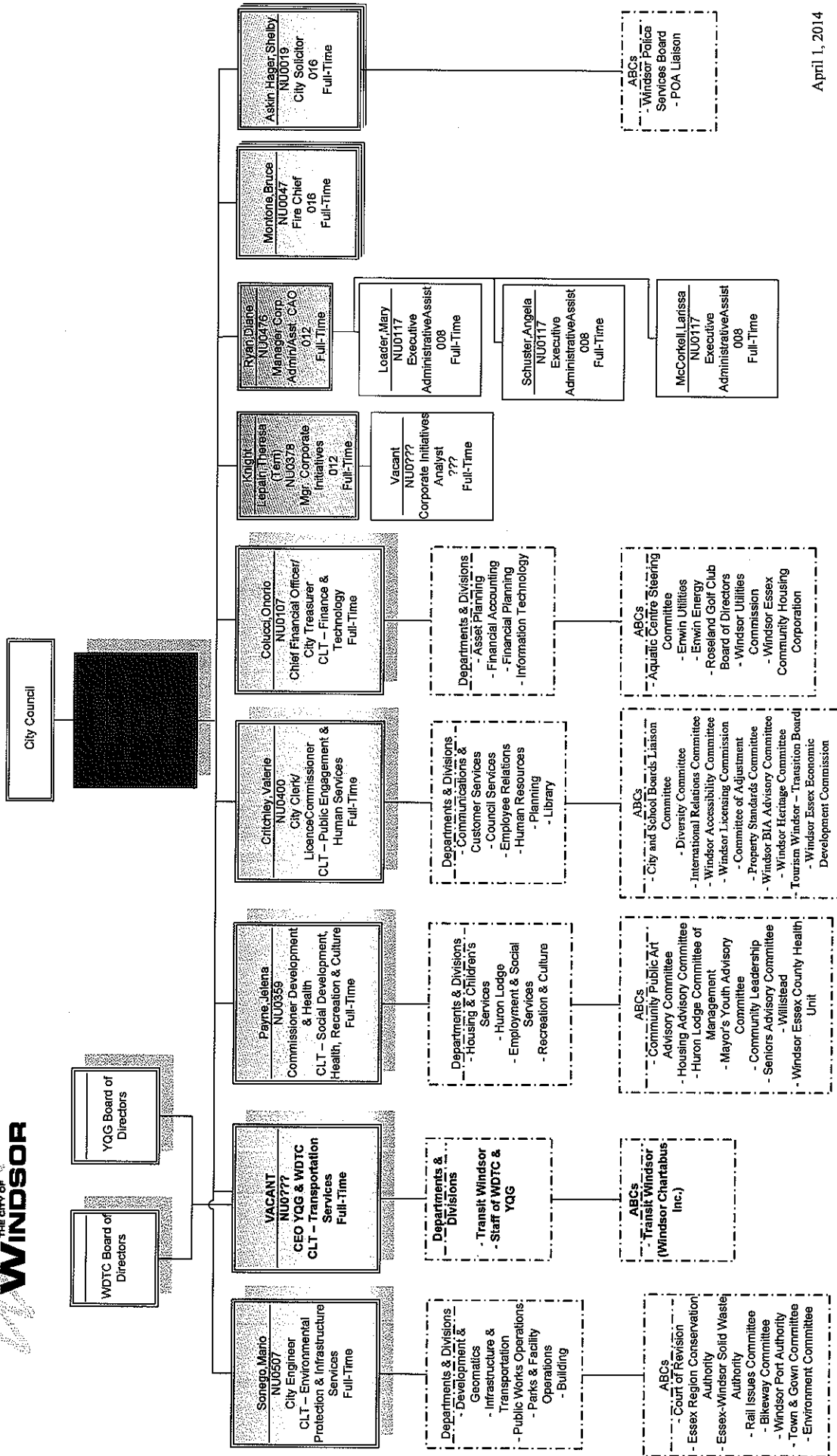
Operating	2013 (est.)	Phase I (a)	Phase I (b)	Phase II	Phase III (a)	Phase III (b)
Total Operating Costs	\$27,600,699	\$29,685,699	\$30,279,413	\$32,510,001	\$38,460,201	\$44,529,405
Operating Revenue	\$11,927,942	\$13,623,870	\$14,455,067	\$16,540,988	\$21,684,244	\$26,510,680
Net Cost	\$15,672,757	\$16,061,829	\$15,582,346	\$15,969,013	\$16,775,958	\$18,018,725
Gas Tax	\$3,382,946	\$3,382,946	\$3,587,946	\$3,752,946	\$4,757,946	\$5,427,946
Net Municipal Cost	\$12,289,811	\$12,518,883	\$12,236,400	\$12,216,067	\$12,018,012	\$12,590,779
Increase(decrease)		\$389,072	\$(442,483)	\$(20,333)	\$(198,056)	\$572,768
Fare increase		15%	5%	10%	5%	8%
Ridership	6,500,000	6,790,000	6,872,000	7,172,000	9,002,000	10,222,000

The increase (decrease) above represents the change from in the municipal contribution from the previous year. **Over all phases, including BRT the cumulative change in the municipal contribution is \$126,170 less (\$389,072-442,483-20,333-198,056+572,768-427,138) than 2013 net municipal cost.**

The service improvement plan implementation will address many of the needs of the community and provide a revitalized and responsive transit system to meet the current and future needs of the citizens of the City of Windsor.

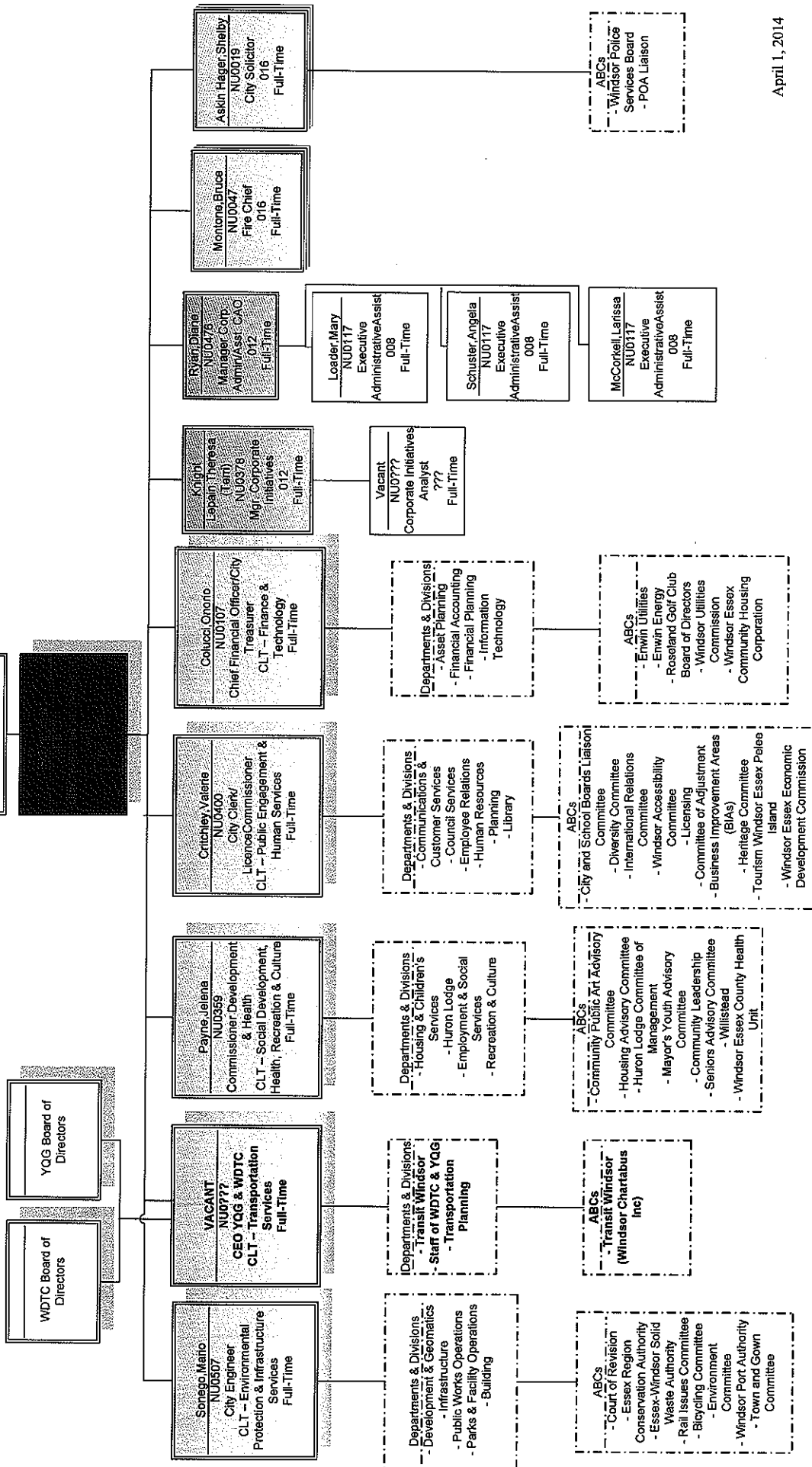
The body of the report, combined with the Transit Master Plan “*The Road Ahead*”, provides details on specific improvements and methodology and rationale for the development of the route changes as well as detailed budget information

Appendix B -- PROPOSED GOVERNANCE STRUCTURE (OPTION 1)



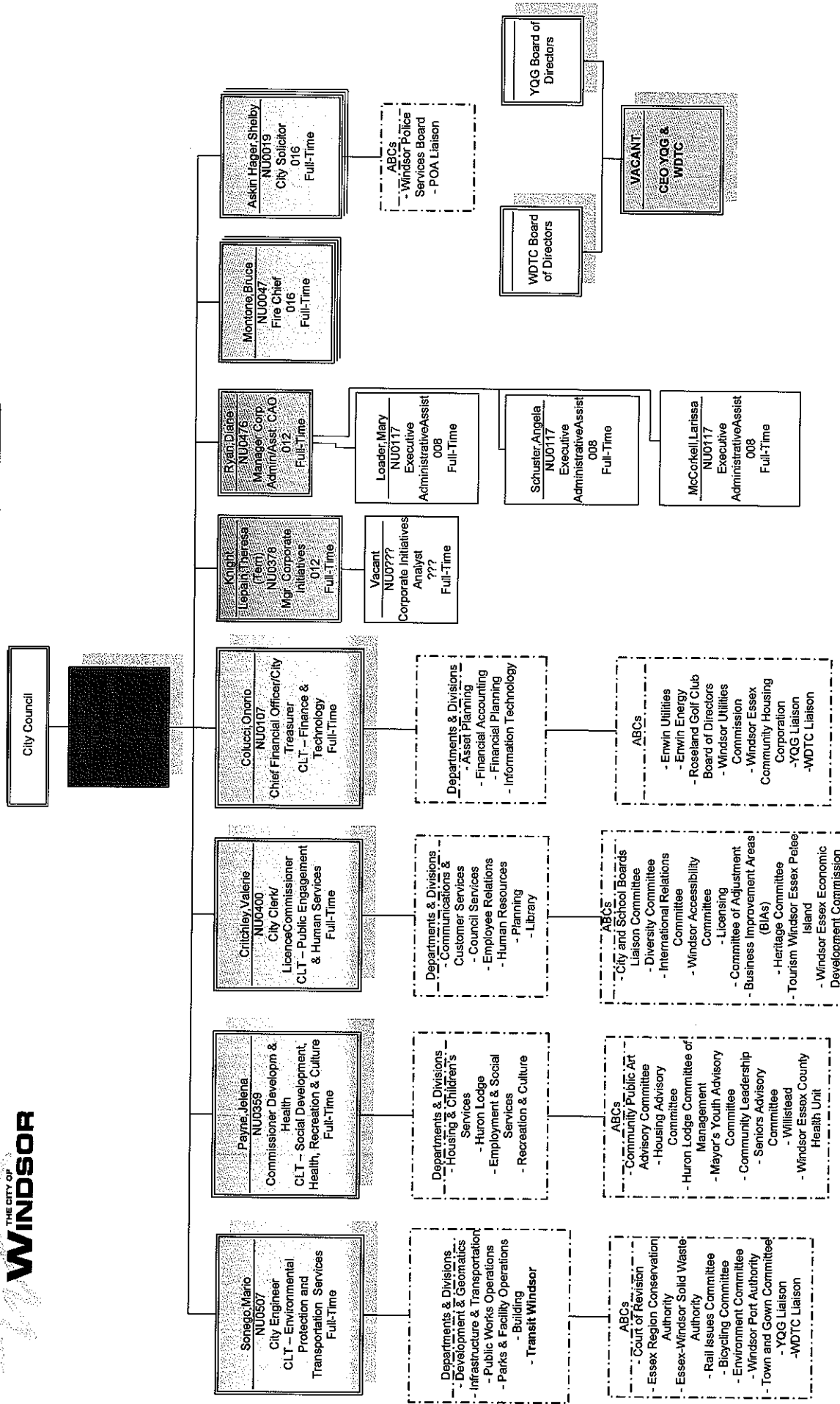
April 1, 2014

Appendix C – PROPOSED GOVERNANCE STRUCTURE (OPTION 2)

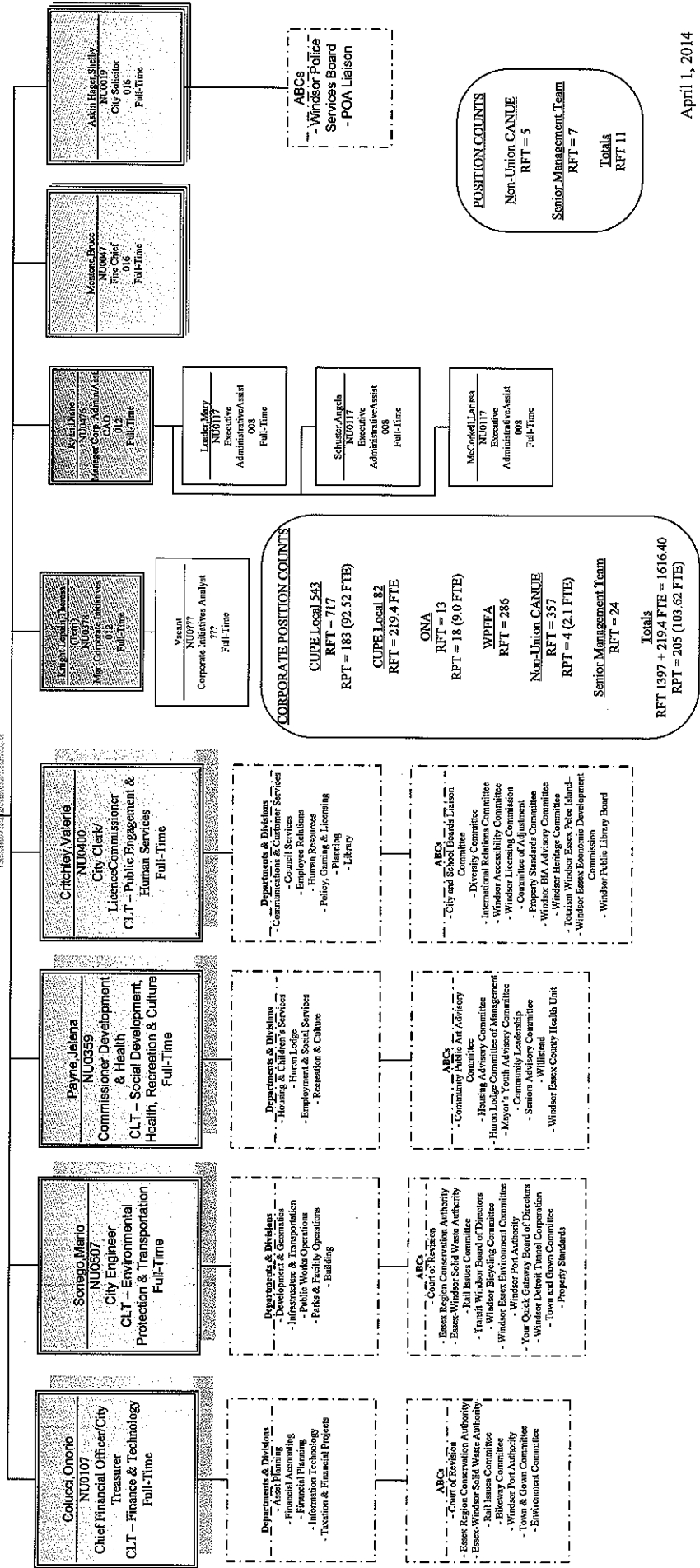
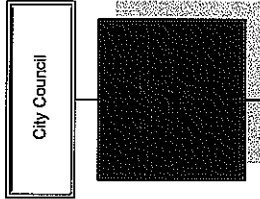


April 1, 2014

Appendix D – PROPOSED GOVERNANCE STRUCTURE (OPTION 3)



Appendix E – STATUS QUO (OPTION 4)



April 1, 2014

Appendix F - City of Ottawa Transit Commission Information

Terms of Reference

The Transit Commission is responsible for ensuring the development of a safe, efficient, accessible and client-focused transit system and for providing overall guidance and direction to the Transit Services Department on all issues relating to the operation of public transit, including the O-train and the Para Transpo service delivery model.

Membership

Membership of the Transit Commission shall consist of eight (8) Members of Council and four (4) citizen members, as approved by Council March 23, 2011. The Mayor is an ex-officio member of the Commission. The Chair and Vice-Chair shall be appointed by the membership of the Commission from among the members of the Commission who are also Members of Council.

Where Joint Committee meetings of the Transit Commission and another Committee of Council are held to consider matters of which transit is a component, citizen members of the Commission shall be non-voting, ex-officio members of the Joint Committee.

A. Matters for Which the Commission is Responsible to Council

The Transit Commission shall:

1. Be responsible to Council for those items related to the operation of transit services emanating from:
 - a. The Transit Services Department;
 - b. Advisory Committees or Sub-committees that are within the area of responsibility of the Transit Commission; and
 - c. Local boards, agencies and corporations that are created by, and report to, this Commission.
2. Subsequent to the approval of the budget, consider, for recommendation to Council, all operating and capital budget adjustments pertaining to items within the Commission's mandate and in excess of the overall Council-approved transit budget.
3. Review and recommend to Council transit fares, the annual operating and capital budget for the Transit Services Department.
4. Ensure co-ordination and consultation with Standing Committees and departments where responsibilities overlap on transit matters and on issues relevant to the mandate of more than one Committee.
5. Consult with the Agricultural and Rural Affairs Committee and recommend to Council any changes that would affect taxation in the rural transit zones.
6. Review and recommend to Council revisions to the Transit Commission Terms of Reference, as required.
7. Recommend to Council, the City of Ottawa's participation in federal or provincial cost-sharing programs for matters within the mandate of the Commission.

8. Recommend to Council proposed by-laws that are under the Commission's jurisdiction.
9. Review and recommend to Council strategic plans strictly related to transit matters, including a 10-year business plan (also known as the Annual Tactical Plan).
10. Provide an Annual Report to Council outlining the accomplishments and performance of the Commission and the exercise of delegated authority.
11. Review and make recommendations to Council on City policies and plans that have a public transit component.
12. In collaboration with the Transportation Committee, review and make recommendations to Council on transit infrastructure matters, such as transitways and traffic management, so as to achieve the transit goals of the City's Official Plan and the Transportation Master Plan.

B. Responsibilities under delegated authority of the commission

The Transit Commission shall have final decision-making authority with respect to the following specific responsibilities:

1. Provide direction on, and ensure the implementation of, policies and programs with respect to the operation of Transit Services.
2. Exercise other specific responsibilities set forth by relevant statutes and City Council.
3. Consider and approve all operating and capital budget adjustments pertaining to items within the Commission's mandate and within the overall Council-approved transit budget.
4. Pursue the following objectives in order to provide the best possible public transportation service for all transit users:
 - a. Attract an increasing number of customers to transit;
 - b. Determine and meet the transit needs of residents and visitors;
 - c. Provide excellent customer service and foster a reputation of safety and reliability;
 - d. Provide a transit service that is accessible and affordable;
 - e. Ensure that safety standards are managed in accordance with recognized public transportation standards;
 - f. Strive to develop and maintain a system that is adaptable to emerging changes in technology; and,
 - g. Support policies that are consistent with the City of Ottawa Official Plan objectives.
5. Identify new transit services by-laws, policies, guidelines, and government funding programs for transit operations.
6. Act as the official bargaining agent of the City of Ottawa in negotiations with representatives of the Transit Services' unions within Council-approved mandates. The Commission may delegate its bargaining powers, however, the Commission has the authority to direct staff on the parameters of the negotiations and no final agreement resulting from such a delegation shall be binding until it is approved by the Commission and Council.
7. Review and approve all changes to transit network policy standards related to operations.
8. Review and determine the service level standards for and the allocation of budgeted resources among urban and rural transit taxation areas.

9. Revise and approve changes to operational performance standards.
10. Receive and approve the annual Transplan report regarding service changes.
11. Receive and approve Transit wayfinding, branding and advertising standards and alternative revenue strategies.
12. Provide direction on strategic asset plans (Fleet composition, stations, Park and Ride, on-street amenities) related to operations.
13. Review with input from the IT Sub-Committee and approve technology matters related to public transit operations, including Smart Card, on-board technology, communication, control and monitoring systems, real-time data, and customer information.
14. Receive the Transit Services Department Annual Report and quarterly performance reports.
15. Hear briefings on litigious matters related to the operation of transit services and to give direction to the City Clerk and Solicitor on such matters where it is consistent with current Council direction or policy.
16. Receive reports from staff regarding the exercise of delegated authority (By-law 2009-231 as amended) on items within the Commission's mandate.
17. Receive regular status updates regarding inquiries and motions relating to matters under the Commission's mandate.
18. Receive delegations from the public and hold public hearings as required by statute and Council.
19. Have the delegated authority to decide matters that are consistent with the application of federal and/or provincial statutes and/or regulations.
20. Pursuant with the Delegation of Authority By-law (Section – Conferences and Conventions), approve Members' travel and attendance at conferences that are related to the Commission's mandate (i.e. Canadian Urban Transit Association (CUTA)).
21. Provide direction and guidance with respect to the operation of interprovincial public transit and co-ordination with the Société de transport de l'Outaouais ("STO").

Appendix G – Risk Matrix

Name of Service or Project:	Transportation/TW Service Delivery Enhancement Governance Model	Date of Risk Assessment:	Risk Assessment Summary		Consequence (I)	Risk Level (IxP)	Mitigating Strategy / Status	Responsibility			
			Number of Risks Identified	Overall Risk Score / Level							
		April 7, 2014	7	Moderate	I. Consequence: Impact assessment risk P. Likelihood: Probability of occurrence IxP% <table border="1"> <tr><td>Low</td></tr> <tr><td>Moderate</td></tr> <tr><td>Significant</td></tr> </table>				Low	Moderate	Significant
Low											
Moderate											
Significant											
Risk Description	Impacted Objective(s)	Likelihood (P)	Consequence (I)	Risk Level (IxP)	Mitigating Strategy / Status	Responsibility					
Needs of one entity could take priority over the needs of another.	Seamless transition to new governance model could be affected. Strategic objectives of one or all entities could suffer.	Possible	Low	Moderate	- Ensure new CEO/CLT devotes equal time to YQG, Transit and WDC - Clearly identify each G16 strategic and operational objectives/priorities	CLT - Transportation Services					
Strategic direction and objectives of each entity become nebulous between the Boards, City Council and Administration	Lack of support or public confusion. Blurred reporting lines.	Rare to Unlikely	Moderate	Moderate	- Open communication, strategic planning sessions, succession planning.	CLT/CAO					
Labour relations and employee grievances as working duties and conditions change. Severance costs could be incurred.	Estimated cost savings could be reduced. Lack of employee support for new structure could affect operations.	Likely to Almost Certain	Moderate	Significant	Consultation and discussion with affected employees and union groups. Appropriate notification period of job changes.	CAO/CLT, Administration at each entity					
Customer, employee and citizen concerns could be overlooked during the transition period	Customer service could suffer	Rare to Unlikely	Low	Low	Communication with customers regarding transition where necessary. Each entity to adopt the City's customer service standards.	CAO/CLT, Administration at each entity					
Some of Transit Windsor's operations fall under Federal jurisdiction	Subject to different legislative requirements. Lack of compliance could result in fines or penalties	Rare to Unlikely	Moderate	Moderate	Clear reporting lines and responsibilities for Transit staff. Regular review of jurisdictional requirements.	CLT/ED of Transit Windsor					
Loss of knowledge and experience at each entity through turnover, retirements and attrition	Daily operations and long term planning could be affected.	Possible	Low	Moderate	Cross training of staff, open communication, succession planning	CLT - Transportation Services					
City Engineer currently has a large portfolio and responsibility which likely cannot be sustained long term. Many senior staff in this area are eligible for retirement which would create operational difficulties	Lack of required resources. Projects not able to be completed in a timely manner.	Rare to Unlikely	Low	Low	Succession planning, cross training, etc. Ongoing review of Transportation and Public Works reporting structure for synergies, etc.	CAO/CLT					