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YORK REGION TRANSIT
VEOLIA AGREEMENT AMENDMENT
91 CALDARI ROAD

The Transit Committee recommends the following:

1. **Receipt of the presentation by Rick Takagi, Manager, Operations, York Region Transit; and**

2. **Adoption of the recommendations contained in the following report dated January 29, 2009, from the Commissioner of Transportation Services.**

1. RECOMMENDATIONS

It is recommended that:

1. Regional Council authorize an amendment to the current agreement with 4286847 Canada LP (Veolia Transportation) to provide additional storage and maintenance space for the Region's Viva fleet at 91 Caldari Road, in the City of Vaughan, and that the agreement value be increased by $184,000 for the cost of the additional space.

2. The Regional Chair and Regional Clerk be authorized to sign the amendment to the agreement with Veolia Transportation, subject to the terms and conditions acceptable to the Commissioner of Transportation Services and the approval of Legal Services as to form and content.

2. PURPOSE

This report seeks authorization from Regional Council to amend the existing agreement between the Region and 4286847 Canada LP (Veolia Transportation). The proposed amendment permits Veolia to obtain additional facility space to meet current needs and for the Region to provide financial compensation for that additional space.

3. BACKGROUND

Under the current agreement with Veolia, which expires in 2010, the Viva service is operated from three separate properties in Vaughan, in addition to the Region-owned North Maintenance Facility on Yonge Street in Newmarket

Veolia Transportation is under contract to the Region to operate the Viva bus rapid transit (BRT) service. The initial five-year term of the agreement expires on September 4, 2010 and there is a provision to extend the term for an additional five years to 2015, subject to successful negotiation of the terms and conditions. These negotiations are scheduled to commence in spring 2009.

Under the current agreement, in addition to the Region-owned facility in Newmarket, Veolia has leased space at three separate properties on Caldari Road in the City of Vaughan to operate the service and maintain the vehicles. (See *Attachment 1* for a map of the area and facility locations.) The following is a summary of the key activities at each facility:

- 51A Caldari - administrative area including dispatch and driver reporting.
- 91 Caldari – bus parking and storage.
- 221 Caldari – bus wash, fuelling and maintenance.

The Region currently compensates Veolia for the lease payments for these locations as a flow-through cost, which totals approximately $36,558 per month.

These facilities were to be temporary until the expiry of the contract in 2010 at which time it was envisaged that a new facility would be provided by the Region. There are no provisions in the current agreement for Veolia to provide the current leased property beyond 2010.

A Region-owned operations and maintenance facility for the contractor operating the Viva service will not be ready until 2012

During the implementation phase of the Viva service in 2005, the Region had planned to secure land and construct an operations and maintenance facility in the Yonge Street and Langstaff Road area of Markham for completion by 2010. This plan did not proceed and the search for an alternative site for the new Viva storage and maintenance facility has yet to yield positive results. Rapidco staff are continuing this process and it is anticipated that a new facility will not be available until 2012. As such, it is important that the Region secure options for an interim property to operate the Viva service until the new facility is available.

Operational capacity concerns are emerging at the existing operations and maintenance facilities on Caldari Road

Veolia has operated a portion of the Viva service from the three facilities in Vaughan since the start of service in 2005. The growth of the Viva service is causing some operational concerns due to insufficient employee parking and washroom facilities. There is also a need for additional maintenance bays to accommodate additional 60-foot articulated buses.

4. ANALYSIS AND OPTIONS

There is an opportunity for Veolia to obtain additional building space at 91 Caldari Road which will temporarily address operational needs until a Region-owned facility is provided

Veolia, through a lease agreement with the building owner at 91 Caldari Road, utilizes an outside storage area to store 60 Viva buses. The building adjacent to the outside bus storage area is now vacant and includes the following:

- 4,587 square feet of office area including washrooms and room for a dispatch office.
- Heavy vehicle maintenance facility which will accommodate four buses, including three 60-foot articulated units, and a parts storage and tire change area.
- 36 employee parking spaces.
- Internal and external bus storage area sufficient to accommodate 42 forty-foot buses.

The site was inspected by YRT, York Region Property Services and Veolia staff and was found to be acceptable. The office at 51A Caldari and maintenance bays at 221 can be closed and consolidated at 91 Caldari. The internal and external storage areas for buses at 91 Caldari are not needed at this time as sufficient area is available currently on the existing site. However, this additional bus storage will be needed by 2010 with the anticipated increases in Viva service. This will be explored in greater detail in the context of an agreement extension.

Given the challenges in finding suitable property for the storage and maintenance of buses, it is important that this opportunity be acted upon.

There are several advantages for Veolia to lease this additional space to operate the Viva service

They are as follows:

- Addresses current capacity constraints for parking, washroom facilities and maintenance bays.
- Provides operational benefits as the contractor would operate the Viva service from two rather than three facilities on Caldari Road.

- Veolia would secure an option to continue the use of this site up to 2012 at market value should the Region extend the contract with Veolia.
- The expanded property is sufficient to accommodate Viva growth needs up to 2012.

The additional building space becomes available in March 2009. The following are the key items that have been negotiated to date with Veolia:

- Veolia to lease the office, maintenance bays and parts storage area at 91 Caldari Road for Viva operation.
- Veolia to obtain an option to extend the use of this site with the additional bus storage area to 2012.
- Veolia to break lease at 51A Caldari Road at their cost and credit Region for lease savings.
- Veolia to pay for new compressor for the maintenance area at 91 Caldari Road.
- Veolia to pay for all moving expenses, except for Region-owned computer equipment.
- Region to pay for the additional lease and capital cost to relocate the computer aided dispatch and automatic vehicle locating system.

It should noted that the Region will not have any direct obligation to the landlord for this lease. The Region's only obligation will be to pay Veolia for the equivalent cost of the lease.

5. FINANCIAL IMPLICATIONS

The cost for the additional building space at 91 Caldari Road provided by Veolia is $9,662 per month. The Region's Property Services staff has verified this is at market value. This amount includes the costs for all utilities, maintenance, landlord and tenant insurance, and property tax. The budget impact will be $96,662 for 2009 and a total of $184,000 for the 19-month duration of the bus operations and maintenance agreement with Veolia.

It will be necessary to increase the value of the Veolia contract by $184,000 for Veolia to secure the additional space for the next 19 months. The value of the Veolia contract over the five-year term ending in September 2010 is $104.9 million.

In addition to the lease cost, there is $66,000, plus GST, in capital costs to relocate the Region's hardware system from 51A Caldari Road to 91 Caldari Road.

The Canada-York Region Strategic Infrastructure Fund agreement, under which Quick Start was funded, requires that the Region reimburse the federal government for its share of any infrastructure that has been disposed of or assets that have been abandoned. Non-bus assets disposed of within three to five years require a 90% reimbursement of the original cost of Canada's contribution.

Total leasehold improvements for the administrative area, including dispatch, at 51A Caldari Road were $95,739. Canada's one-third share, at 90%, equates to a reimbursement of $28,722.

All costs associated with the proposed amendment to the Veolia agreement and potential reimbursement of funds to the Federal government are accommodated in the draft 2009 Business Plan and Budget.

6. LOCAL MUNICIPAL IMPACT

The additional facility space allocation will ensure uninterrupted delivery of quality Viva BRT service to the local municipalities.

7. CONCLUSION

The proposed agreement amendment with Veolia to lease additional space at the 91 Caldari Road facility will address current capacity issues and provide the Region with the opportunity to operate the Viva service from this facility until 2012, when the new Viva operations and maintenance facility is expected to be available.

This property arrangement does not obligate the Region beyond 2010, the end of the first five-year term with Veolia. Should negotiations for a second five-year term not prove successful, the Region would retain the right to seek out another contractor.

For more information on this report, please contact Rick Takagi, Manager, Capital Assets, at Ext. 5624.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause is attached to this report.)