



The Corporation of the Town of Milton

Report To: Council

From: Glen Cowan, Chief Financial Officer/Treasurer

M. Paul Cripps, P.Eng., Commissioner, Engineering Services

Date: September 16, 2019

Report No: CORS-055-19

Subject: Milton Transit Service Delivery Contract

Recommendation: THAT Council approve the contract extension to Diversified Transportation - PWTransit Canada for a period of three (3) years effective July 1, 2020 to June 30, 2023 under the existing terms and conditions, including the continued coordination of mid-life, major component refurbishment and/or replacement and subject to inflationary and growth-related changes to the costing framework;

AND THAT Milton access+ specialized transit services be added to the existing contract extension;

AND THAT the Manager, Purchasing and Risk Management be authorized to execute contracts and the Mayor and Clerk be authorized to sign any and all required paperwork.

EXECUTIVE SUMMARY

This report provides a summary and recommendations related to contracted Milton Transit services. Staff initiated a comprehensive review and assessment of current service delivery considerations and implications. A number of key factors were investigated, including:

- Service Contracting and Current Market Conditions
- Benchmarking Contract Rates
- Evolution of Service Roles, Responsibilities
- Transit Facility Limitations
- Administration
- Long-term Service Planning
- Strategic Regional Considerations



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Based on this assessment, staff recommend executing a three (3) year contract extension with Diversified Transportation - PWTransit Canada, with the inclusion of a dedicated specialized transit program, effective July 1, 2020.

Based on the recommendations above, the cost of the conventional and specialized transit services is expected to exceed \$6 million per year during the contract term as outlined in the financial impact section of this report. The year-over-year change in service cost is projected to range between 3.4% and 6.8% for conventional service, and 0.8% to 3.1% for specialized service. These amounts consider the additional on-street supervision required, changes to the fixed rent and variable cost rates, as well as the projected maintenance requirements (for which final payment will be based on actual cost). These costs will be reflected in the 2020 Operating Budget and Forecast.

REPORT

Background

The Town has retained a dedicated transit service contractor since 2010. Guided by recommendations from the 2009-2013 Strategic Plan for Transit Services ([COMS-007-09](#), [COMS-033-09](#)), subsequent operational plan ([COMS-048-09](#)) and proposal award ([CORS-007-10](#)), the Town executed a six (6) year service contract with Diversified Transportation Ltd. - PWTransit Canada (herein referred to as "PWTransit") to provide conventional transit services, as well as a variety of supplementary functions and responsibilities, including:

- Establishing a local maintenance and storage garage facility (420 Morobel Drive, Milton);
- Providing on-street transit operations and supervision;
- Housing, maintaining and servicing Town-owned transit, support-vehicle fleet and associated assets (e.g. fareboxes, radios, Intelligent Transportation Systems (ITS));
- Managing parts and inventory;
- Implementing a customer service headquarters with phone support;
- Supporting the development of service programming/scheduling and retaining all necessary human resource requirements;
- Implementing occupational health and safety programs, training programs, and abiding by all legislative requirements; and
- Implementing a subcontracted, non-dedicated specialized service delivery model (using taxis) with a reservationist function and scheduling optimization software.

From a corporate standpoint, PWTransit is a full-service bus transportation company with diverse experience operating conventional and specialized transit systems, charter services, motor coach services, school bus services and employee transportation



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services. They have remained competitive in the marketplace, maintaining and/or acquiring a number of long-term service contracts across Canada over the last several years.

With cross-jurisdictional and multi-modal experience, including a head office for their Bus Coach Division located in Mississauga, ON (Pacific Western Transportation), PWTransit has been able to leverage resources and cultivate local business relationships to acquire competitive prices on goods and services for Milton Transit service delivery (e.g. parts acquisition, labour - service technicians, wash bay crew, operators etc.). PWTransit has continued to collaborate with staff to address and adapt to service modifications and growth. PWTransit has also been able to maintain flexibility with scheduling adjustments requested in short notice (e.g. accommodating time shifts in operator schedules to align with sudden and unforeseen changes in GO Transit Train departure and arrival times, as was experienced in Q2).

Contract Evolution and Context

In 2016, Council approved a contract extension with PWTransit under a restructured operating model to adapt to an evolving service delivery environment and planned service growth ([ENG-021-16](#)). Terms and conditions established in the extension provided a more financially transparent program with continued focus on customer service quality. The extension also provided staff an opportunity to manage day-to-day, short-term capacity constraints at the PWTransit leased garage facility, located at 420 Morobel Drive, Milton.

In 2018, Council approved a subsequent contract extension with PWTransit for a one (1) year period to June 30, 2020 ([CORS-042-18](#), [Res. 049-18](#)). This extension was recommended to reflect the following key factors at the time:

- Long-term service planning work that had yet to be completed
- Limited alternatives to address transit facility capacity constraints
- Lack of adequate staffing resources to commence and administer an efficient service contract transition, if required

While long-term planning work has since been completed through the 2019-2023 Milton Transit Service Review and Master Plan Update ([ENG-021-19](#)) and the Milton Transit Operations Centre Feasibility and Functional Design Study ([ENG-022-19](#)), some factors remain relevant at present. There are also governance uncertainties associated with the Province's undertaking of a Regional Government Review and the possible impact on municipal service delivery programs. This report provides an assessment of the current service delivery environment, recommending direction on contracted service operations with PWTransit.

Discussion



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Over the past several months, staff have investigated service delivery considerations beyond the contract extension term with PWTransit. The current contract extension with PWTransit expires on June 30, 2020. A number of key factors were investigated as part of this review:

- Service Contracting and Current Market Conditions
- Benchmarking Contract Rates
- Evolution of Service Roles, Responsibilities
- Transit Facility Limitations
- Administration
- Long-term Service Planning
- Strategic Regional Considerations

All factors are important to determine the ideal strategic position for the Town in the delivery of contracted transit services in the immediate term.

Service Contracting and Current Market Conditions

Contracting transit service has provided a number of considerable benefits to the Town. A review of the literature sites that the most common benefits include¹:

- Improved cost-efficiency, oversight
- Leveraged private sector knowledge and resources start and expand service
- Increased flexibility in how/when services are provided
- Minimized direct labour relations

A scan of the marketplace reveals that there are approximately 4-6 dedicated private contractors currently operating transit services in Ontario. Additionally, municipalities such as Innisfil have been experimenting with service provided by Transportation Network Companies (TNCs). Milton Transit operates approximately 50,000 annual service hours with a fleet of 23 buses to accommodate an annual 2018 ridership of almost 600,000 boardings ([ENG-008-19](#)). It is expected that current service quantity, ridership performance and anticipated growth, would collectively appeal to private contractors and market competition. However, the lack of an available transit facility in Milton greatly affects attractiveness (e.g. difficult acquiring facility space, managing assets appropriately, etc.). While TNCs typically do not require facility infrastructure, TNCs would not be able to accommodate Milton Transit capacity requirements, as evidenced by peak ridership levels and increased GO Train connections. TNCs may not also be adequately equipped with accessibility features to accommodate passengers with mobility needs.

¹ National Centre for Transit Research (2013). *Analysis of Transit Contracting Models and Proper Incentives for Long Term Success*. University of South Florida.



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Benchmarking Contract Rates

While a majority of transit service operations in Ontario is delivered in-house, there are a few examples of contractor-operated systems that can provide generalized comparisons of service rate trends. Table 1 illustrates service rates (defined as “Operating Expenses Per Service Hour”) for two (2) contractor-provided transit systems in the GTHA - and surrounding area): Barrie Transit and York Region Transit². Data has been standardized and adjusted to reflect only transportation operating costs for delivering services (e.g. including fuel and maintenance activities) while excluding any administrative support functions delivered by the municipality.

Upon review, Milton Transit average Operating Expenses per Service Hour over the last four (4) years is relatively comparable to rates observed at York Region and the City of Barrie.

Table 1. Contractor-Provided Services Cost Comparison

Barrie Transit	2015	2016	2017	2018	Avg Rate
Vehicle Service Hours	177,949	177,470	178,293	n/a	
Total Operating Expenses	16,179,368	17,368,253	18,165,808	n/a	
Operating Expenses per Service Hour	90.92	97.87	101.89	n/a	96.89
% Change	--	8%	4%	n/a	

York Region Transit	2015	2016	2017	2018	Avg Rate
Vehicle Service Hours	1,333,303	1,380,979	1,374,243	n/a	
Total Operating Expenses	155,160,651	163,383,411	167,700,890	n/a	
Operating Expenses per Service Hour	116.37	118.31	122.03	n/a	118.90
% Change	--	2%	3%	n/a	

Milton Transit	2015	2016	2017	2018	Avg Rate
Vehicle Service Hours	33,338	36,578	42,232	48,959	
Total Operating Expenses	3,416,845	3,528,628	4,307,469	4,631,246	
Operating Expenses per Service Hour	102.49	96.47	102.00	94.59	100.32
% Change	--	-6%	6%	-7%	

Evolution of Service Roles, Responsibilities

Since inception in 2010, the service contract with PWTransit has evolved. Implementing alternative service deliveries (ASDs) and adjusting to new/updated legislative requirements have expanded the breadth of contractual services. Examples of initiatives include:

- Evening GO Drop-off services (implemented in 2010)
- Trans-Cab services (implemented in 2011)

² Source: 2015, 2016 and 2017 *Canadian Urban Transit Association (CUTA) Fact Book*. 2018 data for Milton based on annual financial reporting. For comparison purposes, data excludes administrative costs borne by the municipality.



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- Scheduling advancements (to implement service efficiencies): route interlining, branching school special routing (2013/2014)
- Specialized transit service delivery adjustments ([ENG-038-13](#))
- Metrolinx Dynamic Transit Pilot Project ([ENG-004-15](#), [ENG-028-15](#))
- Pan Am/Parapan AM Games shuttle services (2015)
- Campbellville Pilot Transit Service ([ENG-002-17](#), [ENG-015-17](#))

The implementation of Automated Vehicle Location / Intelligent Transportation Systems (ITS) in 2017/2018 has also changed administrative roles for monitoring services. Staff are now able to access data in real time to address operational issues, which are important to support service plan adjustments.

Transit Facility Limitations

A fully functional, transit operations facility (also known as a transit garage or depot) is the backbone to the efficient and effective delivery of transit services by way of providing a safe and secure environment to maintain/service public-facing assets. This infrastructure support is a multi-year endeavor that necessitates long-term commitment, strategic coordination and investment.

PWTransit currently maintains and operates all Milton Transit programs out of a leased facility located at 420 Morobel Drive, Milton. As described in the Milton Transit Operations Centre Feasibility report ([ENG-022-19](#)), this facility has been modified/retrofitted to accommodate service delivery functions and a growing fleet. Over time, however, facility capacity constraints have surfaced and have introduced operational complexity and manual workarounds, ultimately affecting productivity.

Staff are aware of the increased service risk potential associated with a constrained facility and have worked with PWTransit to address short-term solutions. However, forecasted service growth plans outlined in the 2019-2023 Milton Transit Service Review and Master Plan Update ([ENG-021-19](#)) are not achievable under the current facility arrangement, given space requirements for bus storage, maintenance, administration and employee parking.

A scan of the local marketplace demonstrates limited transit facility options that are readily available in Milton without significant modification and/or long-term financial commitment. It is important to note that facility availability issues are not exclusive to PWTransit. If it were determined to be advantageous to enter the marketplace for a new service provider under a competitive bid process, other proponents would have similar limitations to seek an appropriate facility in Milton without incurring significant overhead costs. Therefore, the absence of an available transit facility (either Town-owned or other) would remain a significant barrier for soliciting competitive marketplace interest for contracted service delivery.



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On July 22, 2019, the Town received correspondence from the Ministry of Transportation (MTO) with respect to the second intake process for the Investing in Canada Infrastructure Program - Public Transit Stream (ICIP-PTS) for municipalities inside the GTHA. Under this program, the Town is eligible to apply for funding up to a \$7,187,583 combined Federal and Provincial allocation. Staff report ENG-028-19 recommends that this funding be used to support the development of a Town-owned transit operations facility to address facility needs for projected service growth. In the meantime, staff deem that 420 Morobel Drive can continue to provide useful life for service in the immediate term (with some off-site accommodation) while an alternative longer-term solution is formalized.

Administration

The current service contract with PWTransit is highly integrated, with complex terms and conditions, to ensure the Town's transit goals are achieved in an efficient and cost-effective manner. To date, staff have been able to administer the service contract through many phases of service modification and growth. Given how responsibilities have evolved as previously discussed, dedicated staff resources at current levels would have limited workload capacity to implement any contract transition without redistributing work plan priorities. For example, should the Town proceed to consider a competitive bid process for a new service contract in the immediate term, associated administrative responsibilities would include, but not be limited to:

- Developing a terms of reference, request for proposals (RFP) and process management
- Drafting a new service agreement
- Developing a comprehensive contingency/transfer plan to ensure transition does not impact customer-facing services
- Service orientation, asset inspection
- Licensing, insurance and administration
- Acquiring legal support services

Notwithstanding previously highlighted factors of transit facility limitations and comparable contract rates in the marketplace, staff contend that there would be uncertain economic and administrative benefit to initiate a service contract change at this time.

Long-Term Service Planning

In 2018-2019, the Town embarked on a 5-year Milton Transit Service Review and Master Plan Update ([ENG-021-19](#)). The Transit Master Plan provides a roadmap for the Milton Transit system that defines service requirements and a planning framework for decision-making. The overarching objective of the Master Plan is to achieve a



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balanced and sustainable transit network that manages Milton's current and forecasted growth.

The plan acknowledges that Milton Transit currently provides an efficient and effective service that is popular among customers through a well-administered contract. A summary of the plan's recommendations include:

- Improved services within Milton and connections to key destinations
- New, innovative service delivery models to cost-effectively meet transit needs in unique areas (e.g. low-density and developing areas)
- Defining service warrants to trigger service implementations/changes based on demonstrated demand, and a performance monitoring system to promote continuous improvement of service efficiency and effectiveness
- Strategic investments into new vehicles, passenger facilities and a Transit Operations Facility
- Applications of advanced technology to improve fare collection, customer information and service efficiency

The ability to implement recommendations from the Transit Master Plan is predicated on a number of key factors, one of which includes a stabilized service delivery model that can successfully operationalize modifications to the system. From an administrative standpoint, therefore, it may be strategically advantageous to maintain service contract consistency in the immediate term to focus attention on developing annual service plans to meet implementation timelines.

Strategic Regional Considerations

In 2019, the Province introduced a review of eight (8) regional governments, including Halton Region, to ensure they are working efficiently and effectively. The purpose of the review is to explore:

- Opportunities for residents and businesses to easily access municipal services;
- Processes to deliver efficient, effective services, respecting taxpayers' money;
- Methods to make municipalities open for business; and,
- Possibilities to cut red tape and duplication, and save costs.

Recommendations and/or regionalization efforts specific to transit operations have yet to be determined. Nonetheless, strategic investment toward public transit initiatives should continue to recognize long-term benefits and protect local interests. Similar to the recommendations outlined in ENG-028-19 to pursue ICIP-PTS funding for a new transit operations facility, the service delivery contract can also be viewed as a mechanism to maintain service stability and support locally-defined transit service levels in Milton.



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Notwithstanding the above, staff have considered the possible perception that entering into a service contract (or contract extension) could limit efforts for regional coordination of transit services. A contracted service delivery model as implemented in Milton is not expected to hinder any such process or evolution, as evidenced in GTHA regional jurisdictions with contrasting interregional operating models (e.g. Durham Region with both in-house and contracted transit services). Additionally, termination clauses in the current service delivery contract with PWTransit (and any further contract/extension) provide additional flexibility for the Town, subject to the terms and conditions permissible for contract termination.

Recommended Approach, Direction and Negotiation

Given the highlighted factors and the strategic direction of the Transit Master Plan, discussions were initiated with PWTransit to identify contractual considerations, including:

- Facility lease arrangement at 420 Morobel Drive
- Service contract options beyond June 30, 2020
- Inclusion of additional on-street supervisory function

The lease arrangement at 420 Morobel Drive between PWTransit and the property owner was renewed with a term extension effective July 1, 2019. Due to limited transit facility options available, the 2019 budget contemplated and accommodated a potential increase in lease costs.

In order to align a contract term with a potential transit facility build (outlined in ENG-028-19), a three (3) year term extension was negotiated with PWTransit. The contract extension would follow the current pricing structure, which provides clarity in determining costs relative to service delivery concepts, using a combination of variable, fixed and flow-through rates. Costs during the three-year extension period will therefore reflect changes due to inflation via updates in the fixed amounts with consideration for cost drivers and the Consumer Price Index (CPI). Fleet maintenance costs are represented separately and provides a more transparent reflection of the parts and labour costs required to maintain fleet assets in good operating order. Fuel costs remain a flow-through cost based on market rates.

To manage increasingly complex, day-to-day operations during service hours, the contract extension also identifies an added on-street supervisory support. In addition to existing supervisory support, this added support function will monitor service operations for the entire weekday service span. All estimated costs associated with the contract extension have been outlined in the Financial Impact section of this report.

Mid-Life Bus Refurbishment



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The Town currently budgets for a 12-year bus operating life for asset management and replacement purposes, which includes a forecasted mid-life major component refurbishment/replacement. Through the contract extensions in 2016 and 2018, it was deemed to be advantageous for PWTransit to coordinate mid-life work on the Town's behalf, recognizing the extensive downtime requirement for such work to occur and the associated potential impact on transit operations. PWTransit staff have been able to manage bus down time during mid-life work relative to current operating level requirements. It is therefore recommended that PWTransit continue to manage all midlife and major component repairs/replacement on the Town's behalf and as part of the three-year contract extension

Dedicated Specialized Transit Program

PWTransit has been administering the specialized transit program, including reservation/dispatching responsibilities and subcontracted taxi administration since 2014 ([ENG-038-13](#)). The centralized reservationist function has provided increased oversight of the specialized program while understanding unique and changing customer needs. As Milton access+ has grown, the management of scheduled repeat trips has become increasingly important to optimize efficiency and vehicle capacities. To address this change, as well as irregular customer service issues with taxi subcontractors, staff recommended that a dedicated service delivery model be implemented ([ENG-015-18](#)). The dedicated model would also bring together both conventional and specialized transit services into one contracted operation, leveraging cross-discipline expertise to promote integrated services and consistent messaging around customer independence and universal inclusivity.

Further discussions with PWTransit have defined the scope for the dedicated specialized transit program. Contractual responsibilities include:

- Specialized transit operators
- Fleet management of Town-acquired specialized mini-buses ([CORS-017-19](#))
- Expanded reservationist function to accommodate increased shared-ride trips
- In-vehicle data terminals for real time scheduling optimization
- Future customer online booking functionality

All estimated costs associated with the dedicated specialized transit services have been outlined in the Financial Impact section of this report.

Summary and Staff Recommendation

Based on a review and assessment of factors throughout this report, staff recommend executing a three (3) year extension PWTransit, with the inclusion of a dedicated specialized transit program, effective July 1, 2020.



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Financial Impact

The proposed contract extension is effective July 1, 2020 and has no direct financial impact in 2019. It should be noted that in 2019, the Town experienced a change in contractual costs due to an increase in lease costs incurred for 420 Morobel Drive. This increase was managed within the approved 2019 Budget, which contemplated this pressure.

The following table summarizes the estimated operating impact of the contract over the term of the extension based on existing service hours. It is important to note that several elements of the overall cost will fluctuate based on actual cost incurred (e.g. fleet maintenance, fuel), and the final inflationary pressures for some contract cost in this time period will vary based on actual index rate changes.

CONVENTIONAL SERVICE	2019	2020	2021	2022	2023 to June 30
Contractual costs based on service hours (1)	3,281,716	3,540,214	3,771,790	3,878,286	1,997,538
Maintenance (2)	688,161	745,433	808,611	880,036	480,207
Fuel (3)	617,243	615,299	613,075	614,107	308,245
Total (4)	4,587,121	4,900,946	5,193,475	5,372,429	2,785,990
Percent Change		6.8%	6.0%	3.4%	

(1) Includes variable operating costs associated with the delivery of revenue service hours, as well as fixed costs such as facility, dispatching and supervisory.

(2) Estimated costs provided by PWTransit taking into account the composition and age of transit fleet. Final cost based on actual.

(3) Fuel costs are based on 2019 rates but will fluctuate with the market rate changes in fuel.

(4) Excludes insurance and licensing costs that are in the order of \$220,000 for both conventional and specialized services.

The cost of transit service will not necessarily follow a consistent year-over-year change, as there are certain variables such as facility rent that are tied to other contractual obligations of PWTransit, as well as requirements for additional on-street supervision to maintain service monitoring. These changes, when combined with the updated variable unit rate and estimated maintenance projections, result in the year-over-year change that exceeds inflationary pressure. The 2020 Operating Budget and forecast for conventional transit will need be updated to reflect the revised estimated costs as outlined above.

The following table summarizes the estimated contractual increase associated with adding dedicated specialized transit services into the PWTransit contract.



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SPECIALIZED SERVICE	2020	2021	2022	2023 to June 30
Contractual costs based on service hours (1)	461,080	461,583	476,408	246,516
Maintenance (2)	98,096	102,914	108,367	57,226
Fuel (3)	86,292	85,971	86,070	43,257
Total (4)	645,468	650,469	670,845	346,999
Percent Change		0.8%	3.1%	

(1) Includes variable operating costs associated with the delivery of revenue service hours, as well as fixed costs

(2) Estimated costs provided by PWT transit taking into account the composition and age of transit fleet.

(3) Fuel costs are based on 2019 rates but will fluctuate with the market rate changes in fuel.

(4) Excludes insurance and licensing costs that are in the order of \$220,000 for both conventional and specialized services.

The impact of the specialized services contract increase will be incorporated into the 2020 Operating Budget. As presented in [ENG-015-18](#), it is anticipated that there will be minimal impact to the year-over-year budget resulting from this change in service model.

It should be noted that, although excluded from the above analysis, the following items may have a further impact on the costs associated with the contract, including:

- Service level changes identified through the TMP which would be brought forward to Council as separate decisions
- Expansion of transit service into new growth areas which would be incorporated through the annual budget process
- Potential changes to current facility arrangements required as a result of fleet growth.

Respectfully submitted,

Troy McHarg
Commissioner, Corporate Services / Town Clerk

M. Paul Cripps, P. Eng.
Commissioner, Engineering Services

For questions, please contact: Tony D'Alessandro, MCIP, RPP, Phone: Ext. 2548
Manager, Transit

Attachments

None

CAO Approval
Andrew M. Siltala
Acting Chief Administrative Officer

Signed on behalf of