

Clause No. 2 in Report No. 9 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on May 15, 2014.

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**YORK REGION TRANSIT (YRT/VIVA)
TRANSIT OPERATION AND MAINTENANCE CONTRACTS**

Committee of the Whole recommends:

- 1. Receipt of the presentation by Richard Leary, General Manager, York Region Transit.**
- 2. Adoption of the following recommendations contained in the report dated April 11, 2014 from the Commissioner of Transportation and Community Planning:**

1. RECOMMENDATIONS

It is recommended that:

1. Council approve award of a contract for transit operation and maintenance of the Viva Bus Rapid Transit service to Tok Transit Limited pursuant to Request for Proposal P-13-40, and authorize execution of the contract on behalf of the Region, on the following terms:
 - a) The term of the contract be seven years, commencing on September 6, 2015, and terminating at the conclusion of the September 5, 2022 service day, with an option for the Region to renew for an additional term of up to three years.
 - b) The Commissioner of Transportation and Community Planning be authorized to execute the option to renew the contract for a further term of up to three years, subject to Tok Transit Limited's satisfactory performance throughout the initial term.
 - c) The Region compensate the contractor for activities during the start-up period from May 1, 2015, to September 5, 2015, at a cost not to exceed \$1,000,000.

- d) The Region pay the contractor an initial hourly operating rate of \$72.98, subject to annual rate adjustments as defined in the contract, resulting in a total estimated cost for the seven-year term of \$212,099,800, excluding HST, based on estimated billable hours included in the 2014 budget submission.
2. Council authorize an extension of the contract between the Region and Tok Transit Limited for conventional transit operations and maintenance service for York Region Transit's North Division on the following terms:
 - a) The contract be extended for a further term of four years, from April 2016 to April 2020, on the terms outlined in this report.
 - b) The Region pay the contractor an initial hourly operating rate of \$74.95, subject to annual rate adjustments as defined in the contract, resulting in a total estimated cost of the contract extension for four years of \$55,478,000, excluding HST, based on estimated billable hours included in the 2014 budget submission.
 3. Council authorize an extension of the contract between the Region and Miller Transit Limited for conventional transit operation and maintenance service for York Region Transit's Southeast Division on the following terms:
 - a) The contract be extended for a further term of seven years, from October 2016 to October 2023, on the terms and conditions outlined in this report.
 - b) The Region pay the contractor an initial hourly rate of \$89.45, subject to annual rate adjustments as defined in the contract, resulting in a total estimated cost of \$229,231,000, excluding HST, based on estimated billable hours included in the 2014 budget submission.
 - c) The Commissioner of Transportation and Community Planning be authorized to extend the term of the contract up to an additional three years to coincide with the completion of construction of the new southeast bus facility, subject to Miller Transit Limited's satisfactory performance throughout the initial seven years of the renewal term.
 - d) The Region compensate Miller Transit Limited \$120,425.06, monthly, excluding HST, adjusted annually by Consumer Price Index (CPI), starting in October 2016, for lease payments on the existing facility and land lease for 8050 Woodbine Avenue, based on the terms and conditions of the existing sub-lease.

2. PURPOSE

This report seeks authorization to award a contract for the transit operation and maintenance of Region-owned buses assigned to the Viva Bus Rapid Transit service to Tok Transit Limited, the highest scoring proponent under RFP P-13-40.

This report also seeks Council approval to extend the bus operation and maintenance contracts on comparatively competitive terms with Tok Transit Limited for the North Division, and with Miller Transit Limited for the Southeast Division.

This report is being submitted to Council to comply with York Region's Purchasing Bylaw.

3. BACKGROUND

York Region Transit (YRT/Viva) contracts out the bus operation and maintenance of its conventional, Bus Rapid Transit (BRT), Community Bus and Mobility Plus services to private contractors. In addition, the Toronto Transit Commission (TTC) operates ten core routes, under contract with the Region, across southern portions of the Region to and from destination points in the City of Toronto.

In 2014, the YRT/Viva system will consist of more than 125 routes and is expected to carry an estimated 23.5 million revenue passenger trips.

A Transit Operation and Maintenance Contract Strategy was endorsed by Council in October 2008

Outlined in the Strategy is YRT/Viva's go-forward approach for the five operation and maintenance contracts administered by the Region for conventional, BRT and Community bus services, and the ongoing use of private contractors to deliver transit services, including separate contractors which deliver Mobility Plus services.

In the Contract Strategy, several strategic elements were developed by staff based on experience with performance-based operation and maintenance contracts, as well as knowledge gained from other transit systems in North America which use private sector contractors to deliver transit services.

Table 1 is a summary of the five conventional, BRT and Community bus operation and maintenance contracts administered by YRT/Viva.

Table 1
 Summary of Existing Operations and Maintenance Contracts (excluding Mobility Plus)

Division (Service Area)	Contractor	Expiry Date	Current Hourly Rate as of March 31, 2013	Value (2013)
Viva BRT	Veolia Transportation	September 2015	\$ 74.30	\$ 20,436,471
Southwest	Veolia Transportation	August 2015	72.66	27,066,810
Southeast	Miller Transit	October 2016	84.97*	31,004,987
North	Tok Transit	April 2016	74.24	13,796,394
TTC	TTC	Open-ended	160.00**	16,901,762
Total				\$109,206,424

*Southeast, Miller Transit, operating rate includes full cost.

**TTC hourly rate includes administrative, fuel and capital depreciation costs.

A Transit Storage and Maintenance Facility Strategy was endorsed by Council in January 2006

Council endorsed the strategy for the Region to acquire land and construct Region-owned bus garages. One of the key reasons for acquiring Region-owned garages is to enable a competitive procurement process to be undertaken for the bus operations and maintenance contracts.

Over the past eight years, progress has been made in identifying appropriate sites, acquiring land and constructing Region-owned bus garages.

In 2010, the Region constructed a Regional bus garage for the Southwest service area, located at 8300 Keele Street in the City of Vaughan. The garage has capacity to accommodate up to 220 buses.

In 2012, Council approved the purchase of property and a small bus garage from GO Transit at 18110 Yonge Street in the Town of Newmarket. This property is adjacent to the Region-owned bus garage located at 18106 Yonge Street out of which the north service area is operated. This garage is currently over capacity. The 2014 Capital Budget includes funding to amalgamate the two sites and expand the garage over the next few years. The property transfer will take place in 2014.

In 2015, the Region will complete the construction of a new bus garage for the Viva service, located at 35 Orlando Avenue in the Headford Business Park in the Town of Richmond Hill. The garage has the capacity to store 196 buses. The property size will allow for expansion of the facility to store 250 buses. Also included is a bus servicing and maintenance space, as well as an administration area. Occupancy of the garage is on track for spring 2015.

In 2023, the Region will build a bus garage for its Southeast service area. The Region currently operates its southeast service from 8050 Woodbine Avenue in the City of Markham. This facility is leased from the existing contractor, Miller Transit Limited. Staff continues to explore opportunities for property acquisition. Council has approved the 2014 Capital Budget and ten-year forecast, which includes property acquisition in 2016 and construction of a new garage to begin in 2023.

4. ANALYSIS AND OPTIONS

VIVA BUS RAPID TRANSIT SERVICE

The Viva Operation and Maintenance contract term with York BRT Services LP ends in September 2015

York Region's Viva Bus Rapid Transit (BRT) service is currently operated by York BRT Services LP (Veolia Transportation) for a term expiring on September 5, 2015.

In June 2010, Council authorized a contract with York BRT Services LP for three years, to September 7, 2013, with the option to negotiate two additional years to September 5, 2015. In 2012, Council approved a contract extension for two more years to coincide with the revised construction completion date of the new Regional garage in spring of 2015, providing the Region time to complete construction of the new maintenance and storage garage for Viva vehicles.

A Request for Information (RFI) was released in April 2013 to generate interest and obtain input from both local and international bus service delivery contractors on the next Viva contract

During the RFI process, six meetings were held between April and July 2013 with interested proponents. There was significant interest and representation at the meetings from the transit industry. Veolia Transportation Services Inc., Tok Transit Limited, Miller Transit Limited, Coach Canada, Keolis Canada, MV Transportation, National Express, Pacific Western Transit Canada Inc., and Calian Technologies were all represented. Open dialogue was encouraged and many comments and suggestions were received on the proposed Viva Operation and Maintenance RFP document. Participants were provided with details pertaining to the new Viva garage and given the opportunity to inspect the current Viva garage and various Viva buses. In addition to staff from the Transit Branch, representation from the Region's Finance, Risk Management, Supplies and Services, and Property Services Branches participated in the process.

As part of the RFI process, in keeping with the Contract Strategy, Regional staff took the opportunity to revisit critical elements of the contract to achieve the following key objectives:

- Identify cost drivers
- Reduce risk premiums charged to the Region
- Incorporate modern operating practices, such as control centre reporting, maintenance programs, and new training programs developed by the Region
- Develop a comprehensive operating manual to achieve consistency in the delivery of transit services across all divisions
- Review the contract terminology (i.e. contract termination options, insurance requirements)

Changes were made to the contract as a result of the respondents' input during the RFI process, an international best practice review, internal discussions with staff, and current operating practices

Highlights of the contract improvements, followed by the expected benefits of these improvements, include:

- A seven-year contract term with an option to extend for up to three additional years, at the Region's sole discretion
 - Anticipated reduction in hourly rate due to contract term security
 - Provides employment security for contracted staff
 - Improves contractor's ability to hire expert staff
- Contractor to provide 11 comprehensive plans which include start-up, operating, fleet maintenance, garage maintenance, staffing and labour dispute plans
 - Demonstrates the proponent's ability to operate and meet the requirement of the Region regarding delivery of transit services
 - Provides detailed plans up-front. Plans are to be incorporated into the final contract
- Comprehensive standard operating procedures manual
 - Clarifies roles and responsibilities of both the contractor and the Region
 - Provides general direction on operational issues
 - Creates continuity in the delivery of service on a daily basis
- Maintenance and vehicle storage garages will move from contractor-leased facilities to Region-owned bus garages
 - Aligns with the Transit Storage and Maintenance Facility Strategy endorsed by Council
 - Eliminates the requirement of the operating contractor to locate a facility suitable to be retrofitted for a bus garage
 - Minimizes risk to the contractor pertaining to unknown costs associated with the operation and maintenance of a bus garage

- Fleet major mechanical programs and major bus parts will be the responsibility of the Region
 - Provides a proactive approach to bus maintenance
 - Ensures bus life expectancy is met
 - Improves service reliability
 - Ensures major bus parts are inventoried and available when required
 - Reduces risk premiums charged for major mechanical bus maintenance
- Legal language revised pertaining to contract termination based on non-performance or poor performance
 - Incorporates more extensive remedies for poor performance, including clear termination rights
 - Provides the Region with enhanced ability to manage poor performance by the contractor
- Performance security measurement during the contract term (\$2 million letter of credit)
 - Mitigates financial risk to the Region in case of contractor non-performance or abandonment
 - Aligns with the performance security requirements from Corporate Finance
 - Replaces contractor financial viability audit
- Region to pay start-up costs to an upset limit of \$1 million
 - Allows the Region to evaluate RFP financial proposals based strictly on the hourly operating rate
 - Eliminates financial risk to proponents
 - For hiring and training of staff, transporting and minor repairs of buses, moving and facility setup costs
- Annual hourly rate adjustments that will vary between 1.98 and 2.98 per cent, dependent on CPI in the given contract year
 - Minimizes risk to the contractor when negotiating collective bargaining agreements with their local union
 - Ensures a less inflated hourly rate
- Contractor non-revenue vehicles to be provided by the Region (supervisors and inspectors only)
 - Reduces the insurance cost to the contractor
 - Provides the contractor more flexibility in the use of the vehicle
 - Eliminates the cost to the contractor of purchasing new vehicles near the end of the contract period
- Revised training hours to reflect industry best practices
 - Reflects training standards used by transit agencies world-wide
 - The cost of additional training stipulated by the Region will be paid to the contractor at a reduced rate

- Performance Management program restructured
 - Incentive value increased to a maximum of \$500,000 from \$300,000 over each contract year
 - Reduced term of contract for not meeting performance measures
 - New report card and performance ranking matrix created

A Request for Proposal (RFP) for the Viva BRT contract was released in August 2013 which reflected the changes discussed during the RFI process

An RFP for the Viva BRT service was issued on August 22, 2013, with a closing date of October 29, 2013.

The scope of the RFP included the operation and maintenance of the assigned Viva bus fleet, as well as occupancy and limited maintenance of the new Region-owned garage located at 35 Orlando Avenue in the Town of Richmond Hill.

Proponents were instructed to include in their submission a detailed description of how all requirements contained in the RFP during the start-up and contract period would be performed. A full understanding of the contract and service delivery was to be demonstrated through the provision of the following detailed plans:

- Start-up Plan
- Human Resource Plan
- Operations Plan
- Fleet Maintenance Plan
- Facilities Management Plan
- Labour Relations and Labour Disruption Plan
- System Safety and Security Plan
- Emergency Preparedness Plan
- Health Emergency Plan
- Winter Storm Management Plan
- Quality Management Plan

In addition, the contractor's management team was to be identified and details of their company's qualifications and experience were to be provided.

The RFP followed the competitive procurement process as prescribed by the Region's purchasing bylaw and was undertaken using the two envelope system

The RFP consisted of two parts: Part A being the general RFP terms and Part B, the draft Operation and Maintenance contract (including the Standard Operating Procedures manual), detailing the Region's minimum requirements for service delivery as well as fleet and garage maintenance.

The RFP was advertised on the Region's website, Biddingo (www.biddingo.com), Mass Transit, CUTA – Canadian Transit Forum Magazine, American Public Transportation Association, Ontario Public Transit Association and the Canadian Urban Transit Association's websites.

Interested proponents were invited to attend a meeting on September 10, 2013, to discuss the RFP, the new Viva bus garage, and to inspect a sample of Viva buses at the interim maintenance garage. Questions and input were encouraged within set timelines.

The RFP received interest from a high number of proponents of both local and international calibre, three of which were international proponents new to the Region's process

The following companies submitted proposals:

- Veolia Transportation Services Inc.
- Tok Transit Limited
- Miller Transit Limited
- Keolis Canada Inc.
- National Express
- MV Transportation
- First Transit Inc.

Prior to the proposals being forwarded to the evaluation team, the submissions were reviewed by Regional staff in the Supplies and Services Branch to confirm the mandatory documents were submitted by all proponents.

The mandatory requirements were to include:

- A completed and signed Form of Proposal
- An Irrevocable Letter of Credit in the amount of \$200,000 to act as proposal security
- A letter of confirmation from the proponent's principal bank confirming that the proponent has the financial capacity and credit worthiness necessary to obtain a Letter of Credit in the amount of \$2,000,000 prior to execution of the contract.

The proposal from First Transit Inc. was disqualified due to the incomplete submission of an Irrevocable Letter of Credit in the amount of \$200,000 to act as proposal security; their unopened financial submission was returned to them. The remaining six proposals were forwarded to the evaluation team for further consideration.

Performance proposals were evaluated by an expert panel and were scored on the basis of all information provided by the proponents

The panel consisted of staff from Transportation and Community Planning including YRT/Viva's Operations, Capital Assets and Asset Management sections. In addition, expert opinions were provided by YRT/Viva Safety and Training, Enforcement, Transit Management Systems staff, as well as by the Region's Information Technology staff.

Each proposal was reviewed and scored by the individual team members followed by consensus meetings to collectively determine each proponent's final performance score. The evaluation was based on a total score of 100 points: 40 points were allocated to performance merit, 10 points to the interview (50 technical points) and 50 points to the financial proposal. To be considered for award, proponents required a minimum performance merit score of 60 per cent (24 of the potential 40 points allocated to performance merit). Proposals which failed to score a minimum of 24 points for the performance merit component were disqualified from further consideration and the financial proposal was not evaluated and was returned to the proponent unopened.

The 50 technical and 50 financial point allocations were endorsed by Council in October 2008 as part of the Contract Strategy.

Five of the six proposals evaluated met the required performance of more than 24 points (60 per cent of 40 points assigned) in order to be invited to attend an interview and have their financial proposal opened. MV Transportation did not meet the minimum performance merit and was disqualified from further consideration.

Financial proposals were evaluated on the basis of all information provided by the proponents with the key driver being the proposed hourly rate

The proponents were required to provide hourly rates for the Viva operations and maintenance service. The lowest financial proposal scored the full 50 points available. The other eligible proponents' financial scores were pro-rated. The pro-rating is the percentage difference between each of their financial proposals and the lowest financial proposal. This difference is then subtracted from the full 50 to determine their financial proposal score.

KPMG was hired to monitor the RFP process for fairness and concluded that the process was undertaken in a fair, open and transparent manner

KPMG’s role was to:

- Participate in the procurement process prior to the release of the RFP by testing the procurement process against its ability to meet the expected results
- Confirm that the Region’s procurement process had been followed by the internal team
- Review the process to ensure it was conducted in a fair, open and transparent manner

Tok Transit Limited was awarded the highest technical score and was also the firm with the lowest financial proposal; based on this result, Tok Transit Limited is the recommended proponent

Table 2 provides a brief summary of the results of the technical and financial evaluations.

Table 2
 Proposal Evaluation Results

Proponent	Technical Proposal Score (out of 50)	Financial Proposal (7 years)¹	Financial Proposal Score (out of 50)	Total Score (out of 100)	Relative Standing
Tok Transit Limited	40.6	\$185,589,117.06	50.0	90.6	1
Keolis Canada	33.8	\$187,928,689.36	49.4	83.2	2
Veolia Transportation	34.5	\$196,320,632.00	47.3	81.8	3
Miller Transit Limited	33.3	\$196,524,075.00	47.2	80.5	4
National Express	29.7	\$192,991,569.00	48.1	77.8	5
MV Transportation ²	14.8	n/a	n/a	n/a	DQ

¹Based on forecasted billable hours at the time of RFP release

² Did not pass the performance merit requirement

Tok Transit Limited is also currently operating YRT/Viva’s North Division, as approved by Council on January 26, 2012, and commenced on February 5, 2012. The Council-approved Contract Strategy permits one contractor to operate up to two YRT/Viva divisions. Tok Transit Limited has strong experience in the successful start-up of transit services and has committed to a strong management presence locally to implement the terms of the start-up and contract.

Tok Transit Limited's proposal included a superior Operation and Maintenance plan; it also included strong start-up and human resources plans which included a ratified collective bargaining agreement, ensuring labour stability to 2020

Tok Transit Limited provided a comprehensive staffing and human resources plans for the Viva operations and maintenance teams. A strong commitment to customer service, staff training and representing the Region was a key focus in the proposal and will enhance customer service with well-supported and trained bus operators.

The start-up plan includes activities which need to be completed during the start-up period of May 1, 2015, to September 5, 2015, and on the first day of operation, September 6, 2015. In summary, the plan identifies ten areas of activity, including:

- Management Team Placement
- Employee recruitment and retention
- Employee training and safety programs
- Labour relations
- Administration
- Operations and safety
- Fleet transfer
- Maintenance
- Garage and equipment commissioning
- Organizational culture, transition and transformation

The key objective during this period will be to have a seamless transition of services with the least possible disruption to transit customers and the contractors' employees.

The ratified agreement reached with the United Food and Commercial Workers, Local 206, ensures Tok Transit Limited a stable workforce until February 25, 2020. YRT/Viva staff will work with Tok Transit Limited and the current contractor, York BRT Services LP, to facilitate the transitioning of the service.

Tok Transit Limited has signed a contract consistent with the terms and requirements of the RFP, pending Council approval

Historically, the Region has been challenged with operation and maintenance contracts not being signed when presenting recommendations to Council. To mitigate significant delays in finalizing an agreement, this process required the proponent to sign a contract within 45 days of being selected. Staff has finalized the contract with Tok Transit Limited to both parties' satisfaction.

The Viva RFP process identified that the current contractors are advanced in their operation and maintenance practices, and a new price point by which to gauge future contracts and contract extensions for the other YRT/Viva Divisions has been established.

NORTH DIVISION CONVENTIONAL AND COMMUNITY BUS SERVICE

The contract for the Region's North Division, operated by Tok Transit Limited, expires on April 20, 2016

On December 13, 2013, YRT/Viva staff received a letter from Tok Transit Limited which offered the Region a four-year extension to their existing contract. The letter cited a proposed hourly operating rate comparable to the new hourly rate price point established by transit industry contractors during the recent Viva RFP, and stated that they had a ratified collective bargaining agreement with their local union that would ensure the Region labour stability in its North Division until February 25, 2020.

In 2012, the Region terminated the contract with the previous operator of the North Division. In accordance with emergency provisions in the Region's purchasing bylaw, Council entered into a new contract with Tok Transit Limited to operate its North Division due to its familiarity and experience with YRT/Viva, cost competitiveness and their ability to restore service to the North Division within three months, commencing on February 5, 2012. In doing so, Tok Transit Limited established itself as a quality service provider and has proven to operate well under a performance-based contract.

The bus service agreement for operation and maintenance services in the Region's North Division between Tok Transit Limited and The Regional Municipality of York will expire on April 20, 2016. The Region has benchmarking in place to ensure contractors are performing to operating standards; Tok Transit Limited continues to maintain high standards and has proven to be a good partner to the Region in providing transit service.

The Region recently purchased land adjacent to its existing north garage and will amalgamate the two sites and undertake rehabilitation and expansion to meet future service needs

The Region-owned operations and maintenance garage at 18106 Yonge Street in the Town of Newmarket is being used for the North Division transit service and is currently leased to Tok Transit Limited for the duration of their contract. Tok Transit Limited is responsible for the care and upkeep of the garage, including all utilities, and the repair and maintenance of the building components.

Due to increasing service requirements, and in line with the Transit Storage and Maintenance Facilities Strategy endorsed by Council, the adjacent property at 18110 Yonge Street was purchased from GO Transit, with the transfer of ownership scheduled for 2014.

Tok Transit Limited recently negotiated and signed a collective bargaining agreement with the United Food and Commercial Workers Union (UFCW), Local 206, which provides labour stability to February 25, 2020

Senior management at Tok Transit Limited have advised the Region of their ratified agreement with the UFCW union, thereby assuring them of labour stability to February 25, 2020. In light of this, Tok Transit Limited has proposed that the Region extend its current contract for the North Division for an additional four years, to April 2020, ensuring continuity of service.

With both the renovations to the new garage and a ratified union agreement, the Region opened contract negotiations with Tok Transit Limited to extend the existing contract

The Region began negotiations to extend the contract with Tok Transit Limited subject to an agreement to move to the new contract terms developed through the 2013 procurement process for the Viva BRT operation and maintenance service. Tok Transit Limited has agreed to the new form of contract, providing consistency in contracts throughout the Region.

There are also opportunities for future cost savings to be realized from Tok Transit Limited providing conventional transit services in the North Division. Storage of some Viva buses, which would be available to serve the Newmarket area, at the new garage in Newmarket would reduce deadheading costs from the new Viva garage location.

SOUTHEAST DIVISION CONVENTIONAL AND COMMUNITY BUS SERVICE

The current contract for the Region's Southeast Division, operated by Miller Transit Limited, expires on October 1, 2016

On December 17, 2013, YRT/Viva staff received a letter from Miller Transit Limited advising the Region that they had successfully negotiated a 10-year extension of the lease for 8050 Woodbine Avenue to February 29, 2024. In this letter, Miller Transit Limited notes the successful partnership between Miller Transit Limited and the Region and expresses their interest in continuing this partnership until 2023.

The bus service agreement for operation and maintenance services for the Region's Southeast Division between Miller Transit Limited and The Regional Municipality of York will expire on October 1, 2016. The Region has benchmarking in place to ensure contractors are performing to operating standards; Miller Transit Limited continues to maintain high standards and has proven to be a good partner to the Region in providing transit service.

With the knowledge that a Region-owned garage would not be available for a further ten years, the Region opened contract negotiations with Miller Transit Limited to extend the existing contract to coincide with the expected opening of a Region-owned bus garage

In keeping with Council's approval of the Transit Storage and Maintenance Facilities Strategy, Regional staff has been looking for a suitable property in the Southeast Division for the past several years. To date, staff has been unable to locate an appropriate site for land acquisition, however, staff continue to explore land opportunities as they arise. Council has approved the 2014 Capital Budget and ten-year forecast, which identify a new garage to be constructed beginning in 2023.

Miller Transit Limited has secured the lease of their current transit storage and maintenance garage located at 8050 Woodbine Avenue in the City of Markham, for an additional ten years, to February 29, 2024, allowing the Region the right to use the garage. The Region has opened contract negotiations to extend the existing contract under new terms and conditions.

The Region began negotiations to extend their contract subject to Miller Transit Limited agreeing to move to the new contract terms developed through the 2013 procurement process for the Viva BRT operation and maintenance service

Miller Transit Limited has agreed to the new contract standard, allowing consistency in contracts throughout the Region. The terms of the Miller Transit Limited contract differ from the other divisions because the garage property is leased by Miller Transit Limited from a private landowner. Miller Transit Limited will continue to supply fuel for the buses, pay the additional costs for maintaining outdoor bus storage and facility maintenance, as well as utility costs for the garage at 8050 Woodbine Avenue in the City of Markham. The lease cost for this property will be paid by the Region.

On March 2, 2014, the Amalgamated Transit Union (ATU) local 1587, which represents Miller Transit Limited's bus operators, ratified a collective bargaining agreement. This gives the Region labour stability in the Southeast Division until October 2023.

SOUTHWEST DIVISION CONVENTIONAL AND COMMUNITY BUS SERVICE

The Region's Southwest Division is operated by Veolia Transportation Services (Canada) Inc.; the contract expiry date is August 1, 2015, with an option to extend for a further five years

Following a competitive RFP process in 2009, the contract for York Region Transit's bus operation of conventional and community bus services and for the maintenance of Region-owned buses assigned to the Southwest Division was awarded to Veolia Transportation Services (Canada) Inc. The conventional service started August 1, 2010 and this contract expires on August 1, 2015. The agreement allows for the option to renew the contract for a further five years to August 1, 2020. Veolia were recently in negotiations to update the collective bargaining agreement with their bus operators' local bargaining unit for a four-year extension (to 2018). The tentative agreement was not ratified by their members. At this time, staff is considering all options, including potentially extending the contract for the five-year term or issuing an RFP.

Link to key Council-approved plans

Vision 2051

- Interconnected Systems for Mobility
 - A system that prioritizes people and reduces the need for travel
 - Prioritizes alternative modes of travel for active transportation
 - Provides a variety of transit choices

2012-2016 Transit Service Plan

- Service Strategies
 - Improving service reliability and on-time performance
 - Managing ridership
- Asset Management Plan
 - Supporting on-going fleet maintenance program
- Facilities
 - Consolidating the Viva bus fleet into one facility

5. FINANCIAL IMPLICATIONS

VIVA BUS RAPID TRANSIT SERVICE

Tok Transit Limited's proposed price of \$213,099,800, excluding HST, is calculated based on proposed start-up activities and estimated billable hours for Years One through Seven for Viva Bus Rapid Transit operation and maintenance services

Table 3 provides a summary of the operating cost based on estimated billable service hours over the seven-year contract term for the Viva Bus Rapid Transit services.

Table 3
 Estimated Seven-Year Operating Cost
 Viva Bus Rapid Transit Service

Contract Year	Hourly Rate¹	Estimated Billable Hours²	Pricing
Year One	\$72.98 ³	338,038	\$24,670,000
Year Two	\$74.80	330,656	24,733,100
Year Three	\$76.67	393,425	30,163,900
Year Four	\$78.59	409,172	32,156,800
Year Five	\$80.55	401,941	32,376,300
Year Six	\$82.56	405,131	33,447,600
Year Seven	\$84.62	408,321	34,552,100
Total (excluding HST)			\$212,099,800
Start-up (Year One) ⁴			1,000,000
Total (excluding HST)			\$213,099,800

¹ Includes an assumed 2.5 per cent annual increase; actual annual increase may range from 1.98 per cent and 2.98 per cent

² The estimated billable hours are based on current forecasted scheduled service; actual billable hours may vary

³ For comparison, existing Viva BRT contract 2015 hourly rate is \$74.30 (Veolia Transportation)

⁴ Upset limit. Past start-up costs range from \$750,000 to \$1.2 million

Years One through Seven will be subject to the service design as outlined in the Region's Transit Five-Year Service Plan and annual operating budget approval.

NORTH DIVISION CONVENTIONAL AND COMMUNITY BUS SERVICE

Tok Transit Limited's proposed price of \$55,478,000, excluding HST, is calculated based on estimated billable hours for Years One through Four for the conventional and community bus service

Table 4 provides a summary of the operating budget based on estimated billable service hours over the three-year contract extension term for the North Division conventional and community bus service. Tok Transit Limited's Year One hourly rate will be used as a baseline for estimating Years Two to Four of the contract.

Table 4
Estimated Four-Year Operating Budget
North Division Conventional and Community Bus Service

Contract Year	Hourly Rate¹	Estimated Billable Hours²	Pricing
Year One	\$74.95	180,336	\$13,516,200
Year Two	\$76.82	179,014	13,751,900
Year Three	\$78.74	178,742	14,074,100
Year Four	\$80.71	175,143	14,135,800
Total (excluding HST)			\$55,478,000

¹ Includes an assumed 2.5 per cent annual increase; actual annual increase may range from 1.98 per cent to 2.98 per cent

² Estimated billable hours are based on current forecasted scheduled service; actual billable hours may vary

Years One through Four will be subject to the service design as outlined in the Region's Transit Five-Year Service Plan and annual operating budget approval.

SOUTHEAST DIVISION CONVENTIONAL AND COMMUNITY BUS SERVICE

Miller Transit Limited's proposed price of \$229,231,000, excluding HST, is calculated based on estimated billable hours for Years One through Seven for the conventional and community bus service

Table 5 provides a summary of the operating budget based on estimated billable service hours over the seven-year contract extension term for the Southeast Division's conventional and community bus service. Miller Transit's Year One hourly rate will be used as a baseline for estimating Years Two through Seven of the contract.

Table 5
 Estimated Seven-Year Operating Budget
 Southeast Division Conventional and Community Bus Service

Contract Year	Hourly Rate¹	Estimated Billable Hours²	Pricing
Year One	\$89.45	346,286	\$30,975,300
Year Two	\$91.69	342,871	31,437,800
Year Three	\$93.98	335,140	31,496,500
Year Four	\$96.33	334,295	32,202,600
Year Five	\$98.74	336,903	33,265,800
Year Six	\$101.21	339,510	34,361,800
Year Seven	\$103.74	342,117	35,491,200
Total (excluding HST)			\$229,231,000
Lease Cost (excluding HST)			11,111,300
Total (excluding HST)			\$240,342,300

¹ Includes an assumed 2.5 per cent annual increase; actual annual increase may range from 1.98 per cent to 2.98 per cent

² Estimated billable hours are based on current forecasted scheduled service; actual billable hours may vary

Years One through Seven will be subject to the service design as outlined in the Region's Transit Five-Year Service Plan and annual operating budget approval.

The hourly rate for all three contracts under the new contract terms and conditions are comparable

Table 6 compares the hourly operating rates of the proposed operating contracts. The effective hourly rate is an 'apples-to-apples' comparison. Costs such as fuel and building costs are considered part of the overall cost to the Region and are therefore excluded from the actual hourly rate.

Table 6
 Hourly Operating Rate Comparison

Proponent/Division	Actual Hourly Rate (October 2016)	Effective Hourly Rate (October 2016)	New Contract Expiry Date
Tok Transit / Viva BRT	\$74.80	\$74.80	September 2022
Tok Transit / North	\$74.95	\$74.95	April 2020
Miller Transit / Southeast	\$89.45	\$74.75	October 2023

6. LOCAL MUNICIPAL IMPACT

Local municipal residents who use public transit will benefit from the high standards imposed upon the operating contractors, particularly in the areas of service delivery and vehicle maintenance.

The extension of the contracts with the current contractors in the Southeast and North Divisions, as well as the ratification of collective bargaining agreements in these YRT/Viva divisions, ensures continuity of transit service to York Region residents.

7. CONCLUSION

Based on the results of the RFP process, it is recommended that Council authorize entering into a seven-year contract with Tok Transit Limited for the transit operations and maintenance of the Viva Bus Rapid Transit service, and that the Commissioner of Transportation and Community Planning be given authorization to extend the contract up to an additional three years, subject to satisfactory performance of the contract.

Based on the results of negotiations between staff and Tok Transit Limited, it is recommended that the North Division operations and maintenance contract with Tok Transit Limited be extended for a period of four years, to April 2020, to allow construction to be completed at the North Division facility property and to coincide with the expiry of the collective bargaining agreement between Tok Transit Limited and the UFCW Union, Local 206.

Based on the results of negotiations between staff and Miller Transit Limited, it is recommended that the Southeast Division operation and maintenance contract with Miller Transit Limited be extended for seven years, to October 1, 2023. This will allow the construction of a Region-owned bus garage in the Southeast Division and will coincide with the expiry of the collective bargaining agreement between Miller Transit Limited and the ATU local 1587. It is also recommended that the Commissioner of Transportation and Community Planning be given authorization to extend the term of the contract for up to an additional three years to coincide with the completion of the new Southeast Division garage.

For more information on this report, please contact Ann-Marie Carroll, Director of Transit Operations, at ext. 75677.

The Senior Management Group has reviewed this report.