

Subject: Niagara College Student Administrative Council U-Pass Agreement 2025-2028

Report to: Niagara Transit Commission Board

Report date: **Tuesday, May 20, 2025**

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## Recommendations

1. That the Niagara Transit Commission (NTC) Board **APPROVE** the entry into a three-year U-Pass agreement with Niagara College Student Administrative Council for the provision of transit services for the term of September 1, 2025 to August 31, 2028 at the amount of \$5,297,456 (exempt of HST) in the first year; and
2. That the Niagara Transit Commission Board **AUTHORIZE** the General Manager to execute the agreement with the Niagara College Student Administrative Council as approved.

## Key Facts

- The Purpose of this report is to seek Board approval to enter into a three-year U-Pass revenue agreement with the Niagara College Student Administrative Council (NCSAC) in accordance with By-Law number 2024-01 Execution of Documents and Delegation of Authority, Schedule A, section 3 relating to funding agreements with educational institutions valued in excess of \$5 million per annum.
- NTC currently has an agreement with NCSAC in place until August 31, 2025. The agreement is functioning well and both parties are satisfied with the terms and conditions of the agreement.
- The new agreement will have very similar terms to the current agreement.
- Revenues realized from this program will fund the operation annually and ensure seamless service to the Niagara College students, faculty groups and the community.
- NCSAC also pays for regional routes that are a benefit to the riding public and/or neighbouring municipalities. (Attached Routes)

- Due to a significant decline in international enrollment, NCSAC is reducing the amount of regional express service funded for the Niagara on the Lake Campus.

## **Financial Considerations**

The proposed agreement with NCSAC includes approximately 28,660 annual service hours, as outlined in Appendix 1, to support transit routes and schedules tailored to their student population. For the period from September 1, 2025, to August 31, 2026, projected revenue from NCSAC is \$5.3 million (exempt of HST). This amount includes the U-Pass system privilege, which allows students unlimited travel throughout the Niagara region.

This revenue projection reflects a \$1.05 million decrease compared to the previous year (September 1, 2024 – August 31, 2025), driven by a 25% decline in enrollment and a reduction in funded service hours. Of this decrease, \$300,000 is attributed to lower enrollment and \$750,000 to reduced service hours.

Key service changes include shifting the express Route 40A/40B to Niagara College's Niagara-on-the-Lake campus from a 15-minute to a 20-minute frequency. Although Route 34 will receive expanded daily service, it only partially offsets the reduction in express service, resulting in a net decrease of approximately 7,000 service hours annually.

NTC expects the costs associated with the reduction in service to offset the majority of the \$750,000 revenue loss tied to those hours. Additionally, with an anticipated annual enrollment drop of 5,000 students, NTC is projecting a further \$300,000 loss in U-Pass revenue from the system privilege fee, due to the corresponding decline in student participation.

The projected impact on the 2025 budget includes a revenue reduction of \$400,000, partially offset by \$240,000 in cost savings from a reduction in service hours, resulting in a net budget pressure of \$160,000. Efforts will be made to manage this pressure within the approved 2025 budget. Any variances will be reviewed by staff and brought back to the Board through the quarterly financial reports. Should a year-end deficit occur, it will be funded by the Transit Stabilization Reserve.

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Looking ahead to 2026, budget deliberations will need to account for a projected revenue shortfall of \$1.05 million. This is expected to be partially offset by \$700,000 in variable cost savings, leading to a net impact of \$350,000.

There are additional terms in the agreement for annual CPI increases and fluctuations in fuel price that allows for the NTC to mitigate cost pressures in the delivery of the service agreed to over the three-year term. These revenues will be incorporated in future NTC operating budgets

The NCSAC U-Pass product is significantly used by students on local and intermunicipal routes. That ridership is reported every year to the Canadian Urban Transit Association. Each rider reported contributes to the transit-dedicated Provincial Gas Tax (PGT) annual allocation of funding for our operation and capital program.

## **Analysis**

Historically, U-Pass programs across Ontario have been negotiated by student unions with their municipalities and regions on an affordability metric of the 'per pass cost' to students. This can fall short in not fully accounting for the fluctuations in operating costs that are a reality of transit (fuel, human resource costs, insurance, bus replacement etc.). In negotiating a cost recovery for all campus-dedicated services on the intermunicipal and local routes, staff have mitigated financial risk to the Commission.

Both NCSAC and NTC staff were happy with the contract through the first year of the agreement and into the second year.

The service hours in the proposed NCSAC contract reflect changes from the current agreement. Most notably, express routes 40A/40B to Niagara College's Niagara-on-the-Lake campus will be reduced from a 15-minute to a 20-minute frequency. While Route 34 will see added service hours to extend its operation throughout the day to make it more reliable, this only partially offsets the reductions to the express routes. Overall, there is a net decrease of approximately 7,000 service hours.

This reduction is primarily due to a projected 25% drop in student enrollment at Niagara College—from 25,000 to approximately 20,000 students—for the 2025–2026 academic year. A significant driver of this enrollment decline is the federal government's restrictions on international student intake.

Both NCSAC and Niagara Transit agreed that reducing service hours on routes 40A/40B is the most efficient adjustment, as it aligns with the broader service and targets areas with the most anticipated ridership decline. The remaining 20-minute frequency is still expected to meet the ridership demand of Niagara College students and the public.

By entering a three-year term, the U-Pass program will provide greater stability in revenue, offering predictability for budgeting and operational planning. This term also aligns with the expiration of the current NTC Collective Bargaining Agreement (CBA) on December 31, 2027. When the NCSAC contract concludes on April 30, 2028, it will create an opportunity to evaluate and incorporate any changes resulting from CBA negotiations into a new agreement. This timeline ensures that any adjustments to wages, benefits, or other relevant factors discussed in the CBA can be seamlessly integrated into the next NCSAC agreement, which would begin in September 2028. This planned alignment helps safeguard the sustainability and adaptability of the U-Pass program while addressing evolving needs and conditions in the partnership.

In response to changing enrollment patterns at Niagara College and the implementation of Fare Harmonization by Niagara Transit, NCSAC held a referendum to determine whether to continue the U-Pass program. The outcome demonstrated strong student support, with 81% voting in favor of maintaining the U-Pass agreement, highlighting the program's value to the student body.

Niagara College anticipates that overall enrollment will remain relatively stable, with only minor fluctuations, provided no new federal policies are introduced that further impact international students. However, the ratio of international to domestic students is expected to continue shifting as existing policy changes take effect.

Based on these considerations, staff recommend proceeding with the proposed U-Pass agreement.

## **Alternatives Reviewed**

The NTC may consider offering full-cost adult passes to NCSAC students, instead of a U-Pass agreement, which could potentially reduce ridership and revenue. This change could also significantly affect NCSAC-subsidized routes currently benefiting students and local residents in Niagara. Staff are not recommended this option due to concerns around decreased service, ridership and revenue.

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## Relationship to Niagara Transit Commission Strategic Priorities

The NCSAC U-Pass agreement aligns with the Strategic Core Values of the Niagara Transit Commission, as well as the adopted Guiding Principles of the Niagara Region. Specific elements which directly relate to the proposed are highlighted below:

### **Affordability**

The U-Pass agreement generates revenue that sustains the community's current service levels, offering financial stability that helps manage and reduce overall budget costs. This agreement strikes a balance between keeping transit affordable for riders and maintaining cost-efficiency for the community.

### **Service Excellence**

The U-Pass agreement with NCSAC provides funding to sustain service hours, preserving the service levels that riders have relied on for years. This agreement ensures dependable and consistent service levels for the community.

## Other Pertinent Reports

NTC 3-2023 Niagara College U-Pass Agreement 2023-2025



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## Appendices

Appendix 1            NCSAC Funded Routes