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VIVA MAINTENANCE EQUIPMENT PURCHASE

(Regional Council at its meeting on February 16, 2006, received the following report.)

The Rapid Transit Public/Private Partnership Steering Committee recommends the adoption of the recommendation contained in the following report February 2, 2006, from the Vice President, York Region Rapid Transit Corporation:

1. RECOMMENDATION

It is recommended that Council authorize staff to exercise Clause 5.11 and Schedule L of the Viva Phase 1 Operations and Maintenance Services contract with Connex Canada, to purchase the transferable maintenance equipment currently housed at the North and South Maintenance Facilities at a cost of $1,206,488.79.

2. PURPOSE

This report outlines the need, justification and mechanism to effect purchase of the transferable maintenance equipment at the North and South Viva Maintenance Facilities.

3. BACKGROUND

The Viva Phase One Operations and Maintenance Services contract was awarded by Council in March 2005 to Connex Canada for a five year term. This contract reimburses the contractor, on a monthly basis, for a variety of services which include; revenue service hours, lease cost for the South Maintenance facility property and buildings, and the amortized value of maintenance equipment provided by Connex, such as bus washers, service vehicles, vehicles lifts, etc.

At the time of contract formulation, clauses and schedules were included to permit the Region to purchase the outstanding value of the transferable capital maintenance equipment during or at the end of the contract. Clause 5.11 and Schedule L permits the Region to retain the equipment at the North Maintenance Facility that the Region owns in Newmarket and to relocate the equipment from the leased South Maintenance Facility in Vaughan to a planned future Regionally-owned maintenance facility in the Langstaff area.

4. ANALYSIS AND OPTIONS

The buy-out value of the Connex transferable maintenance equipment, as of December 31st, 2005, is $1,206,488.79. This matter was considered as part of the approved 2006 Viva operating budget.

The transferable equipment will, with the buy-out, become Regional assets that will be made available to Connex over the life of their 5 year contract, and to any contract successor thereafter.

One of the potential benefits of transferring the maintenance equipment amortization cost to a capital cost is that as a capital cost, this item may be considered as an eligible capital expense under the *Quick Start* funding agreements with the Federal and Provincial governments.

5. FINANCIAL IMPLICATIONS

The 2005 rapid transit budget contained a 2006 carry-forward provision. The 2005 YRRTC capital budget contains sufficient funds for this capital purchase (buy-out) of the Connex transferable maintenance equipment, which will be accrued in 2005.

The Operations and Maintenance Services contract provides for the option for the buy-out of the transferable maintenance equipment at a one-time net cost of $1,206,488.79, for the unpaid principle value of the equipment as of December 31, 2005. The contractor has agreed to this amount. A formal ‘Bill of Sale’ will be used to list and categorize the equipment being purchased. The Region will continue to pay the current amortization cost of the equipment that is not transferable from the leased South Maintenance facility at a cost of $4,042 per month.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

This report recommends that Council authorize staff to exercise the right under Clause 5.11 and Schedule L of the Viva Phase 1 Operations and Maintenance Services contract with Connex Canada to purchase the transferable maintenance equipment currently housed at the North and South Maintenance facilities at a net cost of $1,206,488.79. Capitalization of this maintenance equipment makes the costs potentially eligible for reimbursement under existing Provincial and Federal *Quick Start* funding agreements and is consistent with the approved 2006 capital budget.

The senior management group has reviewed this report.