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PHASE 2 - SEGMENT Y1 AWARD OF CONTRACT, WORK PROGRAM FOR SEGMENTS Y2 AND H3, AND STAFFING STRATEGY UPDATE

The Rapid Transit Public/Private Partnership Steering Committee recommends the adoption of the recommendations contained in the following report, September 7, 2006, from the Vice-President, York Region Rapid Transit Corporation:

1. RECOMMENDATIONS

It is recommended that:

1. Staff be authorized to enter into negotiations to undertake property and utility definition for Phase 2 segments Y2 and H3 with York Consortium 2002 (YC2002).

2. Funding for Phase 2 segments Y2 and H3 be set aside from the $14.6 million Provincial and Regional funding commitment.

3. Rapid Transit Committee and Council authorize the hiring of four two-year contract positions to be funded from the 2006 Rapid Transit operating and capital budget.

2. PURPOSE

The purpose of this report is advise Committee and Council that Phase 2 Business Arrangement negotiations between the York Region Rapid Transit Corporation (YRRTC) and YC2002 have been successfully concluded and that the Regional Chair and Regional Clerk, as authorized by Council on June 20, 2006, will be signing the Master Agreement and Go-Forward Business Arrangements Agreement with YC2002 in September 2006.

Further, this report advises that, as authorized by Committee and Council on June 20, 2006, staff successfully completed negotiations with YC2002 to undertake the Phase 2-Y1 planning and preliminary engineering work, and the environmental assessment work for the north Yonge Environmental Assessment (EA) at a total cost of $11.38 million, including costs for the Region’s owner engineer and contingency costs.

This report seeks authorization to move forward with the property and utility planning on Phase 2 segments Y2 and H3 within the remaining $2.6 million capital funding for these two segments from the approved provincial government and Region total of $14.6 million.

Finally, this report seeks Council authorization to move forward immediately with the retention of contract staff to support the activities of the Rapid Transit Corporation office with respect to the Phase 2 work program.

3. BACKGROUND

In June 2002, the Region of York entered into a public-private business arrangement with YC2002 to plan, design, construct and possibly operate a regional rapid transit system. The first phase of VIVA – “*Quick Start*” became fully operational on January 1, 2006.

Negotiation of a go-forward agreement commenced in November 2003. Through ongoing negotiations with YC2002, it was confirmed that the existing Stage One Agreement, as amended from time to time, did not represent the optimal go-forward business arrangement. In particular, the lack of long-term funding commitments by other levels of government made it difficult to enter into long-term business arrangements with YC2002.

From time to time, the negotiating team has reported back to Council on the negotiations and to seek direction. On December 16, 2004, Council directed staff to negotiate a Master Agreement and Go-Forward Business Arrangements Agreement for Phase 2 and provided guidance and direction on certain points to be addressed specifically with YC2002.

In the February 2006 report, the Regional Chair and Chief Administrative Officer, along with the Vice President of YRRTC reported back to Committee and Council on the status of negotiations.

Staff reported their findings to Council on April 20, 2006 and Council authorized staff to proceed to finalize Go-Forward Business Arrangements with YC2002. Council further endorsed the retention of the Elliot Consulting Group Inc. to assist in providing strategic advice respecting the partnership and in building a risk transfer matrix and financial cost model to evaluate the Go-Forward Business Arrangements with YC2002.

On June 22, 2006 Council authorized the Regional Chair and Clerk to execute the Master Agreement and Go-Forward Business Arrangements Agreement with YC2002 at the conclusion of negotiations with regard to the agreements and the Y1 work. Finally, the June 22nd report identified that a staffing strategy to deal with the workload demands of the rapid transit office was underway with the Region’s Human Resources department. The report indicated that staffing resources would be handled through the existing staff compliment and through short term contracts, funds for which were contained in the 2006 budget, until a permanent staffing strategy was brought forward to Council in the Fall.

4. ANALYSIS AND RECOMMENDATIONS

The Master Agreement and Go-Forward Business Arrangements Agreement are being executed this month and the Y1 Planning and Preliminary Engineering Work has been awarded to YC2002

On June 28, 2006, following a detailed negotiation of the cost to undertake the Planning and Preliminary Engineering associated with the first segment of Phase 2, York Region's negotiation team, along with its owner engineer and independent expert, awarded YC2002 the Phase 2 segment Y1 work. This work includes planning and preliminary engineering work, O&M facility planning and preliminary engineering work, and North Yonge Environmental Assessment at a total contract value of $10.5 million. A further $1.5 million was identified as part of the Y1 segment for work associated with retaining the owner's engineer and a project contingency budget.

Final agreements to govern the work, including the Master Agreement and the Go-forward Business Arrangements Agreement were then finalized, as authorized by Council on June 20, 2006. The contract to govern this work is presently being negotiated and is anticipated to be signed as soon as possible.

Authorization to undertake property and utility work for Phase 2, Segments Y2 and H3 is sought

The longest lead time associated with the planning and preliminary engineering work is the refinement of the environmental assessment work to create property surveys for land acquisition associated with the rapid transit corridors and to define the utility relocation work. To this end, the residual budget envelope available from the funded portion of Viva Phase 2 from provincial and Regional resources is in the process of being confirmed. The residual budget envelope will be confirmed following final reconciliation of costs eligible for funding of the interim work program work period (January – June 2006). Staff have commenced work to define the work program with its interim owner's engineer and will proceed to enter into negotiations and award the work, subject to Council authorization to do so as part of this report, and being fully satisfied that a cost competitive process proposal from YC2002, (based on the process identified in the executed Master Agreement and Go-Forward Business Arrangements Agreement) has been arrived at.

Authorization to immediately retain four contract staff is sought

The April 20, 2006 report from the Chief Administrative Officer identified, amongst other matters, the need to review the staffing needs of the Rapid Transit Corporation to handle day to day and strategic workload activities of the office and recommended that additional staffing resources be undertaken. The June 15, 2006 report confirmed to Committee that a staffing strategy was underway.

The report from the CAO identified the need for additional staffing in the areas of financial analysis, planning, project management and administrative support to increase the ability of YRRTC to handle the growing project activities and provide timely and cost-effective responses. The staffing strategy presents an alternative way of undertaking Phase 2 work that will reduce the Region's dependency on YC2002, resulting in overall Phase 2 work program cost savings.

The additional resources contemplated in this report include:

- Business Services Manager to focus on initiatives such as TIF's, capturing "up-lift" in property values, cash flow analysis and leadership on budget and controllership.
- Senior Project Architect for development review and advocacy.
- Transportation Engineer to assist in project management and development review.
- Administrative Assistant to engineering and communications leads.

Committee and Council subsequently authorized staff to bring forward a staffing plan for permanent YRRTC project staff.

Over the course of the summer, job descriptions have been developed for the four identified positions needed within the rapid transit office. Interviews have been held for the administrative assistant and senior project architect position and preferred candidates have been identified subject to Council approval. Initially, it was felt that it may be possible to achieve staffing needs through a short term contract while the overall human resources strategy for rapid transit is being finalized; however, it was determined that in order to attract ideal candidates that a minimum contract period of two years, matching the time frame of the work program and funding, would be preferable.

Job descriptions for the engineering and business services manager functions are ready to be posted. All four positions can be funded from the 2006 operating and capital budget and have been included in the proposed 2007 rapid transit budget. Human Resources are continuing their work to finalize a fulsome human resources strategy for the Rapid Transit Corporation and will report back with their findings in the Fall. In the interim, their research to date has been used to establish the proposed contract offers.

5. FINANCIAL IMPLICATIONS

Confirmed funding for Phase 2 is $14.6 million, which is comprised of a Province of Ontario commitment of $7.3 million and $7.3 million from York Region. Table 1 outlines the work program elements and their cost.

Table 1
Viva Phase 2

Work Program	Cost $ million
Y1 and O&M facility planning and preliminary engineering	9.88
Contingency and Owner's Engineer Fee	1.50
Subtotal	11.38
North Yonge EA – YC2002 Work	0.62
Y2 and H3 property and utility planning[1]	2.60
January to June 2006 Work Program Costs[2]	
Grand Total	**14.60**

[1] TBN – to be negotiated: based on available funding remaining in the $14.6 million.
[2] TBC – to be confirmed: all costs eligible from the interim work program (Jan-Jun '06).

6. LOCAL MUNICIPAL IMPACT

The benefits of a region-wide Rapid Transit system for all of the local municipalities cannot be overstated. Regional focus on the basic business elements guiding the project will ensure regional ratepayers receive the best value for their money.

7. CONCLUSION

The Master Agreement and Go-Forward Business Arrangements Agreements between York Region, YRRTC, and YC2002 for Phase 2 of the Viva Rapid Transit Project will be executed in September and negotiations were completed for Phase 2, segment Y1 planning and preliminary engineering at a value of $10.5 million.

In addition, $1.5 million has been designated for contingency and the owner's engineer, which brings the total cost to $11.38 million. This report also seeks authorization to move forward with property and utility planning for segments Y2 and H3 which is included within the approved provincial government and Regional amount of $14.6 million.

Staffing needs for the rapid transit office have continued to be assessed over the summer and job descriptions for four positions have been established. Interviews have been held for two positions and preferred candidates have been identified subject to Council approval. Job descriptions for the remaining two positions are ready to be posted. Salaries for all four positions can be accommodated within the current and 2007 and 2008 forecast rapid transit budget.

The Senior Management Group has reviewed this report.