THE REGIONAL MUNICIPALITY OF YORK

REPORT NO. 1
OF THE REGIONAL VICE PRESIDENT OF
YORK REGION RAPID TRANSIT CORPORATION

For Consideration by
The Council of The Regional Municipality of York
on February 16, 2006

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VIVA MAINTENANCE EQUIPMENT PURCHASE

1. RECOMMENDATION

It is recommended that Council authorize staff to exercise the intent of 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.

During the 2006 Budget discussions, it was necessary to find savings to address previously unidentified pressures within the 2006 YRT/Viva operating budget. The capital purchase of the Viva maintenance and equipment offered operating budget savings of $258,067 in 2006. The approved YRT/Viva budget was based on the lease of Connex equipment being eliminated as an operating item in the 2006, and recognized that this would necessitate the transferable equipment to be acquired as a capital expenditure as per Clause 5.11 and Section L of the Connex Operating and Maintenance contract.

4. ANALYSIS AND OPTIONS

The capital purchase (buy-out) of the remaining amortized value of transferable maintenance equipment in the Connex contract is $1,206,488.79. A potential additional benefit 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 expense under the *Quick Start* funding agreements with the Federal and Provincial governments. Purchasing the maintenance equipment now increases the potential eligible amounts for reimbursement under these existing funding agreements. The current maintenance equipment amortization cost arrangement is not eligible for funding by either the Provincial or Federal government.

At the conclusion of the 5 year contract with Connex, the transferable maintenance equipment, and non-transferable maintenance equipment; ie. the bus washer and fuel pump at the South Maintenance facility, will accrue to the Region. All maintenance equipment could be used to provide operations and maintenance services in successive contracts, either at the current locations or at future maintenance facilities.

5. FINANCIAL IMPLICATIONS

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.

The cost for this capital equipment buyout has been accrued in the 2005 capital budget in the amount of $1,206,488.79 and is proposed to be funded from the allocation to Rapid Transit of the Federal Gas Tax revenues as approved in the 2006 budget.

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, for which funds are included in the 2006 operating budget.

6. LOCAL MUNICIPAL IMPACT

There are no local municipal implications associated with this report.

7. CONCLUSION

This report recommends that in accordance with the YRT/Viva 2006 operating budget, 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,. The cost for this capital buy-out has been accrued in 2005 and provides a savings of $258,067 for YRT/Viva operations in 2006. Capitalization of this maintenance equipment also makes the costs of the maintenance equipment potentially eligible for reimbursement under existing Provincial and Federal *Quick Start* funding agreements. The current amortization cost arrangement is not eligible for subsidy under existing *Quick Start* funding agreements.

Respectfully submitted,

February 14, 2006
Newmarket, Ontario

Mary-Frances Turner
Vice President

(Report No. 1 of the Vice President of the York Region Rapid Transit Corporation was adopted, without amendment, by Regional Council at its meeting held on February 16, 2006.)