

The Regional Municipality of York

Committee of the Whole
Transportation Services
September 12, 2019

Report of the Commissioner of Transportation Services

York Region Transit Contract Strategy Update

1. Recommendations

1. Council approve changes to York Region's 2008 Operating and Maintenance Contract Strategy, which includes:
 - a) Reduction of operating and maintenance divisions from four to two
 - b) Request for proposal weighting change from 50 technical and 50 financial points to 70 technical and 30 financial points
 - c) Restriction to operations and maintenance contractors to hold one division at a time with the exception of a short-term contract transition period
 - d) Consolidation of 20 performance measures into eight
2. Council approve the extension of the North Division and Southwest Division Operations and Maintenance Contracts as follows:
 - a) The North Division Contract extension with Tok Transit Limited be extended for a term of one year commencing May 1, 2020 and expiring on April 30, 2021, at cost not to exceed \$15 million.
 - b) The Southwest Division Contract extension with Transdev Services (Canada) Inc. be extended for a term of one year commencing on August 2, 2020 and expiring on August 1, 2021, at cost not to exceed \$37 million.
3. The Commissioner of Transportation Services be authorized to exercise the renewal options for each contract.

2. Summary

This report seeks Council approval to update the York Region Transit 2008 Operating and Maintenance Contract Strategy (Contract Strategy). The most significant change would see the reduction of conventional operating and maintenance divisions from four to two.

This report also seeks Council approval to extend the current bus operations and maintenance contracts with Tok Transit Limited (Tok Transit) for the North Division and with Transdev Services (Canada) Inc. (Transdev) for the Southwest Division, for a period of up to one year to facilitate the changes required to the Operations and Maintenance contract and to provide time for the competitive procurement process to enter into the two new multi-year contracts.

Key messages:

- This change will reduce the number of York Region Transit (YRT) operating and maintenance divisions operated by private contractors from four to two. It would also enshrine a process that would result in YRT services being delivered by two contractors, with the exception of a short-term period to facilitate a contract transition. Additional changes address the administration of the procurement and ongoing contract management.
- Slower than projected growth in York Region, reduction in service hours, the introduction of On-Request services and YRT bus facility optimization, has changed operating conditions and supports the consolidations of the existing four operating divisions into two.
- To implement the changes recommended in this report and to prepare for a new competitive procurement process, short-term extensions of the North Division Tok Transit contract and the current Southwest Division Transdev contract are required.

3. Background

YRT contracts out the bus operations and maintenance of its conventional, Viva and On-Request services, including Mobility Plus, to private contractors. In addition, the Toronto Transit Commission, under contract with the Region, operates five routes in southern York Region to and from destinations in the City of Toronto.

Current conventional operations and maintenance contracts are summarized in Table 1.

Table 1
Current Conventional Transit Operations and Maintenance Contracts

Division	Contractor Name	Contract Start Date	Contract Expiry Date	2019 Value (\$)	Overall Value (\$)
North	Tok Transit	1-May-16	30-Apr-20	14,459,000	55,478,000
Southwest	Transdev	2-Aug-15	1-Aug-20	35,797,000	150,568,000
Southeast	Miller Transit	3-Oct-16	2-Oct-23	33,125,000	229,231,000

Division	Contractor Name	Contract Start Date	Contract Expiry Date	2019 Value (\$)	Overall Value (\$)
Viva	Tok Transit	28-Jun-15	25-Jun-22	24,260,000	212,100,000
Toronto Transit Commission Contract	Toronto Transit Commission	1-Jan-05	6 month notification	6,752,000	Fluctuates annually

*Average hourly operating rate, including bus maintenance costs and fuel, is \$92.08 excluding HST

The one year extension period would see the North Division contract expire on April 30, 2021 and the Southwest Division on August 1, 2021. The Southeast and Viva contracts would expire on their current contract expiry dates.

YRT's procurement and start-up process for the operations and maintenance contracts is approximately sixteen months. The Request for Proposal process for the newly-consolidated Southwest and North Division would begin fall 2019, and for the Viva and Southeast Division, in early 2021.

York Region Transit Facility Strategy, endorsed by Council in January 2006, was founded on the principles of Regional ownership of bus garages to promote a competitive procurement process for transit operations

The York Region 2008 Operating and Maintenance Contract Strategy, approved by Council on October 16, 2008, provides a framework for contracting with the private sector for transit operations and maintenance contracts.

Regional ownership of bus garages is preferable in promoting a competitive procurement process when hiring private contractors and ensures appropriate accommodation for bus storage and maintenance.

Originally the YRT Facility Strategy identified that seven bus garages would be needed to support transit growth from 2013 until 2031 and would be distributed geographically throughout the Region. It also estimated that 1,500 buses would be required by 2031.

Since the implementation of the original YRT Facility Strategy, bus fleet requirements have been reduced by 50 per cent, to approximately 744 buses by 2031. Factors contributing to this change include implementation of operating efficiencies, service delivery changes, technology advancements and reduction in service hours due to lower forecasted population and transit ridership growth.

Since 2008, the Region has successfully constructed three bus garage facilities: 18106/18110 Yonge Street in the Town of Newmarket, 8300 Keele Street in the City of Vaughan and 55 Orlando Avenue in the City of Richmond Hill, as summarized in Table 2.

Table 2
Bus Garage Facilities

Division	Location	Vehicle Capacity	
		Current Capacity	Maximum Capacity
North*	18106/181010 Yonge Street, Newmarket	85	110
Southwest*	8300 Keele Street, Vaughan	164	240
Viva*	55 Orlando Avenue, Richmond Hill	124	350
Southeast**	8050 Woodbine Avenue, Markham	174	0
Total		547	700

*Numbers indicative of capacity once renovations are complete

**8050 Woodbine is leased by Miller and not a Region Facility

Staff continues to look for opportunities to purchase land for a smaller maintenance and storage facility for additional vehicle capacity beyond 2031.

The Southeast Division in the City of Markham does not currently operate out of a Region-owned facility

The Southeast Transit Division, operated by Miller Transit, currently operates from premises at 8050 Woodbine Avenue that are leased from a private property owner and the Ontario Realty Corporation. The leases expire in 2023 concurrently with the expiry of the contract.

On [September 6, 2018](#), staff presented a memorandum to Council outlining an optimized facility strategy resulting in the expansion of the Operations, Maintenance and Storage Facility located at 55 Orlando Avenue, in the City of Richmond Hill.

With this expansion, in 2023 the operation of the Southeast Division is planned to be consolidated into 55 Orlando Avenue. The expanded facility would accommodate future transit service needs and will align with the Council-endorsed YRT Facility Strategy.

Accordingly, effective in 2023, the Viva and Southeast service is now planned, subject to a new competitive procurement process, to be delivered by a single contractor.

4. Analysis

With the consolidation of the Viva and Southeast transit services into one at 55 Orlando Avenue in 2023, staff identified that further consolidating of the operating and maintenance contracts by combining the Southwest and North Divisions would also result in operating efficiencies and cost savings.

Benefits to consolidation include the use of excess storage capacity at the facility such as 18106/18110 Yonge Street, to alleviate the current bus storage pressure at the Southwest Division. The Southwest facility has reached maximum capacity. An expansion is planned; however, capital dollars are not available until 2023. Construction is anticipated to be completed in 2025. The expansion would accommodate transit bus storage and maintenance needs until 2034. With the now-reduced number of facilities, the Region would lower operating costs on items such as contract start-up, facility maintenance, and asset management, property tax, fuel and non-revenue service travel to and from the bus garage.

Staff recommends updating several elements identified in the 2008 Contract Strategy. These elements are outlined in Table 3.

Table 3
Contract Strategy Elements

Elements	Current	Proposed
Number of transit divisions	Four	Two
Term of contract	Initial five-year term and five-year extension based on satisfactory performance	Initial seven-year term and three-year extension based on satisfactory performance
REQUEST FOR PROPOSAL technical/financial weighting	50/50	70/30 Place more emphasis on contractor performance. Substantial contractor market ensures competitive pricing
Permitted number of contracts per	Two	One contractor could only operate one

Elements	Current	Proposed
Operations and Maintenance Contractor		division with the exception to accommodate the contract transition periods
Performance measure	Incentive/disincentive measures, Over 20 measures with low value	Incentive measures. Eight measures with high value. Unsatisfactory performance results in early termination of the contract

Some of these practices have already been introduced. The Viva contract was awarded for a term of seven years with an option to extend for a further three years based on evaluation relative to new performance measures introduced in 2015. Subsequently, all other contract renewals included these new practices.

The renewal of the contracts for the additional three-year term would be subject to satisfactory performance during the initial term. Enhanced performance measures will assist staff in identifying areas needing attention prior to any adverse impact on the transit service and negative impact on the travellers.

Staff has consulted with Supplies and Services and Legal Services to confirm the recommended changes can be implemented.

To implement the Contract Strategy changes, an extension of both the North and Southwest Division contracts is required

The current North Division expires in April 2020 and the Southwest at the beginning of August 2020. It is recommended that these contracts be extended for a further term of up to one year to enable staff to prepare for the consolidation of these two divisions.

During this period, staff will make the contractual changes for the new consolidated North and Southwest contracts, complete the Request for Proposal process and prepare for contract start-up. Staff also proposes to adjust the expiry date of both current contracts to ensure that there are always two separate contractors except during limited contract transition periods up to two years. This exception ensures all qualified contractors can bid on the new contract.

5. Financial

With the consolidation of the Southeast and Viva Divisions in 2023, significant savings to the Region will be realized

Expansion of 55 Orlando Avenue results in a significant capital property purchase cost deferral. The deferral also gives staff time to reassess future bus requirements and needs to facilitate electric bus technology. Furthermore, the Region will no longer pay additional annual property leasing costs of approximately \$1.5 million and annual fuel handling costs of \$300,000 related to the current Southeast facility.

Consolidating four operating contracts into two will also potentially significantly reduce future contract transition costs. Under the contract terms, contractors could claim up to \$1 million in start-up costs that includes salaries of employees hired prior to the beginning of revenue-service, training and other miscellaneous costs approved by the Region.

Extending both the North and Southwest Division contract for up to one year will have no direct financial implications as the Region would incur these costs regardless for the delivery of transit services in these geographical areas. The one-year value of the North contract is \$15 million and the Southwest is \$37 million.

Staff recently renegotiated the hourly operating rate with Transdev for the Southwest Division. The basis for renegotiation was due to the increased service hours caused by the opening of the Toronto Transit Commission Line 1 Subway, exceeding a 20 per cent threshold identified in the performance-based contracts. The new hourly operating rate resulted in an annual \$700,000 savings to the Region.

6. Local Impact

Suggested changes to the YRT contracts would have no adverse impacts to transit travellers. York Region Transit is proposing the amendments in an effort to create operational and asset efficiencies that would benefit all York Region residents.

7. Conclusion

The Region's strategy for the transit operations and maintenance contracts is directly impacted by the changes to the Facility Strategy. With this, staff recommends the contract strategy elements and proposed performance-based contract changes listed in Table 3 be used as the basis for the upcoming procurement process.

To enable staff to develop the Request for Proposal and complete the competitive procurement process, the North Transit Division Contract with Tok Transit and the Southwest Transit Division Contract with Transdev each would need to be extended for a period of up to one year. Both contactors have been good partners and maintained a minimum satisfactory performance rating with the Region for periods of more than ten years.

For more information on this report, please contact Ann-Marie Carroll, General Manager, York Region Transit at 1-877-464-9675 ext. 75677. Accessible formats or communication supports are available upon request.

Recommended by: **Paul Jankowski**
Commissioner of Transportation Services

Approved for Submission: **Bruce Macgregor**
Chief Administrative Officer

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