



North Central Area Transit Funding and Governance Technical Report

December 2025

Prepared on behalf of North Central Area Transit and the City of Ottawa, Illinois
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Introduction

NCAT provides effective transit service but cannot currently provide enough trips to meet demand. Additional funding is not only needed to increase service, but also to maintain current service levels going forward. The Funding and Governance Technical Memo report responds to this funding need, building on the work of Comprehensive Operations Analysis and Future Service Framework. It outlines NCAT's current finances and decision-making structures, as well as short- and long-term actions NCAT can take to close funding gaps, improve jurisdictional contributions, and align governance with NCAT's service.

All years mentioned represent fiscal years unless specified otherwise.

Funding Existing Conditions

Background

A transit agency's budget can be split into two categories: operating costs and capital costs. Operating costs are the daily costs of providing transit service. This includes salaries and benefits for staff, insurance on physical assets, vehicle fuel, and vehicle parts like tires and brakes. Capital costs are expenses related to the construction, upkeep, or procurement of physical assets that an agency owns and uses to deliver service. This includes transit vehicles, maintenance garages, administrative offices, and technology hardware.

Operating costs are directly tied to the amount of service provided, as more service requires more labor, fuel, and vehicle parts each year to deliver service. Many of these expenses have fixed or market-driven prices that are beyond the agency's control. Therefore, the only way to dramatically lower these costs is by using less fuel, labor, or vehicle parts, which typically requires reducing service. Predictable and consistent operating funding is the single most important factor in maintaining or expanding transit service levels.

Timely capital investments can help transit agencies manage operating expenses in the long-term. For example, vehicle procurement has an up-front cost, but the agency could realize operations savings over time if the new vehicles are more reliable and require less maintenance. Capital costs can make up a large portion of a transit agency's budget due to their high up-front expenses, but capital needs—and therefore capital funding requirements—tend to vary from year to year. A continuously updated, multi-year capital plan can help agencies prepare for these larger capital expenses and seek additional funding opportunities from the state or federal government.

NCAT's Budget

NCAT's 2025 budget totaled \$5.6 million, with 64% allocated to operating costs and 36% to capital projects. Both capital and operating costs increased dramatically since 2021, resulting in a \$4 million increase in total budget (Figure 1).

Operating costs increased from \$1.3 million to \$3.3 million directly due to increased services provided – staff wages and benefits, vehicle fuel, and vehicle parts make up around 90% of NCAT's operating budget (Figure 2), and each of these expenses are directly tied to the amount of trips provided. After accounting for inflation, NCAT's growth in operating budget from 2021 to 2025 is roughly proportional to their growth in ridership over the same period. These costs are not expected to rise significantly beyond inflation, as NCAT is near capacity and cannot accommodate many more trips without further investment than they are already providing.

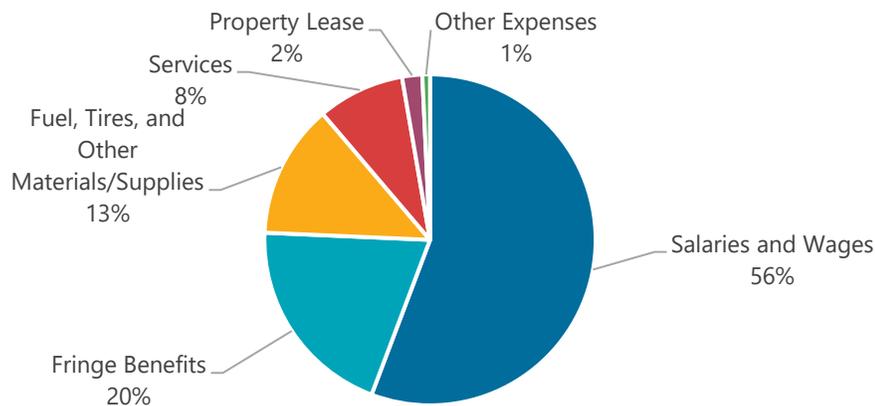
NCAT had no capital expenses in 2021 or 2022 but invested in 2023 and 2024 to purchase new buses and improve the vehicle storage yard. One major capital project remains: an upgrade to their maintenance facility, which makes up the bulk of NCAT's \$2.1 million capital budget for 2025. NCAT does not expect capital spending to remain this high, as there are no immediate significant infrastructure needs beyond the facility upgrade. While NCAT has generally been able to cover both capital and operating costs, the

agency is struggling to meet community demand for service and would likely need additional funding to increase service.

Figure 1. Operating and Capital Budget



Figure 2. 2025 Budgeted Operating Expenses



Funding

NCAT’s funding comes from the federal, state, and local levels. The funding source determines the amount of funding received, how the funds can be used, and the predictability of the funds over time.

NCAT’s operating funds mostly come from the state, while capital funds have increasingly come from federal grants since 2023 (Figure 3 and Figure 4). Locally generated funds are directed entirely toward operating expenses except for any that are used as match for federal and state capital funds. Because local funds are used as match, local funding has high potential for unlocking additional state and federal funds. Locally generated funds also give NCAT the greatest flexibility in how they are used, as they are less impacted by federal or state priorities.

Federal, state, and local funding have contributed differently to the growth in NCAT’s budget since 2021. NCAT’s operating expenditures grew by over 80% between 2020 and 2024, primarily because of increasing

ridership. State operating assistance has covered the majority of these expenses, increasing from \$742,432 in 2020 to \$1.7 million in 2024. Local revenues comprised approximately 14% of operating funds expended in 2024, but this share has been highly variable. In 2025, federal, state, and local funding are budgeted to contribute 11%, 61%, and 28% of the agency’s operating expenses, respectively. A substantial increase in local share is only possible if NCAT both requests larger amounts and receives robust contributions.

Whether the funding comes from the federal, state, or local level, the most valuable funding sources are those that provide consistent, predictable operations funding each year. Without consistent local funding in particular, NCAT will face challenges in continuing to meet the growing demand for transit in LaSalle County.

Figure 3. Sources of Operating Funding Expended (2020-2024 NTD Actuals)

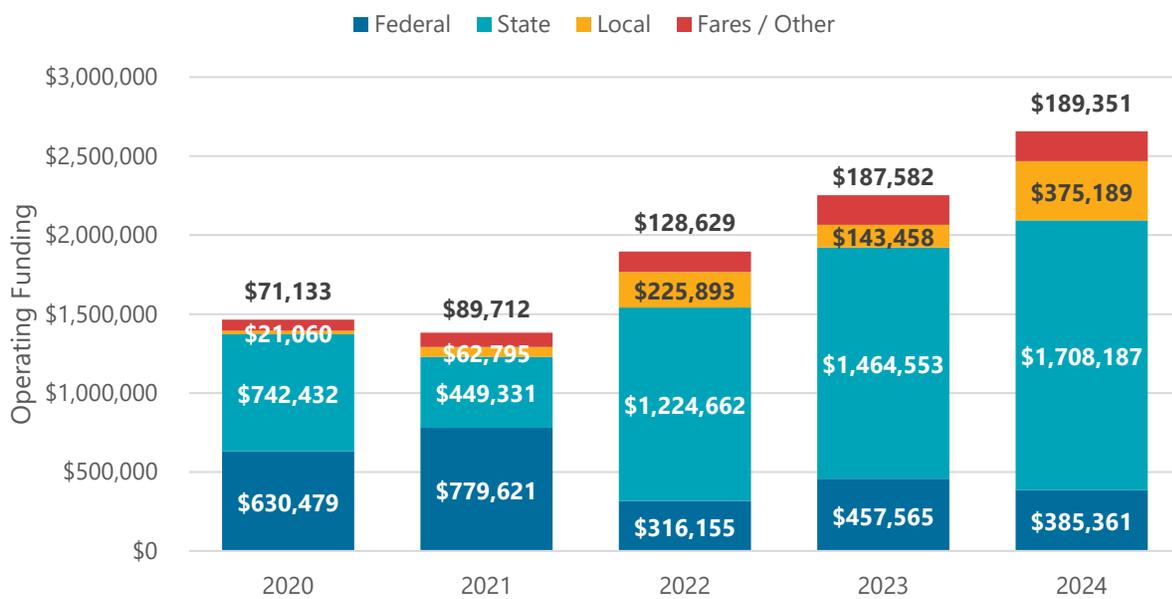
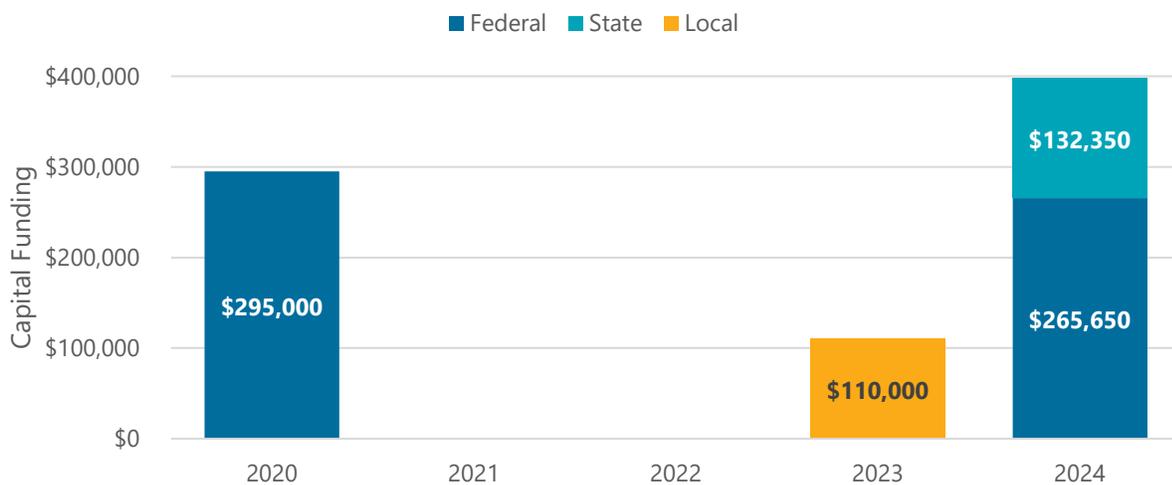


Figure 4. Sources of Capital Funding Expended (2020-2024 NTD Actuals)



Note: NCAT did not report capital expenditures in fiscal years 2021 or 2022. Expenses do not include unspent state or federal grants.

Federal Funding

Formula Grants for Rural Areas (5311)

The 5311 Program is NCAT’s only source of federal operating funds. This funding is generally stable and reliable, as NCAT received \$307.6k from 2020 – 2023 and \$355.3k in 2024 and 2025. As of 2024, the federal share of operating funds cannot exceed 50% of total operating costs¹.

These grants are made available by the Federal Transit Administration (FTA), but they are not administered directly to transit agencies. Instead, the FTA distributes the funds to state departments of transportation, including the Illinois Department of Transportation (IDOT), as block grants which the state then allocates to local recipients. The amount of funding that each state receives is calculated based on demographic parameters set by Congress². To receive 5311 funding, NCAT submits an annual application to IDOT.

Although other rural transit agencies apply to IDOT for the same pot of 5311 funding, the 5311 application is less competitive and generally dependable. However, there are limited opportunities to increase the funding amount. While the funds are guaranteed through US law and authorized through the Bipartisan Infrastructure Law, they remain subject to federal priorities that can change beyond the control of NCAT.

Federal Discretionary Grants

Federal discretionary grants are competitive awards in which the government reviews applications and selects recipients based on an evaluation rubric. The vast majority of these grants provide one-time funding for a specific capital project and often have demanding applications, grant administration, and reporting requirements that are difficult for smaller municipalities and transit agencies to manage.

NCAT has only pursued one such grant to date: Grants for Buses and Bus Facilities, also known as the 5339(b) Program. NCAT applied for the grant to fund necessary upgrades to their vehicle maintenance facility in the amount of \$656,040 (Table 2). To mitigate the difficulties of the grant application, administration, and reporting, NCAT applied through the State of Illinois, who combined NCAT’s application with those of other transit agencies in the region before submitting a single consolidated application to the Federal Transit Administration (FTA). The FTA selected Illinois’ consolidated application in 2023, but the award of funds has been delayed. NCAT plans to use the Section 5339(b) funds together with Rebuild Illinois funding to complete the planned updates to their facility.

Table 1. Federal Discretionary Funding Sources

Grant Program	Amount	Year Awarded	Current Status
Section 5339(b) Bus & Bus Facilities	\$656,040	2023	Delayed

¹ State Management Plan for Federal Transit Administration Section 5310, 5311, and 5339 Programs, Illinois Department of Transportation, 2024, [link](#).

² Section 5311 Formula Grants for Non-Urbanized Area, Federal Transit Administration, 2024, [link](#).

Should NCAT seek additional federal discretionary grants in the future, they would need additional non-federal funding to provide match. While different grants have different cost-sharing requirements, 20% local match is typical for discretionary grant programs.

Pandemic Relief Funds

In 2020 and 2021, the federal government authorized a series of pandemic relief measures in response to the economic fallout associated with COVID-19. NCAT has benefited from funds allocated through the Coronavirus Aid, Relief, and Economic Security Act (CARES) program in 2021. LaSalle County also received federal funds from the American Rescue Plan Act (ARPA) funds and had a separate grant process to distribute that funding to member communities. NCAT was awarded funding through that process to purchase new vehicles (Table 2).

Table 2. Pandemic Relief Funding Sources

Grant Program	Amount	Year Awarded	Current Status
CARES Act	\$1,295,898	2021	\$933,239 Remaining as of FY2025
LaSalle County ARPA	\$265,650	2023	Spent (Vehicle Purchase)

State of Illinois Funding

Downstate Operations Assistance Fund (DOAP)

DOAP is NCAT’s single largest funding source, accounting for \$2 million (61% of total operating funds) in 2025. DOAP funding has been a reliable source of funding, with small but meaningful increases each year since 2021.

The funds can be used to reimburse operations expenses including wages, benefits, fuel, supplies, facility rentals, administrative costs, routine maintenance, and non-rolling-stock equipment. IDOT contributions from DOAP are generally 65% of NCAT’s operating expenses or the operating deficit, whichever is lower.³

If NCAT can gather additional local funds, they have an opportunity to receive significantly more operating funding through DOAP – the grant’s match requirements dictate that NCAT can receive as much as \$285 in DOAP funding for every \$100 invested locally.

Discretionary Capital Grants

NCAT is eligible for a variety of discretionary capital grants distributed by the State of Illinois. These grant awards tend to be smaller than federal discretionary grants, but they also tend to have less demanding applications, grant administration, and reporting requirements.

The Consolidated Vehicle Procurement (CVP) program is among the most important state discretionary grants for NCAT, as it is NCAT’s primary avenue for expanding or replacing its vehicle fleet. Instead of awarding funds, the state procures vehicles on behalf of transit agencies to reduce costs and ensure compliance with federal vehicle standards. Because of this, the CVP program is not represented in NCAT’s

³ 92 Illinois Administrative Code 653, State of Illinois, [link](#).

budgeted financials even though the agency has received nine new transit vehicles valuing \$1.06 million in total in 2025. However, because IDOT is responsible for procurement, NCAT does not have control over vehicle specifications.

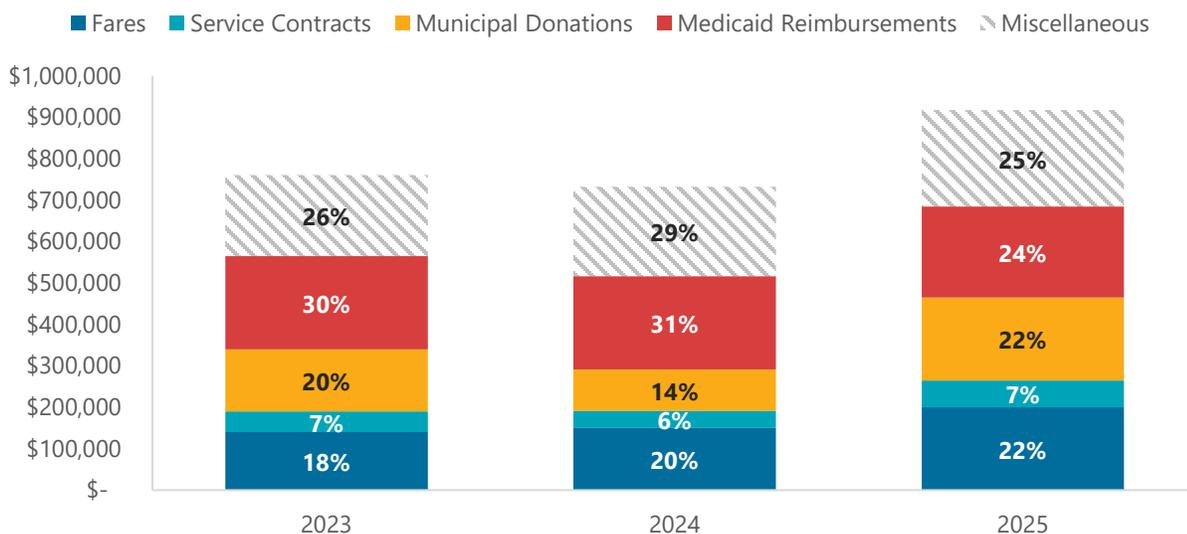
Rebuild Illinois is another state discretionary grant that NCAT utilized. The program offered three rounds of funding from 2020 to 2025. NCAT submitted five projects and received a total of \$1.3 million for the installation of vehicle security cameras, procurement of two vehicles, construction of a roof for transit vehicle storage, vehicle Wi-Fi, and maintenance garage rehabilitation. Rebuild Illinois is not expected to be reauthorized and will not be available to NCAT going forward. However, NCAT will likely be eligible for any potential discretionary grants authorized by the state in the future.

Local Funding

NCAT’s primary sources of local funds are Medicaid reimbursements, municipal donations, service contracts, and fares. Except for municipal donations, NCAT directly generates each of these revenue streams by providing trips. The agency also has miscellaneous revenues from advertising, interest on investments, and insurance payouts. However, because miscellaneous revenues consist mostly of insurance payouts and therefore cannot be leveraged to expand service, this discussion emphasizes other funding sources.

NCAT budgeted \$917,200 in total local funds in 2025, an increase of \$185,000 from the previous year (Figure 5). This increase is driven by additional fares, service contracts, and municipal donations. NCAT receives no funding from LaSalle County.

Figure 5. 2025 Budgeted Local Revenues



Fares

Fares are some of the most important locally generated revenues, as they can offset operations costs as ridership grows and are relatively predictable. However, fares cannot be used as local match for state funding, so increased fare revenue could only support efforts to increase federal funding.

NCAT collects a standard fare between \$2.50 and \$10 per trip depending on trip distance and destination. While NCAT's fare revenue has doubled since 2023 due to increased ridership, the system is now approaching capacity, leaving less room for this revenue stream to keep growing. To increase fare revenue, NCAT would need to raise fares, though this has the potential to decrease ridership, offsetting or negating the fare increases.

Medicaid Reimbursements

NCAT is reimbursed for the cost of trips taken by the Medicaid-eligible population to and from a Medicaid State Plan service. Reimbursements come from three organizations that provide medical transportation, each of which reimburses NCAT at different rates. In 2024, NCAT received a reimbursement for 7,890 total trips at an average of around \$28 per trip. The agency budgeted to receive \$220,000 of Medicaid reimbursements in 2025 and is working to renegotiate higher reimbursement rates for future years.

Medicaid reimbursements and fare revenue fit into NCAT's budget in a similar way, as both are predictable revenue streams that can be used as local match, but neither can be increased enough to fund service expansion on their own.

Service Agreements

Service agreements are contracts where organizations pay NCAT directly to provide transportation services for their clients, rather than having riders pay individually. NCAT is more lenient on its no-show policy for service agreement trips and tries to give them scheduling priority with up to same-day service. However, prioritization is not always possible because capacity constraints prevent NCAT from fulfilling all service agreement trips.

NCAT has over 20 service agreements with social service, non-profit, medical service, educational, and corrections organizations across the county. The contracts have standard terms, each lasting one year and charging \$3 per in-town ride and \$6 per out-of-town ride with higher fares for out-of-county trips.

While NCAT budgeted \$65,000 in service agreement revenue in 2025, their service contracts often perform under budget. Because of this, NCAT is investigating alternative models for service contracts, though they are proceeding with caution to avoid losing existing partners. Under the current structure, service agreement trip revenues do not offset NCAT's cost to provide the trips significantly more than fares do.

Municipal Donations

There is no dedicated revenue stream from any municipality to fund NCAT. To secure financial contributions from the municipalities NCAT serves, the transit director meets with mayors and township supervisors across the county to request a donation based on the municipality's ridership and population each year. To deliver planned service in 2025, NCAT needs a total of \$200k in municipal donations, doubling the previous year's amount.

However, because there is no mandatory donation amount, municipalities can donate less than the requested amount or withhold their donation entirely. The lack of mandatory contributions also forces NCAT to renegotiate its municipal donations each year, as a municipality that has donated in the past is not certain to continue doing so. This system results in reduced, unpredictable local funding that is difficult to budget and plan against. Furthermore, the absence of mandatory contributions to NCAT may

discourage municipalities from supporting NCAT, as they may view any donations they make as a subsidy to municipalities that contribute less.

The current donation-based funding system also puts smaller municipalities at risk. Because larger municipalities have higher ridership and population, NCAT requests more funding from them. If one of these larger municipalities unexpectedly withholds its donation, the resulting budget gap could force NCAT to reduce service in smaller municipalities regardless of whether those communities have fully met their requested contributions.

NCAT could potentially make a stronger ask for municipal donations by reducing service for municipalities that do not donate, but NCAT is hesitant to do this because of the impact this would have on the municipality's residents and countywide mobility.

City of Ottawa Budget

NCAT is a grantee of the City of Ottawa, but there is no special process or legal obligation for the City to provide cash contributions. As with other municipalities, NCAT's Transit Director submits donation requests to the mayor each year based on the City's ridership and population. The Commissioner of Finance is ultimately responsible for authorizing Ottawa's donation to NCAT, though City Council approval is required for donations exceeding \$7,500. Ottawa donated \$10,000 to NCAT in both 2024 and 2025 but did not provide cash donations in prior years.

However, the City of Ottawa has provided significant in-kind support since the agency's establishment that has not appeared in NCAT's budget. The City fully covers the cost of several essential services, including human resources, insurance for vehicles and facilities, select facility repairs, landscaping, snow removal, and minor utility work. The monetary value of these contributions is difficult to quantify because they are embedded in the City's finances, but their total value likely exceeds Ottawa's or any other municipality's cash donations.

NCAT is deeply grateful for this support. However, Ottawa has no legal obligation to provide either cash or in-kind contributions and could withdraw its support at any time. This is a significant risk to NCAT, as the loss of Ottawa's funding would severely destabilize the agency. It also poses a risk to LaSalle County and other municipalities served by NCAT, which contribute far less and are effectively subsidized by Ottawa's support.

Governance Existing Conditions

Staffing

In 2025, NCAT budgeted \$1.85 million for payroll, which made up 35 percent of its total budget. The majority of payroll expenses, 65 percent, went to bus operators, who make up 73 percent of the agency's staff. Administrative staff accounted for 17 percent of the payroll (Figure 7). The Maintenance Supervisor is the only immediate vacancy. The Assistant Director of Transit is also currently unfilled, though NCAT does not plan to hire for the role until 2026. The agency is housed within the City of Ottawa and is headed by the Transit Director, who reports to the City's Accounts and Finance Department.

NCAT also receives staffing support from the City of Ottawa beyond the agency's dedicated transit employees. NCAT reimburses the City of Ottawa for IT and legal services, while human resources and select facilities repairs are provided without charge. This enables NCAT to forgo hiring for these roles, resulting in a reduced payroll and streamlined organization chart (Figure 6) focused on delivering high quality service.

Figure 6. NCAT Organizational Chart

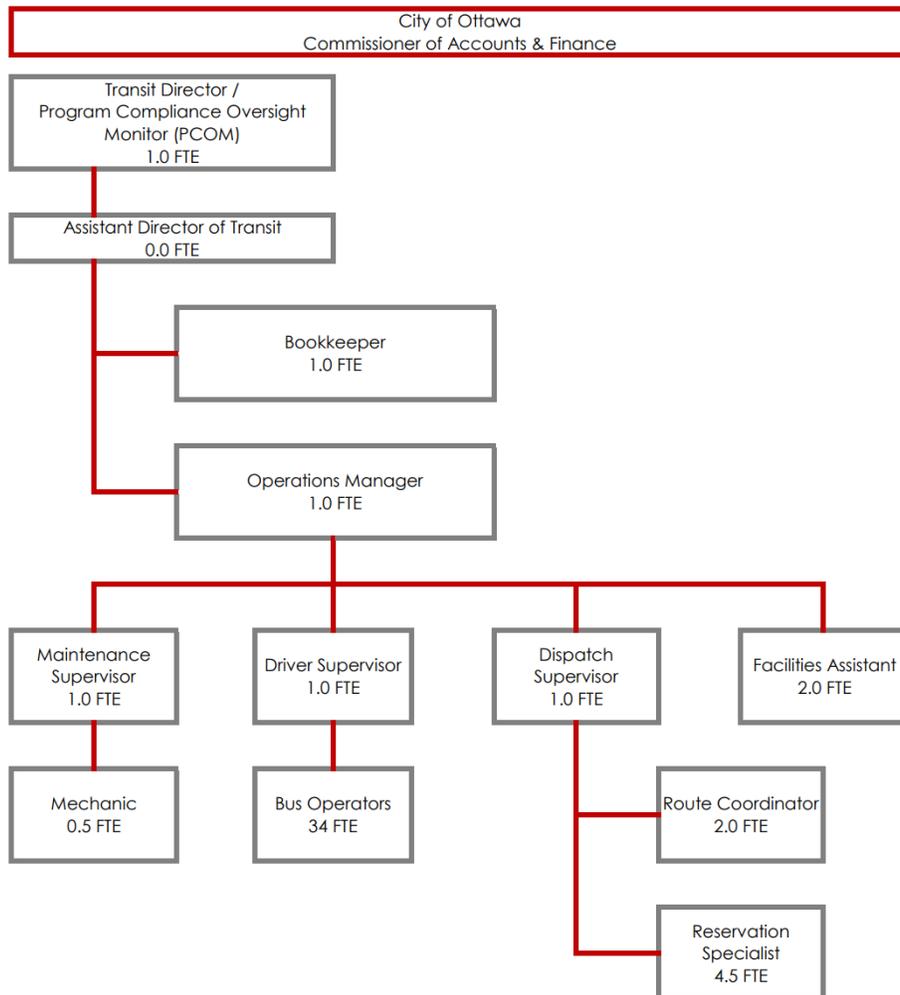
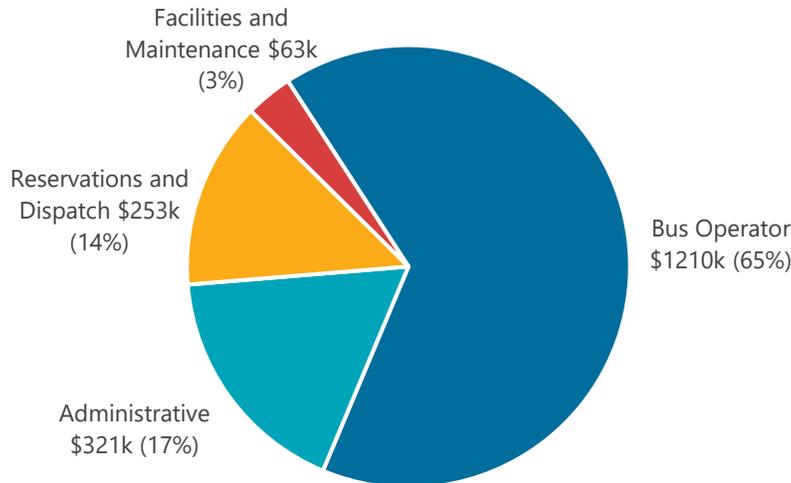


Figure 7. 2025 Budgeted Payroll by Department



Decision-Making

NCAT operates under the City of Ottawa’s Accounts and Finance Department, with Ottawa’s Mayor ultimately holding responsibility for the system. Decisions require approval by the City Council, which is comprised of the Mayor and four elected commissioners. Even though NCAT provides countywide service, there is no formal venue through which other municipalities or LaSalle County can weigh in on NCAT’s decisions. Municipalities and the County can still influence decision-making by participating in working group meetings and negotiating donations, but this offers far less leverage than having a formal, statutory role in the agency’s governance. The absence of a more regional governance structure presents different drawbacks for NCAT, the City of Ottawa, other municipalities, and LaSalle County (Table 3).

Table 3. Drawbacks to NCAT’s Current Governance Structure

Drawbacks for NCAT and the City of Ottawa	Drawbacks for other municipalities and LaSalle County
<ul style="list-style-type: none"> Without more meaningful involvement in NCAT’s decision-making, municipalities and LaSalle County may be hesitant to commit additional funding to NCAT. This governance challenge contributes to NCAT’s difficulties in securing larger, more predictable funding from municipalities. Without strong governance incentives for LaSalle County or other municipalities to fund NCAT, the City of Ottawa is left to shoulder the high-cost burden of NCAT’s essential services including human resources, insurance for vehicles and facilities, select facility repairs, landscaping, snow removal, and minor utility work on their own. For NCAT to be most successful, there needs to be a shared sense of ownership and accountability across the county and its municipalities. The existing governance structure does not encourage this. 	<ul style="list-style-type: none"> Because NCAT’s decisions need approval from the Ottawa’s City Council, NCAT can be especially vulnerable to local political priorities which may not always align with mobility needs across the service area. Because there is no formal process for involving governments outside the City of Ottawa in NCAT’s decision-making, it can be challenging for these groups to build and maintain strong relationships with the transit agency. As a result, these governments may have fewer opportunities to communicate and advocate for their transportation needs.

Existing Conditions Takeaways

Budget

- NCAT's total budget to maintain existing service is expected to decrease slightly once the agency resolves its limited capital needs. However, service expansion will require additional funding.
- There are limited opportunities to reduce cost without cutting service.
- There is no dedicated NCAT funding stream provided by municipalities or LaSalle County. This results in unpredictable budgets, limiting opportunities to expand service.

Municipal and County Funding

- Local funding is key because it gives NCAT the most control. Additional local funding can also unlock additional state and federal funding by increasing local match.
- The City of Ottawa makes significant non-cash contributions to NCAT in the form of staff and services. Ottawa benefits from these contributions, but they also subsidize LaSalle County and other municipalities who receive service but contribute less funding to NCAT.
- Local funding is fragile because it depends on non-obligatory municipal donations that are renegotiated each year. NCAT lacks the leverage to secure larger, more consistent municipal funding because municipalities receive the service regardless of how much they contribute to NCAT.
- NCAT provides countywide service but does not receive financial support from LaSalle County.
- Awareness and understanding of NCAT's services and structure are among some municipalities.
- NCAT doubled its locally generated funding from 2024 to 2025. The agency has identified opportunities to further increase the funding it generates for itself by revisiting its service agreements and Medicaid reimbursement contracts. This funding helps the agency provide high quality service, but additional funding from municipalities and LaSalle County will be needed to expand service.
- Any new tax to fund transit would be difficult to pass. A property tax would be particularly challenging.

Governance and Relationships

- For NCAT to be most successful, there needs to be a sense of shared ownership and accountability across the county and its municipalities. The existing governance structure does not encourage this.
- NCAT's decisions go through Ottawa's City Council. Other municipalities and LaSalle County are excluded from this decision-making process. This results in a weak incentive for governments outside the City of Ottawa to donate to NCAT.
- Because NCAT answers to an elected city council, long-term regional transportation needs can sometimes compete against short-term local priorities.
- NCAT generally has good relationships with community organizations and institutions, many of which rely on NCAT service. These organizations could help NCAT build support for additional long-term funding streams to expand service.

Funding Needs

NCAT's funding needs were identified through the Comprehensive Operations Analysis, Future Service Framework, and Funding and Governance Existing Conditions. These reports produced the following key takeaways:

1. More service is necessary to keep up with demand.
2. Increased service is recommended to occur in three phases beginning with longer service hours and ending with regional service across LaSalle County. Each phase will require additional operations funding⁴ (Table 4).
3. Due to rising costs and uncertain federal and state funding, additional operations funding is not only needed to increase service levels, but also to maintain existing service.

Table 4. Operating Funding Needs

Service Scenario	Additional Service Provided ⁵	Necessary Annual Operating Funding
Current Service Levels, 2025	NA	\$3.2 million
Phase 1 Service Increase	Increased capacity during current service hours Longer service hours	Additional \$783,500
Phase 2 Service Increase	Weekend service Microtransit Local deviated routes	Additional \$3.2 million
Phase 3 Service Increase	Regional routes Service to other counties	Additional \$430,700 and up

Increasing Local Match

NCAT receives federal funding through the 5311 Program and state funding through the Downstate Operating Assistance Program (DOAP). To receive this funding, NCAT must provide local match⁶. Eligible match sources and considerations for increasing them are described in Table 5.

⁴ Operations funding covers the daily costs of delivering transit service. This includes driver salaries, vehicle fuel, and maintenance parts. See the Funding and Governance Existing Conditions Report for a detailed description of operating expenses.

⁵ See the Future Service Framework for additional detail

⁶ DOAP funding covers 65% of operating expenses or the operating deficit, whichever is lower.

Table 5. Eligible Local Match Sources

Eligible Match Source	Considerations to Increase Match
Tax levies	NCAT does not use any tax revenues to fund service and cannot do so under its current governance structure. Even if NCAT could access tax revenues, doing so would be challenging politically. This is a challenge across the state, as there are no strong examples of tax-funded rural transit systems in Illinois.
Transit fares	NCAT's fare collection system works well, so the agency generally captures the fares it is owed. Therefore, to increase revenue, NCAT would need to increase its fare cost. Higher fares would make transit less accessible and could reduce ridership.
Advertising	NCAT is beginning to sell advertising rights on its vehicles. This will produce a modest increase in local match.
In-kind/non-cash contributions	The City of Ottawa provides significant in-kind support to NCAT. However, because this support is not documented, the agency cannot currently claim it as federal or state match.
Service contracts	NCAT has some contracts to serve local employers, institutions, and non-profits, but its program is smaller than some of its peers. The difference reflects both the limited demand for service contracts in LaSalle County and the need to retain capacity so that rides remain available to the general public.
Funding from local organizations/jurisdictions	Advertising, in-kind contributions, and service contracts are all opportunities to increase local match. However, the strongest opportunity to increase funding is increasing the contributions it receives from the jurisdictions it serves. See below.

Additional Funding Begins with Jurisdictions Served

Whether NCAT wants to maintain or increase service levels, contributions from these jurisdictions must be at the center of efforts to increase operations funding for the following reasons:

Opportunity

Community donations are locally generated revenues that NCAT negotiates directly with jurisdictions receiving service. As a result, there is far more opportunity to increase community donation funding than federal or state funding, which NCAT has less control over.

Match

Unlike some other locally generated revenues, NCAT can use funding contributions from jurisdictions as match for both federal and state funds. Under current federal and state funding rules, NCAT's operating budget could increase by as much as \$2.85 for every additional \$1.00 of local match⁷. This means that larger jurisdiction contributions would beget even more funding from other sources.

⁷ Based on current funding contributions from State of Illinois Downstate Operating Assistance Program.

Jurisdiction Funding Requests

As discussed in the existing funding section, individual jurisdictional contributions, known as “community donations” as part of the Downstate Operating Assistance Program, are requested and negotiated with NCAT’s Transit Director each year. NCAT is grateful for the contributions it receives, but additional funding is required to meet the existing funding need, let alone to increase service.

This funding shortfall has two main causes. First, NCAT does not request enough funding from the jurisdictions it serves. Second, actual jurisdictions tend to fall short of NCAT’s total request (Figure 8). Currently local jurisdiction contributions make up less than 5% of NCAT’s budget, whereas typical public transit services see 10–20% of funding come from these jurisdictions.

Figure 8. Actual and Budgeted Community Donations by Fiscal Year

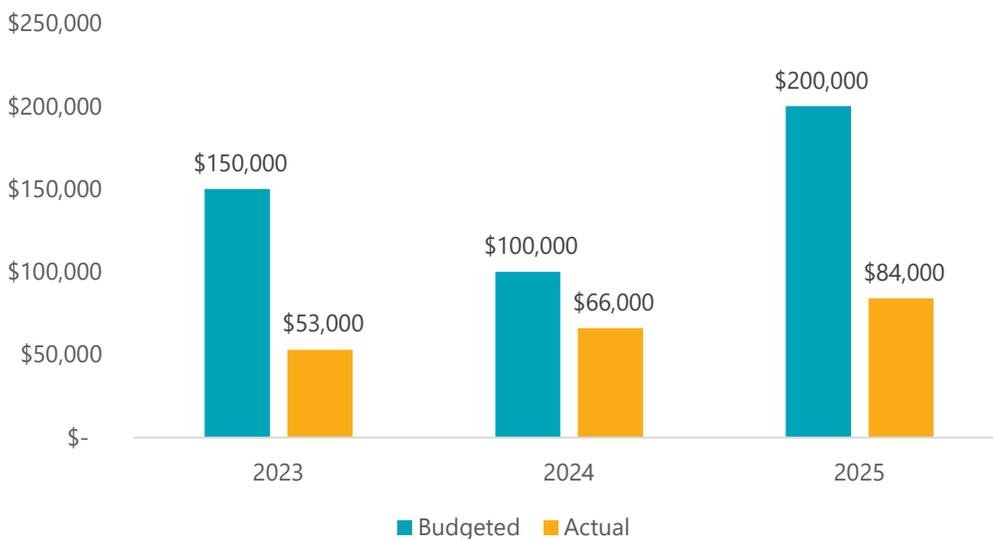


Table 6 estimates how NCAT’s local funding need could be shared across the jurisdictions it serves in three scenarios: the current budget for jurisdiction contributions, the actual jurisdiction funding need, and the future funding needed to implement Phase 1 service. Funding shares are estimated by averaging the percentage of county population within each jurisdiction and percentage of NCAT trips taken in 2024. This way, all jurisdictions pay for the availability of countywide service, while higher ridership areas cover a larger portion of the funding need. While both the funding formula and levels should be adjusted over time based on future conditions, NCAT’s process for setting jurisdiction funding requests should always start with the agency’s actual funding, as shown here.

The “Current Budget” column calculates jurisdiction shares using the same formula described above assuming a goal of \$200K in jurisdiction contributions. This is the amount of jurisdiction contributions that NCAT budgeted for in 2025, but a different calculation was used, so actual funding requests and contribution amounts differ from the numbers shown. The “Current Need” column is based on 15% of NCAT’s \$3.25 million total budget in 2025. The “Increased Service Need” column is based on 15% of the projected \$4 million total budget required to implement Phase 1 service increase.

Table 6. Potential Annual Jurisdiction Funding Shares Based on Population and Ridership

Municipality	Population	Monthly Ridership	Current Budget	Current Need (15% of Total Budget)	Increased Service Need (15% of Phase 1 Budget)
Total	110,000	6,000	\$200,000	\$488,000	\$605,500
County/ Townships	30,260	758	\$40,000	\$97,600	\$121,100
Cedar Point	270	21	\$600	\$1,400	\$1,800
Dana	160	-	\$100	\$400	\$400
Earlville	1,610	11	\$1,600	\$4,000	\$5,000
Grand Ridge	520	10	\$600	\$1,500	\$1,900
Kangley	240	4	\$300	\$700	\$800
LaSalle	9,580	788	\$21,700	\$52,900	\$65,700
Leland	950	-	\$900	\$2,100	\$2,600
Leonore	120	-	\$100	\$300	\$300
Lostant	420	2	\$400	\$1,000	\$1,300
Marseilles	4,850	321	\$9,700	\$23,600	\$29,300
Mendota	7,060	197	\$9,700	\$23,600	\$29,300
Millington	620	-	\$600	\$1,400	\$1,700
Naplate	410	16	\$600	\$1,600	\$1,900
North Utica	1,320	57	\$2,100	\$5,200	\$6,500
Oglesby	3,710	321	\$8,700	\$21,100	\$26,200
Ottawa	18,840	2,232	\$53,900	\$131,500	\$163,100
Peru	9,900	647	\$19,700	\$47,900	\$59,500
Ransom	310	3	\$300	\$800	\$1,000
Rutland	260	-	\$200	\$600	\$700
Seneca	2,350	28	\$2,600	\$6,300	\$7,900
Serena	130	-	\$100	\$300	\$400
Sheridan	2,430	-	\$2,200	\$5,400	\$6,700
Streator	12,500	615	\$21,500	\$52,400	\$65,100
Tonica	750	40	\$1,300	\$3,300	\$4,100
Triumph	100	-	\$100	\$200	\$300
Troy Grove	230	-	\$200	\$500	\$600
Wedron	140	-	\$100	\$300	\$400

Potential Funding Mitigation Strategies

If NCAT experiences funding shortfalls and cannot continue serving the entire county equally, they would be forced to make difficult decisions about which areas to serve depending on the funding they receive. As part of this process, the agency would need to consider strategies to incentivize jurisdiction funding through the service they provide. Potential strategies are listed in Table 7.

Table 7. Municipal Funding Incentives and Disincentives

Incentives	Disincentives	Both ⁸
<ul style="list-style-type: none"> • Service improvements • Fare subsidies • Performance metrics demonstrating the value of contributing to service from municipalities 	<ul style="list-style-type: none"> • Reduced service 	<ul style="list-style-type: none"> • Prioritized trips • Participation in decision-making, including via the Transit Advisory Group

⁸ These strategies function as incentives to contributing municipalities, as more resources will be directed toward them, resulting in better service. At the same time, these strategies divert resources away from municipalities that do not contribute to NCAT, resulting in poorer service.

Future Governance Scenarios

With the additional request of local jurisdictions for funding, there may be a greater desire from jurisdictions outside of the City of Ottawa to be part of the decision making for NCAT. Even though NCAT is generally well-managed in its current position within the City of Ottawa, the agency’s need for additional funding in the longer term necessitates an evaluation of alternative governance structures.

Under current state law, there are a few governance options NCAT could explore. The project team considered the opportunities and risks of NCAT adopting the following governance structures:

1. **Remain within the City of Ottawa**
2. **Shift to LaSalle County**
3. **Create or join a mass transit district**

Scenario 1: Remain Within the City of Ottawa

Under Governance Scenario 1, NCAT would remain in its current position within the City of Ottawa. Opportunities to improve funding and governance hinge on a reformed Transit Advisory Group (TAG) and stronger jurisdiction funding commitments through intergovernmental agreements (IGAs).

TAG reform should focus on formalizing the group’s role in decision-making and empowering its members. To achieve this, NCAT should adopt a charter that outlines the TAG’s roles and responsibilities. The reformed TAG would continue to include community organizations as well as municipal and county representatives. However, the charter would also set expectations for its composition, reserving seats for parties that provide significant funding through multi-year IGAs. This structure would help smooth jurisdictional contributions over time and give funding partners a stronger voice in NCAT’s decisions—ultimately encouraging larger and more consistent financial support.

NCAT can implement TAG reform and multi-year IGAs with funding partners in the short-term, but additional work may be necessary to resolve NCAT’s longer term funding needs. Even with an empowered TAG, the systemic mismatch between service, decision-making, and funding would persist because Ottawa’s City Council retains ultimate control over NCAT’s investments. As a result, jurisdictions may remain hesitant to contribute funding. Furthermore, while the City of Ottawa’s leadership has had strong champions for NCAT to date, sustained support over the longer term is not guaranteed.

Table 8. Opportunities and Risks of Remaining within the City of Ottawa

Focus Area	Opportunities/Advantages	Risks
Funding	<ul style="list-style-type: none"> • Larger and more predictable jurisdiction contributions through multi-year IGAs. • Continued in-kind support from City of Ottawa covering NCAT’s insurance, HR, and other services. 	<ul style="list-style-type: none"> • Continued perception that NCAT is mainly a City of Ottawa project, resulting in hesitancy to contribute funds. • Limited funding incentive for other jurisdictions served. • As a local agency, NCAT’s jurisdiction funding requests are weaker than they would be if NCAT were a regional authority.

Focus Area	Opportunities/Advantages	Risks
Governance	<ul style="list-style-type: none"> The City of Ottawa has been an effective and willing champion of NCAT since its founding. Establish a formalized TAG by charter with seats dedicated to contributing jurisdictions for a more inclusive decision-making process. 	<ul style="list-style-type: none"> Other jurisdictions served cannot directly vote on NCAT's decisions. NCAT is vulnerable to longer term shifts in priorities by the City of Ottawa's leadership. Ultimate decision-making authority rests with elected officials who may or may not prioritize transit in the long term.

Scenario 2: Shift to LaSalle County

Under Scenario 2, NCAT would shift from the City of Ottawa to LaSalle County. The same multi-year funding IGAs and TAG reforms described under Scenario 1 are recommended. However, if NCAT shifted to the county, the agency could increase its funding even further for the following reasons:

1. NCAT's governance and service area would match, giving municipalities that receive service a stronger voice in decision making. This could incentivize additional funding.
2. LaSalle County has countywide taxing authority, which they could use to increase local match for NCAT even without enacting a tax levy dedicated specifically for transit.
3. There is a perception among several municipalities that NCAT is primarily a City of Ottawa project, so other municipalities have less of a responsibility to fund NCAT. This perception could be eliminated if NCAT was managed within the county.

The biggest challenge to the success of Scenario 2 is LaSalle County's interest in managing NCAT. Not only would the County have to agree to the transition, but they would also have to prioritize transit over the long term. This includes assuming responsibility for the in-kind support that the City of Ottawa currently provides. LaSalle County declined to host NCAT when transit service began in 2012 and has not contributed any non-grant funding to NCAT to date.

Table 9. Opportunities and Risks of Shifting to LaSalle County

Focus Area	Opportunities/Advantages	Risks
Funding	<ul style="list-style-type: none"> A dedicated fund for transit could be established within the existing county budget. NCAT's entire operating budget was less than 8% of LaSalle County's budgeted general fund in 2025⁹. Larger and more predictable jurisdiction contributions through multi-year IGAs. Strong jurisdiction funding requests from a regional authority. A dedicated transit funding stream could be established through a countywide tax matching NCAT's service area. However, any new tax would be politically challenging. 	<ul style="list-style-type: none"> LaSalle County would need to assume responsibility for in-kind services currently provided by the City of Ottawa. NCAT would struggle to bear these costs alone. Additional jurisdiction funding, including from LaSalle County, is not guaranteed.

⁹ LaSalle County 2025 Budget, LaSalle County, 2024, <https://lasallemountyil.gov/ArchiveCenter/ViewFile/Item/251>

Focus Area	Opportunities/Advantages	Risks
Governance	<ul style="list-style-type: none"> • Ultimate decision-making authority rests with the County Board, representing the entire service area • Establishes a formalized TAG by charter with seats dedicated to contributing jurisdictions for a more inclusive decision-making process. 	<ul style="list-style-type: none"> • LaSalle County’s leadership would need to strongly champion NCAT. The County declined to host NCAT at its founding in 2012 and does not contribute funding to NCAT. • Ultimate decision-making authority rests with elected officials who may or may not prioritize transit.

Scenario 3: Create or Join a Mass Transit District

As designated by the State of Illinois, mass transit districts (MTDs) are public agencies that operate independently from any municipality or county. MTDs have a dedicated board of trustees responsible only for the transit district. MTDs can be formed in urban or rural areas. Rural MTDs are formed at the county or multi-county level. Examples include South Central Transit, Rides MTD, and Reagan MTD.

Becoming a transit district would make sense for NCAT if (a) the recommendations described in Scenario 1 are not generating adequate funding and (b) if the agreements required to implement Scenario 2 cannot be secured. MTDs present many of the same benefits as Scenario 2, such as stronger funding asks to jurisdictions and better alignment between service area and governance structure.

However, MTDs can provide further funding opportunities beyond a county-governed system. MTDs have more leverage to negotiate funding with IDOT, are eligible for more grants, and have the authority to expand the service area to improve regional service. Furthermore, MTDs have a dedicated Board of Trustees who are responsible exclusively to transit. These Boards tend to be more knowledgeable about transit and more accessible to agency staff, improving decision-making and long-term agency strategy.

However, becoming an MTD will require significant time and resource investment. The transition requires several transactions and agreements with IDOT, requiring a legal team. The City of Ottawa, LaSalle County, and any other counties receiving service would also need to vote to approve the MTD. Reagan MTD transitioned from a county governance structure to MTD in 2024 after a 4.5-year process.

The other key challenge in establishing an MTD relates to overhead costs including human resources, insurance, facility maintenance, utilities, landscaping, and other services. The City of Ottawa provides these services in kind today, but NCAT would need to pay for them independently as an MTD. The cost of these services would be significant and includes additional full-time hires. Reagan MTD’s monthly vehicle insurance bill alone went from \$1,300 to \$15,000 after becoming an MTD¹⁰. Despite these challenges, the flexibility and funding opportunities of an MTD make Scenario 3 an attractive option for the longer term. A detailed list of opportunities and risks of creating an MTD are shown in Table 10.

¹⁰ The dramatic cost increase is in part due to the higher insurance rates for a newly formed MTD compared to a pre-existing organization with demonstrable insurance history.

Table 10. Opportunities and Risks of Becoming an MTD

Focus Area	Opportunities/Advantages	Risks
Funding	<ul style="list-style-type: none"> • Strong jurisdiction funding requests from a regional authority. • Greater access to IDOT funds. • NCAT’s Board of Trustees would be able to hold a property tax referendum to establish a dedicated funding stream for NCAT. No rural transit district in Illinois has exercised this power. 	<ul style="list-style-type: none"> • NCAT would assume responsibility for services currently provided by the City of Ottawa. This may necessitate hiring additional staff. • Additional jurisdiction funding is not guaranteed.
Governance	<ul style="list-style-type: none"> • Ultimate decision-making authority would rest with a Board of Trustees appointed by municipalities that receive service. This Board would represent the entire service area and would be responsible only for NCAT. • Establish a formalized TAG by charter with seats dedicated to contributing jurisdictions for a more inclusive decision-making process. 	<ul style="list-style-type: none"> • The transition to a transit district would require a significant amount of time and effort from staff. At a minimum, the City of Ottawa, LaSalle County, and IDOT would each need to approve the transition.

MTD Governance Scenarios

NCAT could choose to pursue an MTD in multiple ways:

- **Scenario 3A:** Establish a new MTD serving:
 - a. Primarily LaSalle County (same as current service area) OR
 - b. LaSalle County AND one or more neighboring county¹¹ (Kendall, Bureau, and/or Grundy County).
- **Scenario 3B:** Join Reagan MTD, the only existing MTD bordering NCAT’s current service area.

Table 11 compares these options for rendering service as an MTD. The key considerations discussed in the figure are described below:

Service area: MTDs present opportunities to expand NCAT’s service area¹² beyond LaSalle County and better serve regional connections. Expanding the service area would increase NCAT’s funding needs, but there would also be more federal, state, and local funding available. Furthermore, resources could be shifted from other parts of the expanded service area to meet demand in LaSalle County if there is excess capacity elsewhere in the system. However, resources could also be shifted away from LaSalle County against the wishes of its representatives, though provisions in the MTD’s enabling legislation can guard against this. Overall, there are benefits and risks to an expanded service area. There is no clearly favored service area option.

Approvals needed for transition: The approvals needed to become an MTD depend primarily on the official boundaries of the MTD. In each scenario, both the City of Ottawa and LaSalle County would need

¹¹ County must not already be part of an MTD.

¹² An MTD’s service area may be different from its official boundary. The official boundary of an MTD is defined by the jurisdictions that appoint members to the MTD’s board of trustees. MTDs are permitted to extend service beyond these boundaries with the approval of IDOT. For example, RMTD’s official boundary is defined by Lee and Ogle Counties, but they also serve Winnebago County through a service contract.

to sign off on the MTD. Under Scenario 3B, any neighboring county boards that seek to be included in the MTD would also have to give their formal approval. This would be the key factor in determining which of Kendall, Bureau, and/or Grundy County would be included. To join Reagan MTD, their Board of Trustees, which is comprised of representatives from Lee and Ogle Counties, would have to formally vote to annex NCAT and serve LaSalle County. This criterion favors scenario 3A.a because it requires the fewest approvals and depends exclusively on current NCAT stakeholders (City of Ottawa and LaSalle County).

Appointments to Board of Trustees: Appointments to an MTD’s Board of Trustees must be made by the counties within the MTD’s official boundary. In each MTD scenario, LaSalle County would be responsible for making these appointments, though the City of Ottawa could support the County in these decisions. In Scenarios 3A.b and 3B, partner counties would also make appointments to the Board. In general, these appointments should come from the strongest champions of transit.

Additional administrative costs: As an independent MTD, the City of Ottawa would no longer cover overhead expenses such as human resources, vehicle insurance, and facilities maintenance. Under Scenario 3A.a, NCAT would have to set up the administrative capacity to cover these costs on their own. This is among the largest challenges to Scenario 3A.a, as these overhead costs are high and would likely include hiring additional full-time staff. Scenarios 3A.b and 3B would allow NCAT to share these costs with partner jurisdictions, though joining Reagan MTD is a preferable option, as since Reagan MTD already has the necessary management infrastructure in place.

Taxation authority: Under each MTD scenario, the Board of Trustees would have the authority to hold a property tax referendum to create dedicated funding for transit. However, this may not represent any significant funding opportunity for NCAT, as no rural MTD has exercised this authority in Illinois. Still, political sensitivities around taxation could pose a challenge, as some counties may be reluctant to support the creation of a new entity with taxing authority. This challenge applies to each of the MTD governance scenarios.

Table 11. MTD Transition Considerations

Scenario	Service Area	Approvals Needed for Transition	Board of Trustees Appointed By	Additional Administrative Costs	Taxation Authority
Create a New Transit District: LaSalle County Only	City of Ottawa and LaSalle County			Sole responsibility of NCAT	Board of Trustees can hold referendum to enact property tax ¹³
Create a New Transit District: LaSalle County + Neighbor(s)	City of Ottawa, LaSalle County, and county partners: One or more of Kendall, Bureau, or Grundy			Shared between NCAT and partner counties	
Join an Existing Mass Transit District (RMTD)	LaSalle, Lee, Ogle, and Winnebago Counties	City of Ottawa, LaSalle County, and RMTD	City of Ottawa, LaSalle, Lee, and Ogle Counties	Shared between NCAT and RMTD	

¹³ No rural transit agency in Illinois has exercised this power.

Funding & Governance Recommendations

Scenario Evaluation

The governance scenarios were evaluated based on the analysis above, feedback from NCAT's TAG, guidance from IDOT, and lessons learned from RMTD. Takeaways are described below and summarized in Figure 9:

Scenario 1: Remain within the City of Ottawa

Scenario 1 includes strategies that can be implemented today to improve NCAT's funding and governance. However, because there would be no structural change, the agency would be vulnerable to future funding and governance gaps if the short-term strategies do not have an adequate impact. Another benefit of Scenario 1 is that NCAT would remain with the City of Ottawa, who has demonstrated strong leadership and support for NCAT since the agency was established. Scenario 1 is recommended as a low-cost option to improve funding and governance in the short term.

Scenario 2: Shift to LaSalle County

While Scenario 2 would resolve NCAT's mismatch between service, funding and governance, there are significant concerns about LaSalle County's interest in leading NCAT. This challenges both the coordination required for NCAT to change its governance structure and NCAT's long-term governance capacity. Scenario 2 is not recommended because of these risks.

Scenario 3A: Create a New Transit District

Scenario 3A has strong potential for funding and governance. This scenario would allow NCAT to retain more independence than Scenario 3B; full decision-making authority would remain within LaSalle County if NCAT continues its existing service area, or NCAT could partner with a neighboring county who demonstrates a long-term commitment to supporting and funding transit. This is the preferred scenario if NCAT pursues an MTD.

Scenario 3B: Join Reagan MTD

Like Scenario 3A, Scenario 3B offers strong long-term funding and governance potential with a challenging transition process. The success of this scenario depends on the partnership with Reagan MTD's Board of Trustees, who are appointed by Lee and Ogle County. The TAG had mixed expectations about the success of this partnership. Therefore, while Scenario 3B is not eliminated as an option to improve funding and governance, Scenario 3A is currently preferred.

Figure 9. Scenario Evaluation

Governance Scenario	Ease of Transition			Outcomes	
	Time Required	Coordination Needed	Additional Administrative Cost Burden	Funding Potential	Governance Capacity
Remain at City of Ottawa Scenario 1					
Shift to LaSalle County Scenario 2					
Create a New Transit District Scenario 3A					
Join Reagan MTD Scenario 3B					

 Favorable
  Moderate
  Challenging

These scenario recommendations represent different paths NCAT can take to improve its funding and governance capacity. However, there are several strategies that NCAT can apply regardless of the governance scenario it pursues:

Overhaul the Jurisdiction Donation Process: To better communicate the need for funding to the jurisdictions NCAT serves, NCAT should move away from the term “donations” and adopt stronger language like “jurisdiction funding share” or “jurisdiction funding contribution”. NCAT should also use multi-year IGAs to smooth jurisdiction funding over time and increase contribution amounts. When negotiating these agreements, the funding amount that NCAT requests from each jurisdiction should be linked to the agency’s funding need rather than the purely ridership- and population-based calculation NCAT uses today. As a general rule, jurisdiction contributions should make up 10% - 20% of total funding. NCAT should collect performance metrics by jurisdiction and regularly follow up with funding partners to communicate both the value of service to the community and return on investment.

Formalize the TAG: To strengthen NCAT’s regional decision-making capacity and incentivize jurisdiction contributions, NCAT should enact a charter to formalize the TAG’s structure and role in decision-making. City of Ottawa staff and elected officials recognize that additional participation from partners could engender a more robust sense of ownership and a responsibility for service quality, staffing, and funding.

Service-Based Funding Incentives: NCAT should proactively consider strategies to encourage and reward local contributions by adjusting service based on available funding forecasts. This will help prevent abrupt service reductions that harm the community. This policy would also help NCAT honor agreements with jurisdictions that provided the requested funding.

Recommended Phasing Approach

NCAT needs to balance the need for immediate funding and governance improvements with the reality that the process of changing its governance model will require significant time and resources. Because of this, a phased approach is recommended (Table 12). NCAT should start with the shorter-term improvements described in Scenario 1 to stabilize funding, as these can be fully implemented in the next three years. At the same time, NCAT should prepare for Scenario 3 so they can immediately begin the transition to an MTD as early as 2027 to enhance longer term funding and governance capacity.

The process of transitioning to an MTD would take at least two years, but the medium and long term recommendations are designed to be flexible based on NCAT’s future needs. There are several cases in which NCAT may delay or forgo an MTD transition after the first phase of funding and governance recommendations are complete.

- In the best case, governance reforms in Scenario 1 could help NCAT generate sufficient funding without requiring an MTD transition.
- Unforeseen changes to the state or federal landscape could reduce the funding and governance advantages that MTDs offer today.
- NCAT might prioritize increasing service after implementing short-term funding and governance recommendations, leaving insufficient staff capacity to pursue an MTD until the service change is complete.

No matter the outcome, NCAT will retain flexibility on whether and how to pursue an MTD transition based on a full legal and financial analysis, as well as the input of key stakeholders at the City of Ottawa. NCAT staff will continue to prioritize building the coalition for transit in LaSalle County to achieve more stable local funding and more representative governance, enabling the transit system to better meet the needs of current and future riders.

Table 12. Recommended Phasing Approach

Phase	Recommendation	Rationale
Short Term 1-3 Years	Implement Scenario 1: <ul style="list-style-type: none"> • Grow local revenues through donations and IGAs. • Formalize and expand the Transit Advisory Group to give funders a stronger voice in decision-making. 	Scenario 1 improvements can be implemented in the short term, but the increased funding and improved governance capacity may not solve NCAT’s longer-term challenges.
Medium Term 4-6 Years	Prepare for Scenario 3: <ul style="list-style-type: none"> • Pursue legal advice and IDOT support necessary for creating or joining an MTD. • Build local consensus for the MTD transition. 	Formal, deliberate preparation can allow NCAT to accurately assess the benefits and costs related to creating or joining an MTD, including considerations related to staffing and asset transfer. Building consensus among existing partners can help NCAT achieve the political support needed for the governance transition.
Long Term 7-10 Years	Incorporate Scenario 3: <ul style="list-style-type: none"> • Create or join an MTD. 	Funding and governance capacity will increase with the formation of an MTD, positioning NCAT for future growth.